COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COUNCIL COMMITTEE ON FINANCE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, 9/27/00
10:15 a.m.

- - -

BILL 000064 - Amending Section 19-1303(4) of the Philadelphia Code, entitled "Authorization to Offer Exemption from Real Estate Taxes on New Construction of Residential Properties," by eliminating an owner-occupied requirement for exemption, under certain terms and conditions

PRESENT: COUNCILWOMAN JANNIE L. BLACKWELL, Chair
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK DICICCO
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN ANGEL ORTIZ
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIAN TASCO

- - -

VINCENT VARALLO ASSOCIATES, INC.
Registered Professional Reporters
Eleven Penn Center, Suite 600
Philadelphia, PA 19103
(215) 561-2220

/00 FINANCE

I N D E X

(Written testimony of Duane Searles, Building Industry Assoc., attached hereto.)

/00 FINANCE

P R O C E E D I N G S

COUNCILWOMAN BLACKWELL: Good morning. This morning, the Finance Committee is called into session with regard to Bill No. 64. Councilman Nutter is on his way, but we have a quorum. To my left are Councilman David Cohen, Councilman James Kenney, and Councilman Frank DiCicco.

Having a quorum, we will now ask the clerk to please read the title of the bill.

THE CLERK: Bill No. 000064, an ordinance amending Section 19-1303(4) of the Philadelphia Code, entitled "Authorization to Offer Exemption from Real Estate Taxes on New Construction of Residential Properties," by eliminating an owner-occupied requirement for exemption, under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

We will now hear the testimony, which everyone should have now.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Thank you very much. Identify yourself for the record and proceed with your testimony.

/00 FINANCE

COMMISSIONER KAMMERDEINER: Good morning.

COUNCILWOMAN BLACKWELL: Councilwoman Tasco is also on her way.

COMMISSIONER KAMMERDEINER: Good morning, Chairwoman Blackwell and members of the Finance Committee. My name is Nancy Kammerdeiner, and I'm the Revenue Commissioner for the City of Philadelphia. I am pleased to be with you this morning to testify in support of Bill No. 64.

This bill will amend the section of the Philadelphia Code that authorizes the Real Estate Tax Abatement Program for new construction of residential properties. It will eliminate the requirement that these properties be owner-occupied in order to qualify for the tax abatement. It will do this by eliminating the phrase "owner-occupied" from the definition of an eligible dwelling unit, and it will also remove all references to the need for a certificate of owner occupancy that would be filed with the Board of Revision of Taxes.

These changes will make new apartment construction and any other construction of

/00 FINANCE

dwellings that are not owner-occupied eligible for the benefits of the Residential Tax Abatement Program. At the present time, this program provides for 100 percent of the assessable of the construction costs of eligible units be exempt from real estate taxes for three years. Once the enabling legislation that is pending before the state legislation is approved, then Bill No. 226, which was approved by this Council in June of this year, will increase that abatement period to a full ten years.

I understand that Bill No. 225 that is awaiting final passage of this Council will increase the tax abatement rate for improvements to deteriorated industrial, commercial, or other business properties, and this would include new construction, from three to ten years. It's expected that most of the larger residential construction projects that might benefit from the provisions of Bill No. 64 could also qualify for abatement under Bill No. 225.

Therefore, it is expected that the incremental costs to the City and the School District from the elimination of the

/00 FINANCE

owner-occupied requirement for residential tax abatement would be minimal. This minimal cost must then be balanced against the benefits of new construction. Those benefits would include wage tax, business privilege tax during the time of construction and the long-term economic benefits of having new housing stock in the City.

It is for these reasons that we support the passage of Bill No. 64.

COUNCILWOMAN BLACKWELL: Thank you very much.

Will there be a new procedure when a person applies for this abatement?

COMMISSIONER KAMMERDEINER: The procedures for abatement are really handled through the Board of Revision of Taxes, and I would expect that those procedures would really stay the same as they have been in the past but there will just be an additional number of properties that will be eligible for application for the abatement.

COUNCILWOMAN BLACKWELL: Will there be any effect, discriminatory or otherwise, against owners?

/00 FINANCE

COMMISSIONER KAMMERDEINER: I would see none.

COUNCILWOMAN BLACKWELL: All righty. And you say that there would also be an exemption if Bill 225 is passed. Do you know what the potential costs of that would be in conjunction with this?

COMMISSIONER KAMMERDEINER: I -- I'm not certain of the exact amount on that. I would have to pull out some things, if you can bear with me just a moment.

COUNCILWOMAN BLACKWELL: Okay, thank you.

Councilman O'Neill is here as well; let the record reflect this, please.

COMMISSIONER KAMMERDEINER: I have one thing that indicates an early review that we did of Bill No. 225 indicated that we would probably be looking at a cost to the City and the School District of about $28 million. But this was just in real estate taxes, it really did not look at the offset in terms of the gains that we would have from wage tax, business privilege tax, and other ways having offset from the stimulus that would be created by it, and so that's really a misleading number in and of itself.

We had testified about that before the passage last spring and had concluded that though we were concerned about the costs there, that the stimulus impacts could be beneficial enough and the impact could actually outweigh the initial losses in real estate tax. And it's my understanding that the Administration as a whole is supportive of the bill at this juncture.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman O'Neill, do you have any questions?

COUNCILMAN O'NEILL: Yes.

Commissioner, when the Administration meets on something like Bill 64 or Bill 225 and tries to determine whether this is something that should be supported, who gets involved in that discussion, which departments? Does Law get involved, does Finance, is it the Treasurer? Could you give me an idea of who the think -- what the think tank is on something like this?

COMMISSIONER KAMMERDEINER: It varies,

/00 FINANCE

depending upon the actual --

COUNCILMAN O'NEILL: Does the Planning Commission get involved?

COMMISSIONER KAMMERDEINER: -- nature of the bill.

COUNCILMAN O'NEILL: This bill --

COMMISSIONER KAMMERDEINER: But, for example, on this, I was just going to say that the staff from Revenue and also the Budget Bureau has used information from the Board of Revision of Taxes in order to make some initial calculations. The discussion in terms of the pros and cons of legislation include the Director of Finance, the Mayor's Office, the Budget Office, and the Revenue Office.

So specifically on these tax bills, we have conferred in terms of the numbers and the appropriateness of the policy of changing these particular bills.

The Law Department gets involved primarily from the standpoint of the legality of the legislation and provides advice. For example, in this case, without the State enabling legislation the 10-year full abatement is not

/00 FINANCE

something that can go into effect; it can't be implemented until we have the enabling legislation. And so that's an issue that was discussed with the Law Department early on.

COUNCILMAN O'NEILL: Right now, everybody gets three years.

COMMISSIONER KAMMERDEINER: Yes.

COUNCILMAN O'NEILL: This would make -- if the State legislation passed, this would make owners and, um -- owners of apartments and owners of homes equal with this rate if it passes.

COMMISSIONER KAMMERDEINER: With the legislation that's already been approved by this Council, the legislation would be in effect for owner-occupied dwellings. If you also approve Bill No. 64, then the owner-occupied requirement would be eliminated and all residential new construction could be eligible for the abatement.

COUNCILMAN O'NEILL: So right now, the apartments that are non-owner-occupied are eligible for the three years.

COMMISSIONER KAMMERDEINER: For commercial construction, or they could be eligible for new construction, commercial and new

/00 FINANCE

construction.

If you were talking about an apartment that was improvements and conversion from a commercial to a residence apartment, then it would come under another bill that does have a ten-year period.

COUNCILMAN DICICCO: Let me -- could I inject?

COUNCILMAN O'NEILL: Sure, but I'm not sure she followed my question so let me just --

COUNCILMAN DICICCO: Okay.

COUNCILMAN O'NEILL: My understanding is that if someone right now lives in a building that they own and rent out certain units, there's rules that apply to get the three-year abatement. What are they?

COMMISSIONER KAMMERDEINER: There are a certain number of units. The definition right now on an eligible unit limits it to an owner-occupied structure, and I believe it may say four units, up to four units.

COUNCILMAN O'NEILL: And is the whole building (inaudible) or is it one unit?

COMMISSIONER KAMMERDEINER: The whole

/00 FINANCE

building would be eligible but the owner would have to live in it.

COUNCILMAN O'NEILL: But if someone today, without any State enabling legislation, without this bill, built an apartment building of more than four units, what is the abatement on that?

COMMISSIONER KAMMERDEINER: They potentially could apply for a commercial abatement because an apartment building of more than four units would be considered to be business and could be eligible for a commercial --

(Unintelligible, parties talking over each other.)

COUNCILMAN O'NEILL: They'll get it under --

COMMISSIONER KAMMERDEINER: Under a different program.

COUNCILMAN O'NEILL: All right, they'll get it under commercial.

If we had extended, or if we extend, the ten years to commercial buildings, period --

COMMISSIONER KAMMERDEINER: Right.

COUNCILMAN O'NEILL: -- then we don't

/00 FINANCE

need this bill if the State legislation passes?

COMMISSIONER KAMMERDEINER: There could be some smaller construction units that might not be owner-occupied that --

COUNCILMAN O'NEILL: Like four and under?

COMMISSIONER KAMMERDEINER: There's a possibility that there would be some that would be missed there, but that's why I'm saying in my testimony that the impact on Bill No. 64, assuming the passage of Bill 225, would be very minimal because the difference in there would not be large construction units; they would have a smaller dollar impact per construction.

COUNCILMAN O'NEILL: So basically, the Finance and Revenue Departments crunch their numbers.

COMMISSIONER KAMMERDEINER: That's right.

COUNCILMAN O'NEILL: And to the best of their ability, they project what this is going to cost us.

COMMISSIONER KAMMERDEINER: That's correct.

/00 FINANCE

COUNCILMAN O'NEILL: And the Administration weighs that against what they think the benefits may be, meaning the Mayor's Office and policy-makers.

COMMISSIONER KAMMERDEINER: That's correct.

COUNCILMAN O'NEILL: And then we get to make those own judgments ourselves in here, in Council.

COMMISSIONER KAMMERDEINER: Yes.

COUNCILMAN O'NEILL: What troubles me is -- and I want to tell you, I voted no on the ten-year residential abatement. And the main reason I voted against it -- there were a couple -- was the lack of any evidence of but-for, a but-for tax. And I don't see any today either.

In other words, I don't believe one home has been sold in my district because of the abatement or that any more homes will be sold if it goes from three to ten. I have -- the only evidence is talking to people and talking to builders. Now, this person may buy because of it instead of someone else, but the builder is going to sell out the little development that he or she

/00 FINANCE

builds. They aren't -- you know, they aren't asking for three to ten, it didn't come out of the builders building in my district where most of the homes are being built. We're past that, that's past, it's up to the State to pass the enabling legislation.

Now we get into the real serious dollars and the real series subsidies of the dollars in Bill 64. The apartment market in Center City and the area to Center City adjacent is about as tight as you could possibly have it. And the only vacancy is from today till tomorrow, when somebody announces they're leaving and someone else is waiting, or ten people are waiting for that thing. It's a 0 vacancy rate. Now, in the marketplace, that drives construction, it drives renovations.

With nothing possibly more than you could have than that driving it, where is the evidence, where are the studies that show that but for establishing a ten-year rather than a three-year abatement, new construction will not occur or the major renovation of an existing building will not occur?

/00 FINANCE

I fail to see it yet, I haven't been presented with it. I don't hear it in the marketplace at all that, Boy, if only we had a ten-year abatement instead of a three-year abatement, we could build new apartments. And it may very well be true, I'm not doubting it.

'Cause this is -- I believe you're guessing and I'm guessing, you the Administration. And I would rather neither of us guess. I would rather have some real studies that are done that you could present to me, that you've hashed out, and the dollars equate to the plus side for the City. Because if what we're doing -- and we are doing it -- is subsidizing apartment development, there better be a better reason for me than, well, the benefit will be we'll have construction.

Well, we're going to have construction anyway. The marketplace -- people that develop apartments are very, very smart. And when there's a 0 vacancy rate, things happen. It's the same reason that nicer homes get built on secondary and tertiary sites that no one would think about building on five years ago with a down real estate market and now they want to bring single-family

/00 FINANCE

homes. It's incredible to even think about how quickly it can change when the market is so hot and people are so willing to buy and buy at almost any price because of what's going on out in the marketplace.

We, in turn, are handing over tax dollars to people that other people are paying taxes, and I don't see anything coming out of the Administration to indicate, other than anecdotal, Well, it's going to cost $28 million to the City and School District, but the benefit will be -- well, the benefit may happen anyway, and I think it's a pretty strict test that we're not meeting, that it better be a but-for test and not someone's opinion.

Opinions can vary. And I'll tell you, talk to the general public, and the opinion is that these wealthy developers shouldn't be subsidized any more than what we're already subsidizing them with the three-year abatement.

Is there any studies that show how much more construction we will have with a ten-year abatement than we'd have with the three-year? Are there any studies that show that it is bad public

/00 FINANCE

policy to subsidize duplex apartments, two apartments on streets that are residential or otherwise, which this bill will also do, where they're not owner-occupied and they tend to be blighted and we tend to have nothing but problems with them? There is no study for that. And yet the Administration comes in and says, Well, there's a big blanket over this thing and we're going to improve it.

What kind of studies do you have? 'Cause it's not just Center City; it's Northeast Philadelphia and other areas that get these apartments that cause most of the problems in the neighborhood.

COMMISSIONER KAMMERDEINER: I personally have not seen studies along the lines of what you're talking about, but I will not say they don't exist. And I see that Councilman DiCicco has --

COUNCILMAN DICICCO: Madam Chair --

COUNCILMAN O'NEILL: I'm talking about the Administration studies. I'm not talking about something -- Councilman DiCicco has a witness here. The Administration came in today and

/00 FINANCE

testified that they're in favor of this because we're going to have more construction if we do this than we will if we don't.

I just want to know that we aren't just creating more profits for developers if we do than if we don't. Because that's another opinion, 'cause that's all it is.

COMMISSIONER KAMMERDEINER: I can't really speak to studies along those lines in terms of the policy issue. I know that the Center City District and the Planning Commission and the Commerce Department approved some of these issues, but I have to say that I personally have not been involved and can't really comment on them.

I can investigate that further or report back to you in terms of what others in the Administration may have reviewed in terms of the policy side of this.

COUNCILMAN O'NEILL: Commissioner, if you have a 0 vacancy rate, that means that every apartment is being rented as it becomes available. Who would sit down and say, Look, we better subsidize apartment development because we need more apartments. Doesn't the marketplace take care of that, when there's demand?.

COMMISSIONER KAMMERDEINER: It does to an extent, but it doesn't necessarily cover the full cost of construction of the quality of buildings that we want to have.

COUNCILMAN DICICCO: Madam Chair, Madam Chair.

Councilman, if I could just really get to the point.

COUNCILMAN O'NEILL: Sure.

COUNCILMAN DICICCO: If you could reflect on -- the Councilman talks about Center City, and there is a 0 vacancy rate in Center City, and that's all well in good. But in my experience, outside of Center City, maybe with the exception of the Northeast Philadelphia, I don't see any development in secondary and tertiary sites anywhere in the City.

But I want to go back a couple years ago when we were debating a similar issue as to whether we should subsidize developers of vacant buildings. And it was said at the time that, you know, we're subsidizing wealthy people and the market will drive it. We have a healthy market,

/00 FINANCE

the economy was doing well all through the early '90s through '97, and all of those Class B buildings were still sitting there vacant.

COMMISSIONER KAMMERDEINER: I would agree.

COUNCILMAN DICICCO: Not until we did a conversion bill did we see those buildings being converted and being put to use.

So what -- is it safe to say that had it not been for the conversion bill -- I mean it's hyp -- it's guess work --

COMMISSIONER KAMMERDEINER: We can't say --

COUNCILMAN DICICCO: And the likelihood is -- and I'm not putting words in your mouth and I want you to correct me if I'm wrong -- for six, seven years, our growth and demand for Center City development and units, it wasn't happening until we did the conversion bill.

COMMISSIONER KAMMERDEINER: We didn't expect at the time the conversion bill went through that the impact would have been as strong as it was. We looked at the history of what had been going on before and thought that there might

/00 FINANCE

be a few more units stimulated as a result of that legislation, nowhere near the number that have come about, and the vibrance of Center City and the 0 occupancy rate has been referenced.

It may be coincidental to that, it may have happened anyhow, but we can't say it -- it is there now and that seems to be a major factor in a lot of the construction activity that's taking place to improve those Class B buildings. We don't have a similar capability in terms of the new construction, and I think that's what you're heading for with the --

COUNCILMAN DICICCO: That's exactly where I'm going.

As a result of the conversion bill, and for all intents and purposes, in Center City, which we're speaking of at the moment, there are very few Class B buildings left, and those that are left are not suitable for conversion for whatever reason.

As a result of all of that and the 0 vacancy rate, there is no -- with the exception of the DePaul project, there really is no new construction for residential units. And I'm being

/00 FINANCE

told that -- and I see Bob Guzzardi is already shaking his head and I'm sure he'll testify, but I've been told, in speaking to developers, that the reason it hasn't been done is because it's still -- with the good economy and the demand, it's still difficult for developers to be able to build these units because of the financing. And the abatement gives that a little bit of an edge that they would get similar to what they get in commercial.

COMMISSIONER KAMMERDEINER: We were originally concerned primarily about 225 because of the potential conflict with the conversion legislation and thought that we would force people -- maybe not force, but encourage people to go to new construction instead of completing the conversion of the existing buildings, but we've seen more and more information that indicates that, as you've just said, that we are reaching the saturation point on the conversions, and if we're going to continue that stimulus, it may very well need to be in the new construction area instead.

COUNCILMAN DICICCO: And the only other

/00 FINANCE

comment I would make is that -- and I am one who has and Councilman Kenney has always supported me 'cause we live in the same neighborhood. We have always had a problem with the overabundance of conversion of single-family dwellings into multifamily dwellings. And the way we control that is through zoning. We've done a couple of remappings and brought everything back down or up to a single family, so it requires a property owner developer to have to go in front of the Zoning Board for approval to do a conversion. And that's the -- the best tool I think we have when we have to do anything in the City is zoning.

So there are times that we support conversions and there are times that we don't support conversions. And for me, it's worked very well in the five years that I've been here.

COUNCILMAN O'NEILL: Well, let me deal with the zoning first, 'cause the Councilman and I discussed it off the record.

I don't have any zoned areas in my district for apartments. That doesn't mean that the Zoning Board doesn't grant against neighbor' opposition to duplex variances. And it doesn't mean that every neighborhood has the wherewithal to then engage in a court fight that is going to be very, very expensive and cost thousands of dollars for maybe two or three duplexes in the middle of a residential area.

Zoning is just one part of it. Not incentivizing, not subsidizing is another part of it. This subsidizes duplexes in the 10th District, it subsidizes and incentivizes developers who don't live there to build more and more and more. And that's just plain matter of fact.

As far as the Type B buildings that have been developed, we'll never know, with the economy that we have, whether they would have been -- but I thought it was a great idea at the time considering to say that if we were not in this kind of economy and we didn't have a 0 vacancy rate and we had some pretty beat-up buildings. The hotels took most of the good ones and the apartment developers have taken many others.

However, people that -- the only two projects that I'm aware of is the one on the riverfront that Councilman DiCicco mentioned,

/00 FINANCE

which I believe was moving well along -- and people can keep shaking their heads now, but it was moving well along without any condition that there be a ten-year abatement.

COUNCILMAN DICICCO: I --

COUNCILMAN O'NEILL: The Connolly job out in Venice Island in Roxborough, while there's a lot of controversy with the variance case and the environmental and all of that that's going out there, the joint venture on Venice Island -- and there's, I think, two other projects out there. I have not heard anything about, Boy, we still won't do this if we get all of our zoning hurdles accomplished unless we get a ten-year abatement.

Now, am I missing something? Is the Planning Commission getting information that isn't coming to the Council about that? And if they are, why isn't it on the record?

COUNCILMAN DICICCO: I think --

COUNCILMAN O'NEILL: I just asked if the Planning Commission is involved in these decisions, and I didn't hear anything about the Planning Commission.

COUNCILMAN DICICCO: The DePaul project

/00 FINANCE

-- I've been working with Peter DePaul nine months on that. Two things. One, he was anticipating this bill being passed and he's worked very closely with Senator Salvatore and John Perzel in the House. And it's my understanding that either last week or the week before that the bill passed unanimously in both the House and in the Senate. And it also did require a certain amount of subsidy, most of which came from the DRPA, which, in a sense, I guess you would consider it to be public meeting. It's about 5 to $6 million in deck improvements for the peer structure.

Had that not occurred, had he not anticipated the abatement, I don't know if that project would have gone forward. Let's even assume for a moment that he would have done it. I can show you examples of dozens of other developers who want to do things.

And Steve Klein, who may come in in a short while hopefully, was here in the spring to testify that he wanted to build a luxury high-rise apartment building at 18th and Vine, where the surface parking lot is across from the courthouse.

/00 FINANCE

And unless he gets an abatement, he'll never be able to do that. It just won't --

COUNCILMAN O'NEILL: So we basically contribute to the construction of the project when we do this.

COUNCILMAN DICICCO: We --

(Unintelligible, parties talking over each other.)

COUNCILMAN O'NEILL: -- these same developers say, and I don't think the City would depart from this, We're going to give you a 5 percent equity share in the building because, first of all, you helped us build it. And it could be a parking garage tomorrow that we're talking about. They've done it out in Oakland recently, where the city just contributed land and had a (inaudible) in the business actually in that case.

But, you know, at some point, when we're giving away, and we're not sure whether we are giving away -- I don't care what studies we do have whether it was a but-for case, but does anybody say to us, Boy, if this does as well as I think it does, and it couldn't have happened

/00 FINANCE

without your help, here's what's in it for you, City, from me, not from all these strangers, say, that are out here that we're going to figure in (inaudible). At some point, that has to become -- and I know the Law Department (inaudible) now suing the tobacco companies and gun companies, but maybe we should be looking at entrepreneurial ways of getting a piece of the action when we're giving away the store up front candy, and when the candy starts getting made later, maybe we can get some of the candy. 'Cause right now, we're getting nothing.

COUNCILMAN DICICCO: I guess -- not to debate you, Councilman, but I think the benefit that we get out of this: A, we get new construction; B, if you look at the statistics, 65 or 70 percent of the construction --

COUNCILMAN O'NEILL: I meant anything from the developer back after we've given them the --

COUNCILMAN DICICCO: Well, for me, what we get back as a city is, we get -- A, we get new construction, which creates jobs. And we're bringing in, if you look at the statistics, 65 to

70 percent of the people who are moving into these new units or converted units are formerly non-Philadelphia residents. So we're actually repopulating some of our neighborhoods. And I will grant that most of that repopulation has taken place in Center City and maybe in the Northeast --

COUNCILMAN O'NEILL: Well --

(Unintelligible, parties talking over each other.)

COUNCILMAN DICICCO: But in other parts of the City, we're not experiencing that, and I'm hoping that this gives an incentive for developers to come and begin to take those secondary and tertiary sites to begin to develop either single-family housing or multifamily housing.

Obviously, the District Council people will have a say in what goes in there, whether it's single-family or multifamily. And if this gives the people an opportunity to say as marketing tool, we'll build these homes, offer the potential buyers a ten-year abatement as an incentive to either move into the City or at least not move out of the City, I think we've gotten

/00 FINANCE

something in return for our investment.

COUNCILMAN O'NEILL: (Inaudible.)

COMMISSIONER KAMMERDEINER: I'm sorry I'm not sure what question is being addressed to me at this point.

COUNCILMAN O'NEILL: None, as far as I know.

COUNCILWOMAN BLACKWELL: Thank you very much, Councilman.

Councilman DiCicco, any questions? Any questions from any other members of the committee?

(No further questions.)

COUNCILWOMAN BLACKWELL: Thank you very much.

COMMISSIONER KAMMERDEINER: Thank you.

COUNCILWOMAN BLACKWELL: Please for identify yourself for the record and begin your testimony.

MS. RUBIN: Thank you. My name is.

COUNCILMAN O'NEILL: Excuse me, we have an Administration witness from the Planning Commission? Didn't you say?

COUNCILMAN DICICCO: I don't see any.

COUNCILMAN O'NEILL: So any studies we

/00 FINANCE

have are not studies that the City has done.

COUNCILMAN DICICCO: I think the Planning Commission testified back in the spring. I mean, I --

COUNCILMAN O'NEILL: I asked the Commissioner and she didn't have anything.

COUNCILMAN DICICCO: They did testify back in the spring.

COUNCILMAN O'NEILL: Okay.

MS. RUBIN: My name's Ann Rubin. I'm Legislative Chair and President-Elect of the Greater Philadelphia Association of Realtors. I'm also a broker.

And before I give my formal testimony from the Association, I'd like to address some of the issues that Councilman O'Neill brought up. Councilman, is the Scotch Brook development in your district?

COUNCILMAN O'NEILL: Yes, it is.

MS. RUBIN: Okay. That is an absolute prime example of what tax abatement can do in your district specifically. Without that tax abatement, they would not have sold as quickly, would not have occupied as quickly as they did.

/00 FINANCE

We brought people in that were looking outside of the City for properties that came in because the tax abatement allowed them to come in, and even with the City wage tax, could afford to be there. And many of those people, once they were there, they found the schools not to be as bad as they thought and the crime not to be as bad as they thought and have since bought bigger homes inside of Philadelphia because it was more affordable for them to get what they wanted in Philadelphia.

Without being able to sell them that through the tax abatement --

COUNCILMAN O'NEILL: I disagree with you. That's an opinion. That was 20 years ago.

MS. RUBIN: If you look at the records --

COUNCILMAN O'NEILL: It was a very modest abatement at the time.

MS. RUBIN: But at the time, that modest abatement --

COUNCILMAN O'NEILL: I beg to disagree.

MS. RUBIN: -- was enough to get people in Philly.

COUNCILMAN O'NEILL: Well, that's your

opinion.

MS. RUBIN: If you look at the records also, you'll find that the tax abatement did bring those people in because of the tax abatement, because if you look at the records three years later and for the quantity of homes that were on the market three years later when the tax abatement was up, it's astounding. The next year, we saw a tremendous turnover in Scotch Brook because people came and bought, then when the tax abatement was up, they either then went and bought bigger or moved back out of the City.

So it's very clear and I can pull those statistics out.

COUNCILMAN O'NEILL: It's also clear that at the time, there was a very modest homeowner abatement, up to $70,000 of market value, which was very, very modest, and it was for three years, and it was a full abatement of five years for anyone who bought one and rented it out, including the owners who built. So Scotch Brook is a long discussion and it's almost 20 years old.

But it's an opinion and I just disagree

/00 FINANCE

with it.

MS. RUBIN: Well, you've asked for some, you know, where you've seen it, and you haven't seen it in your district that there's been a benefit to tax abatement.

COUNCILMAN O'NEILL: I disagree. And I've talked to enough people that said, you know, it's so modest, that it wouldn't matter if we didn't do it. That's my opinion.

And people are real happy now, you know, that are planning to build houses and they're getting ten years instead of three years, they're thrilled. But, you know, somebody else is paying them 7 years worth of not having to pay 3, 4, $5,000 in taxes.

MS. RUBIN: They are also staying in the City for ten years now instead of three years, as they did in the past, which keeps their dollars and which keeps them rooted longer in here, which begins the process of their raising their children here. And at a certain point, people don't move quite as easily. So with a ten-year tax abatement, you're holding on to people in the City for a much greater period of time, with the potential of --

COUNCILMAN O'NEILL: And their resale actually becomes higher with a tax abatement attached to it. The tax abatement doesn't stop when the person sells it. They sell the tax abatement with the property --

MS. RUBIN: I understand that.

COUNCILMAN O'NEILL: And so it just adds value to their resale later.

MS. RUBIN: I understand that, but there are people that are holding on because of the tax abatement, because of the affordability of the housing.

We can take a step further to a three- or a four-unit building. I work with many investors, and when they are looking to totally rehab a property and they have an option between a single unit residential property or a two-, three-, or four-unit property, the tax abatement does come into play for them in making their decision dollars and cents of whether they're going to rehab.

I had somebody turn down a (inaudible) building at Somerdale and Princeton, which I don't

/00 FINANCE

believe is your district, but is in Northeast Philadelphia, which needed a total rehab done but chose instead to buy individual units, single units, because of the availability of the tax incentives for them.

So I clearly see every day in my practice the difference between having a tax abatement or not, and we're not even talking about turning residential neighborhoods into rental neighborhoods; I'm talking about where the buildings are existing and have deteriorated. And it is all over Northeast Philadelphia as well as in other parts of the City.

COUNCILMAN O'NEILL: Ms. Rubin, if we were talking in any of these bills about targeting areas, then everyone would agree that no one's thinking about building, no one's thinking about rehabbing, there's no new construction going on for years and years. And if this was a piece of the puzzle, I'd be thrilled. You can't do that. I tried to take my district out of this legislation last year because I don't need it, because it's only going to hurt my district, in my opinion.

/00 FINANCE

MS. RUBIN: I'm aware of that, Councilman. You take your district out of many bills.

(Unintelligible, parties talking over each other.)

COUNCILMAN O'NEILL: And we can do it on some things like homeless bills but we can't do it on tax abatements.

MS. RUBIN: Okay.

COUNCILMAN O'NEILL: So if there was a way for this not to affect new construction of apartments in my district, albeit it has to go through the Zoning Board first, I'd be maybe sitting in a different position, looking at more studies, more opinions.

But no one has to tell me where the blight is in my area. The blight is in apartment buildings and non-owner-occupied duplexes, period. And I don't really want to go out and say, Boy, it's great now that we're subsidizing and incentivizing more of it, 'cause that's what we're doing.

MS. RUBIN: Okay.

COUNCILMAN O'NEILL: There's no way we

/00 FINANCE

can cut off the riverfront or 13th and Chestnut from this area that I'm talking about in the Northeast.

MS. RUBIN: Well, I think we'll just have to agree to disagree, and if you'd like some statistics, I'd be happy to supply you the statistics --

COUNCILMAN O'NEILL: Yeah, that's fine.

MS. RUBIN: -- that I have available, and I would like to read the testimony at this time.

The Greater Philadelphia Association of Relators is in support of Bill 64, proposed by Councilmembers Frank DiCicco and Jim Kenny. The legislation eliminates a segment of Bill 226, exemptions of real estate taxes on new construction, already passed by City Council on June 22, 2000. By taking out the owner-occupied requirements, the legislation becomes less restrictive on potential investors, builders, and developers.

It is for these people who still maintain the tenacity and determination to build new homes in Philadelphia, regardless of various pressures imposed by City agencies, utility companies, et cetera, that this bill is needed. This bill will offer the support, encouragement, and motivation needed to reduce risk and the project's time on the market.

As this esteemed panel knows, Philadelphia has lost a great deal of its population over the past ten years. This population loss means less revenue collected in taxes. We understand and acknowledge that the exodus is derived from various factors such as schools, crime, wage tax, transfer tax, insurance, et cetera. However, if Philadelphia can be placed in the same competitive playing field as our suburban counties, we believe people will come back and invest in the City.

This proposed legislation will begin what we strongly believe will be the rebirth of investing in Philadelphia. To limit, suppress, or otherwise inhibit an investor, developer, or builder from developing in this city is not proactive and definitely not what the City demands.

In summary, the Greater Philadelphia

Association of Realtors respectfully requests City Council to pass this proactive legislation. We ask the City to welcome and embrace potential investors with open arms and not tie their hands. Simply stated, nothing ventured, nothing gained.

And I'd also like to mention that you have testimony on record from the Chamber of Commerce* and from Duane Searles of the Building Industry Association of America* strongly supporting the passage of this bill.

(*Copies of this written testimony and Ms. Rubin's testimony were not provided to stenographer for attachment hereto.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any other questions for this witness?

(No further questions.)

COUNCILWOMAN BLACKWELL: The Chair would like to note for the record that Councilman Ortiz has also joined us. And Councilman Nutter also been here for a while; he's a member of this committee.

Thank you very much.

/00 FINANCE

(Witness comes forward).

COUNCILWOMAN BLACKWELL: Sir, would you identify yourself for the record and proceed with your testimony.

MR. JACOVINI: Yes, thank you. My name is Frank Jacovini, President of the Greater Philadelphia Association of Realtors. I just wanted to add a comment or two about the proposed legislation.

It is in our association's and members' opinions that it is a bill worth passing by Council. Any initiative that City Council can create as far as incentive for builders and homeowners alike would be to the benefit of Philadelphia as a whole, not only in separate Councilmatic districts; we're looking at the benefit of this City as a whole.

Councilman O'Neill, I under -- from what I hear of your comments, you have more concern about multifamily units being placed in residential sections and destroying the makeup and the value of a residential street or community, and I could appreciate your concerns. That, I feel, would be an issue that would be raised when

/00 FINANCE

the proposed owner or builder would be interested in putting up some type of multifamily dwellings, and neighbors in that community have the right to go to L&I and to oppose any type of zoning change.

As far as any type of income loss from the revenue generated from real estate tax, we feel it would be offset by wage tax, building construction sales and revenues and the like.

And that's pretty much all I wanted to add to the testimony submitted before you.

COUNCILMAN O'NEILL: If City Council acted as the Zoning Board even on select cases like the ones you mentioned, I wouldn't have a problem. It's the Zoning Board that's the problem, and it's people's inability oftentimes to fight on cases that are fairly small in scale and appeal.

Thank you.

MR. JACOVINI: Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Are there any other questions for the witness?

COUNCILWOMAN BLACKWELL: Councilman

/00 FINANCE

Cohen.

COUNCILMAN COHEN: I guess I'm having trouble with some basic concepts. When abatements first were raised in City Council, say, with the Rittenhouse Hotel, I believe that was the first major push. The case was that real estate was down, we needed incentives for people to come in. That hotel could not manage to get started, again, unless there were some dollars thrown in by the City to form those tax abatements, and we were helping what seemed to be a dead industry, the building or rehabilitating of hotels.

Now the same claim is being made for the same kind of benefits, when the economics is totally changed. And I'm wondering, is it that -- what's going to be happening down the road five or ten years from now, what's going to be the situation? As the abatements begin to expire, we're going to hear that they can't sell these places unless the abatement is renewed, or there will be major exoduses from the City unless the abatement is renewed.

Aren't we in effect granting lifetime abatements? And does that make sense at a time

/00 FINANCE

when we have a population that's testified last night that it can't afford the gas rate increases, but then we bring in much more affluent people and give them tax abatements benefits not available to the people who have trouble paying their gas bills?

I just have great trouble in understanding these new theories in abatements, TIFs, and that kind of thing. Could you explain that?

MR. JACOVINI: Councilman, no, and I'm not familiar with the project you mentioned.

COUNCILMAN COHEN: The Rittenhouse Hotel at 19th and Walnut.

MR. JACOVINI: And Walnut. And, again, I'm not familiar with how that was set up and everything.

My opinion basically would be that Philadelphia's at a point now where we're losing population and we need to do something proactive instead of reactive, and think this bill is a proactive stance.

Will it create problems ten years down the line? I don't know. I don't think anyone

/00 FINANCE

does know. But today, we need to do something that's going to generate some activity, some interest in building in the City and bringing people back into the City and keeping them in the City.

Is the abatement the answer? I don't know if that's the answer but to me, it sounds like something we ought to be doing at this point in time to generate some activity in the construction field and to put some new construction into the City, which will then create some interest for people to buy into this city and stay here.

COUNCILMAN COHEN: Well, the real estate market is supposed to be extremely hot.

MR. JACOVINI: It's hot in certain areas. But over -- in the big picture, it's not. It's stagnant in most areas. Center City, yes it's hot and values have increased dramatically, but that is because of in the past eight years, there was a lot of attention placed on Center City and then the market built from there.

But when you look at the neighborhoods surrounding Center City, it's still (inaudible)

/00 FINANCE

and values haven't increased whatsoever.

COUNCILMAN COHEN: Well, a city like this, say, if you covered the blighted areas of the City, you might save the City a lot of money in dealing with blighted areas if there were private investment in the blighted areas. And maybe in the eyes of my colleagues to my left, Councilman DiCicco and Councilman Kenney, maybe there's going to be a great resurgence in the blighted areas, but I would like to see some evidence of that.

Is that where you're thinking the apartment buildings are going to take place? Or is it going to take place in the areas that are already in pretty good shape?

MS. RUBIN: Councilman Cohen, if I may address the area of -- the Center City area.

COUNCILMAN COHEN: Yes.

MS. RUBIN: It's needed there also. What's happening in the market in Center City is that the prices have skyrocketed. It's just appreciated because there's such a demand. The buildings that are in disrepair are also going at very high prices right now. And to give people

/00 FINANCE

incentives to go in and work on these buildings, that's where this can be beneficial. People aren't going to -- don't want to go in because of the prices now and how high things are in Center City.

So, yes, we are looking at the real estate market. We don't want to get down and dirty and change things; we want to be able to maintain this good economy and this good market and this good rental atmosphere by maintaining buildings that are needed. And there are buildings that -- everything is not beautiful in Center City, everything is not up to snuff and totally rented and rehabbed. There's still plenty to be done there, but the prices are prohibitive and this will help give incentives to the investors to keep coming back there and maintaining it.

COUNCILMAN DICICCO: I think, Madam Chair, Mr. Klein is here and Mr. Bartlett from DePaul. These are developers who may be able to shed some light on some of the things that they face when they make decisions or contemplate decisions to develop in the City of Philadelphia,

/00 FINANCE

and it may help with this discussion at this time.

COUNCILWOMAN BLACKWELL: Thank you very much. We'll be very glad to hear their testimony.

(Witness comes forward.)

MR. KLEIN: Thank you, Madam Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you so much. Please identify yourself for the record and proceed.

MR. KLEIN: Good morning. My name is Steve Klein and I'm the president of the Klein Company. We specialize in building apartments. Our development has been primarily in Bucks and Montgomery and Chester County and down in Orlando, Florida. We've owned a site at 18th and Vine for 12 or 13 years. We presently park 250 cars there. We would like to put up a high-rise apartment complex and we've been working on that.

And the problem is, we cannot make the numbers work. Basically, the costs of building in the City are more than double what they are in the suburbs. For example, it might cost us $40 to $45 a foot to build in the suburbs, the old-fashioned stick construction. And in the City, we're talking about $110 and up a foot. The rents --

COUNCILMAN COHEN: Madam Chair, could I ask that you explain why. What's the difference?

MR. KLEIN: The difference is, we're using wood frame construction for two and three stories in the suburbs; in the City, we're using concrete construction. Our labor costs are substantially higher and also --

COUNCILMAN COHEN: Why are the labor costs higher?

MR. KLEIN: Well, I think --

COUNCILMAN COHEN: Is it because of the materials used?

MR. KLEIN: Well, the materials are certainly higher because you're using concrete as opposed to wood. And also, we have a union system in the City which is higher labor costs than we do in the suburbs, and I think that is a well-known factor, and that's just the way it is. But the costs are more than double.

And the other factors you have that deal with the property is that the taxes are about double. The taxes in the suburbs are about $1,000 a unit on an annual basis; those taxes in the City

/00 FINANCE

would be $2,000 to $2500 a unit. Your operating costs are also higher in the City due to factors including your labor factors.

So when it's all said and done, the costs are more than double.

The rents factor is that although the rents have been going up in the City for rental apartments over the last three to five years, the rents have not gone up enough to justify new construction. And that is demonstrated by what I'm saying. By just looking around in the City, you have not seen new construction of any apartment buildings, except for the DePaul organization, which has announced that they are going to do a project down along the waterfront. I'm told, although I don't know personally, that there is a $6 million subsidy there, which helps them make that project work, dealing with one of the agencies along the waterfronts.

And I can sit here today and say to you that although I've got a building designed and I have gone through the neighborhoods and had the most interesting experience in my life after I made a presentation to the Logan Square

/00 FINANCE

Association, they applauded. I looked perplexed because developers usually don't get applauded when they make introductions about their product. And they said, "You look perplexed. What confuses you?" And I said to them, "You applauded," and they said, "Well, we'd love to see an apartment complex there rather than 250 cars, which we've seen over the last 10 or 12 years."

So what I'm here to tell you today is that you haven't had -- I mean you, being the City of Philadelphia, has not had in the last 10 to 12 years any new apartment complexes built other than proposed DePaul project. You only have the renovations of the Class B and C office buildings, which has occurred because of the tax incentive bill that you passed three or four years ago, and that has produced new housing in the City.

So without this tax incentive that you're considering today, it is my opinion that people like myself cannot and will not be able to make this new apartment work. I can't make mine work, and I certainly have tried long and hard. I've been on that site for, as I say, 12-plus years, and I can't make it work unless I get some

/00 FINANCE

kind of tax incentive here, which would give us the ability to put this building up.

I'd be glad to answer any other questions.

COUNCILMAN COHEN: What specifically would a tax incentive do for you in this development?

MR. KLEIN: What the tax incentive would do, it would increase the operating income available to service the higher mortgage that we have to have in order to finance the higher cost of construction.

COUNCILMAN COHEN: What would be the impact on the rental charges?

MR. KLEIN: The impact on the rental, probably it would be -- it would not subsidize the rental because the rents aren't high enough to let the project work without the subsidy.

And the facts speak for themselves -- nobody's building. So I'm not the only guy in town who can't make the numbers work.

COUNCILMAN COHEN: All right, thank you.

COUNCILWOMAN BLACKWELL: Thank you.

/00 FINANCE

And we might also note that Councilwoman Tasco is now here, the Vice Chair of the committee.

MR. KLEIN: Thank you for your time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Is Mr. Bob Guzzardi here? Pennsylvania Real Estate Owner Association.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Thank you. Kindly please identify yourself for the record and proceed with your testimony.

MR. GUZZARDI: My name is Bob Guzzardi, and I am the Chair of the Pennsylvania Residential Owners Association, which is a statewide organization of rental property owners, mostly small owners, although there are several larger owners. Typically, the membership of the PA Residential Owners Association is in the far suburban areas -- Schuylkill County, West Moreland County, Pittsburgh, Allegheny County, throughout the State.

We are very interested. And I'm from Philadelphia. My company is Chancellor

/00 FINANCE

Associates, and my brothers and I own about 750 units in Center City, Philadelphia in the 13th and Locust area, and our company also manages another 500 units in Philadelphia and outside of Philadelphia. We are primarily operators and not developers.

But we are very -- I have lived in -- I moved out of the City about three years ago, but I lived in the City for 35 years. And I see Councilman O'Neill is here and perhaps he can explain to me why, with this booming economy, 13th Street still looks the way that it does, which is an undeveloped area. You can walk out there -- and you don't have to take my word for it. Walk down 13th Street right now from the Convention Center all the way down to Spruce, to Pine and further south.

There is not evidence of the same kind of new development, for example, that Councilman Nutter's district has evidenced in Manayunk. And one wonders why two sections of the City would respond so differently to the economic conditions. I would not focus on the economic conditions generally in our country. Philadelphia

/00 FINANCE

is still losing, as we speak, 8,000 people a year. That is a big number that you have to face.

Councilman O'Neill sort of takes the view, if I understand him correctly, and maybe he'll contradict me, but he doesn't want any renters in his Northeast district. If that's correct, then I could properly represent Councilman O'Neill's position that he doesn't want renters in the Northeast Philadelphia, we will so represent that. I want to be clear on it and we will take that into accountant. If you want to say we don't want renters in Philadelphia, then that's what you can say too.

Councilman DiCicco has not said that, Councilman Kenney has not said that, Councilperson Blackwell has not said that. As far as I know, only Councilman O'Neill doesn't want renters in his district.

And I want to point out that as he targets wealthy developers, renters live in wealthy developers' homes, in their houses, in their buildings. And I can tell that you that the people that live in our buildings, many of them are studios, they are not wealthy people, but

/00 FINANCE

they need a nice, clean, affordable place to live. And that's what we provide.

Center City is doing great. That is exactly as a result of what Councilman DiCicco's bills did with the apartment renovations, which the Administration, Mayor Street and Council supported.

Paul Levy has done a detailed study which has been presented to this Council, I think, in May of 1999. It is a detailed, hands-on factual study of what exactly was the result of Councilman's DiCicco's bills. I have had interest in Councilman DiCicco's bills throughout Pennsylvania -- Williams Port, West Chester, the Borough of West Chester. Other areas that are losing population are interested in this type of tax abatement bill.

At the State level, Frank Salvatore, a Republican with bipartisan support, had Bill 1271 go right through and pass with no problem. Everybody is in favor of putting populations back into Center City. What happens in Center City is (inaudible) sprawl. If you are looking at Center City alone, you don't seem to want to bring people

/00 FINANCE

back into the City and do what has to be done. You have the issue of sprawl at the State level because people are sprawling out of Center City, out of the inner suburbs, and out further.

What happens is, Philadelphia has a larger impact on the rest of the State, and the State government knows it. That's why Senator Salvatore was so successful in getting this bill passed so quickly, because they understand that Councilman DiCicco's bills are things that bring incentives back to the City.

And there's one conceptual point that I really have to take strong objection to, and even Steve Klein and Councilman DiCicco, you've been using the word "subsidy." This is conceptually incorrect. The tax dollars are my dollars. You, the government, an instrument of coercion and force, takes those dollars away from me. There are reasons for it, this is certainly acceptable, but the dollars are mine in the first place. This is not a subsidy to me; you are letting me keep more of my money and not taking so much away. It is not a subsidy and it is not a subsidy to me and it is you are taking less away.

/00 FINANCE

I mean, if the concept is that the money belongs to the people, the government, you, take it away, and you have to show a reason why you are taking it away. We don't have to show you a reason why we keep our own monies. And this is the basic concept that is missing.

Since Councilman O'Neill's back, am I misrepresenting your position, that you don't want renters in your district?

COUNCILMAN O'NEILL: Yes, you would be misrepresenting it.

MR. GUZZARDI: Do you want renters in your district?

COUNCILMAN O'NEILL: Pardon?

MR. GUZZARDI: Do you want renters in your district?

COUNCILMAN O'NEILL: I want renters in my district where I've got good landlords; that is not the majority situation. Once again, if you want to discuss this, we'll go over and sit on the side; we're wasting people's time with just going back and forth with this.

I'm against this. It has nothing to do with 13th Street and whether that is the last

/00 FINANCE

piece to get done in Center City, where people are looking for rehabs, and whether there's a but-for there or not. It clearly is a tertiary site, if there is a primary, secondary, and tertiary in Center City.

But what gets done first will still get done before the hot market leaves, whenever it might leave us. I don't know.

MR. GUZZARDI: That's the whole point, though. There is evidence to show that Councilman DiCicco's bills work. Obviously, I can't tell you what's going to happen. I don't know that this is going to be a panacea; this only one factor. You have the gas bill, where the Gas Commission is going to raise rates; what happens with that? There's a whole bunch of factors --

COUNCILWOMAN TASCO: The Gas Commission doesn't raise rates.

MR. GUZZARDI: What's that?

COUNCILWOMAN TASCO: The Gas Commission doesn't raise rates.

MR. GUZZARDI: Well, the Gas Commission or the Philadelphia Gas Works wants to increase. This is only one of many factors. The schools,

/00 FINANCE

what happens with the schools is probably much more important than this tax abatement issue.

But the fact is, if you want -- and I don't -- and I would bet it's not the question of landlords; it's the renters that cause the problems. If you don't want those renters, you don't want the landlords. You can't have renters without a landlord or a landlord without a renter, it just doesn't happen. I mean, that's the definition.

But there are tests. I don't know what's going to happen. Is this going to make any difference? Maybe not. Maybe we spend all of this time and effort and it's not going to make any difference.

I know one of the objections that occurred when we were doing Center City was, we were saying, This is only for Center City. All the arguments that you're making now were made them. It in fact worked in Center City. Then I hear we're doing nothing for the neighborhoods. Councilman DiCicco has taken the lead and is now doing something for the neighborhoods, and you see the same thing happening.

/00 FINANCE

My guess is, if it's going to happen, it will happen in the less developed areas because that's where the land is cheaper. But, you know, I don't know what's going to happen, I have no crystal ball. You just say that if it costs less, you'll probably get more of it; that seems to be reasonable, seems to be proven out by Paul Levy's detailed study. You have an expert here, Councilman Nutter, who's done it in Manayunk. Ask him what he did.

I just don't understand the objection at all and, you know, I think it's going to be something that will spread throughout the State. And, for once, Philadelphia is in the lead, and I love it. You know, I can come out and say, you know, we've done it here, people have asked for it. The State has gone along with it; for once, we don't get resistance from the State level, it's bipartisan at the State level, all the Democratic legislators are on board with this. The only person I know that's opposing this is Brian O'Neill.

COUNCILMAN O'NEILL: That's a compliment.

/00 FINANCE

MR. GUZZARDI: Well, it's not, it's not a compliment.

COUNCILMAN O'NEILL: You say this will catch fire throughout the State. We've had 20 for years. What other parts of Pennsylvania have implemented a tax abatement?

MR. GUZZARDI: None. And every --

COUNCILMAN O'NEILL: So it hasn't caught fire in 20 years?

MR. GUZZARDI: Right.

COUNCILMAN O'NEILL: Only if you make it ten. You're not going to make it three, but they might make it ten?

MR. GUZZARDI: Correct.

COUNCILMAN O'NEILL: Okay.

MR. GUZZARDI: The reason you have -- because for --

COUNCILMAN O'NEILL: If you make it for 20 years, it will make it twice as much, right?

(Unintelligible, parties talking over each other.)

MR. GUZZARDI: If you'll lower the price, you may get more. No, no. You're saying A follows B. I am not saying that and I will not

/00 FINANCE

say --

COUNCILMAN O'NEILL: So you're guessing.

(Unintelligible, parties talking over each other.)

COUNCILMAN O'NEILL: So it's just your opinion and everybody's entitled to one. I'll take you to any civic association in my district and I'll show you 100 percent of people that own homes that are against this bill. Thank you.

You don't have to come here and hear my voice up here. Come out to the Northeast and see if they want to encourage more apartments.

MR. GUZZARDI: And when you asked the question of what are they going to do about the declining population in Philadelphia, what's their answer? When they ask about more and more people leaving the City -- and people leaving the City are not they wealthy people, they're coming back into Center City. It's the middle class who are leaving the City primarily for schools. Taxes are another issue.

COUNCILMAN O'NEILL: Taxes are not the issue they're played up as for the people that are

/00 FINANCE

leaving. They make decisions based on their gut and their families, period. They either think they can stay because of schools and things like that, crime, or they don't. It is not the tax abatement and taxes -- the real estate taxes are good. The wage tax, absolutely. The real estate tax is blown out of proportion from what I see in the 10th Councilmatic District.

And if we could target certain areas where it makes sense, I'd be glad to engage in those discussions. I don't think you should throw out the baby with the bath water.

MR. GUZZARDI: Okay, there's another point that I want to make while I'm here, getting into a fight. You're talking about the Zoning Board. We have a fight at 13th and Locust. We have already spent over $100,000 going up and down on a particular issue. I know about the Zoning Board.

May I point out to you, I pay the taxes. You make the laws. I don't make the laws for Zoning Board, you do. And to have a City Council person say they're frustrated by the Zoning Board, just for a second come over here and

/00 FINANCE

look at what I look at. I mean, I spent $100,000 -- not my money, but our association has spent at least $100,000, and the fight isn't over, it's continuing.

This is a blight at 13th and Locust, in my opinion, it's a topless bar. This is right up the street from residential. That's the Zoning Board. You make the laws, not me. I don't understand what you're complaining about. You're the one who has the opportunity and the power to change it, so change it.

My guess is, because the units are lower in other parts of the City, that's where you'll find the development. By taking out owner-occupied -- I know Barbara Capozzi, for example, in Councilwoman Verna's district is planning on doing some building. You'll bring single families back into the City. The idea is to increase the tax base, which helps everybody.

But, you know, you've heard my opinion about it.

COUNCILWOMAN BLACKWELL: Thank you.

MR. GUZZARDI: It's overwhelming, I think.

/00 FINANCE

COUNCILWOMAN BLACKWELL: Thank you.

Any other questions for the witness?

(No further questions.)

COUNCILWOMAN BLACKWELL: Naomi Zaslo? Okay, she's not present.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Please identify yourself for the record.

MR. BARTLETT: Yes, good morning. My name is Ed Bartlett, and I'm from the DePaul Group.

COUNCILWOMAN BLACKWELL: The DePaul Group?

MR. BARTLETT: Yes, ma'am.

COUNCILWOMAN BLACKWELL: All right.

MR. BARTLETT: Excuse me?

COUNCILWOMAN BLACKWELL: Please begin your testimony.

MR. BARTLETT: I came here this morning to present five reasons why this bill would be favorable, some of which you have heard already. However, I think they bear repeating.

Number one, cost of construction in the City is so high that the developers spread between the cost of construction and the availability of mortgage money becomes onerous. The lender calculating the mortgage amounts will not factor in a three-year abatement, but he will factor in a ten-year abatement. When this is done, a higher net income will project a higher (inaudible). And I think this one gentleman who was here prior indicated that that would be a great help in building his development.

Item number 2. A ten-year tax abatement indicates to the perspective lenders that Philadelphia has a desire to cooperate and participate in bringing new development to the City.

Item number 3. It should be kept in mind that development produces numerous construction jobs as well as permanent jobs when finished and open. Consequently, these jobs will produce tax ratables in the form of (inaudible), which is well known.

Item number 4. The site as it now stands produces no taxes and so, no money is lost by giving a ten-year tax abatement.

And finally number 5. It seems

/00 FINANCE

inconsistent that a ten-year abatement be given to buildings that are being rehabilitated but only a three-year tax abatement in building a proposed new apartment building.

That is my comment.

COUNCILWOMAN BLACKWELL: Thank you.

Are there any questions for the witness?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you, sir.

Sir, would you identify yourself for the record.

MR. SEWARE: Good morning.

COUNCILWOMAN BLACKWELL: Good morning.

MR. SEWARE: I'm not Naomi Zaslo, by the way.

COUNCILWOMAN BLACKWELL: We can see that.

MR. SEWARE: My name is Willie Seware, and I'm the immediate past president of HAPCO.

COUNCILWOMAN BLACKWELL: Would you say your last name again.

MR. SEWARE: Seware, S-E-W-A-R-E.

/00 FINANCE

COUNCILWOMAN BLACKWELL: Thank you.

MR. SEWARE: I'm the immediate past president of HAPCO. We're more than 3,000 members and the vast majority are landlords and tenants.

I want to ask one question. I have heard this morning everything was either new or big or this. I represent mom-and-pop landlords that do rehabilitation in the inner city. My question is this, and I think it was up before, some clarification before I make my own comment representing my owners. Did a bill pass, or will it pass, that will do the same thing for rehabilitation of residential properties in the City of Philadelphia?

COUNCILMAN DICICCO: Madam Chair?

COUNCILWOMAN BLACKWELL: Yes.

COUNCILMAN DICICCO: Yes, Mr. Seware, it did pass, and we did that specifically to let the folks know who are living in the houses today that they will have some similar opportunities. We are not going to penalize people any longer for reinvesting in their homes and their properties. So they will get an exemption and an abatement for the improvements to their properties for ten

/00 FINANCE

years.

MR. SEWARE: So you're talking about the owners or the landlords.

COUNCILMAN DICICCO: That is correct.

MR. SEWARE: The landlords also?

COUNCILMAN DICICCO: Landlords also.

MR. SEWARE: Well, the reason I ask that question is we feel that in both cases, it's good. So that way, the organization will support the bill provided, and you've already said, that we get the same treatment because our membership is predominantly working in the inner city.

That's basically -- there's no need to take up any more of your time as long as I know that we are protected and you will treat us like you do the big guy.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Duane Searles? Duane Searles?

(No response.)

COUNCILWOMAN BLACKWELL: Ashley Andrus?

(No response.)

/00 FINANCE

COUNCILWOMAN BLACKWELL: Paul Levy?

(No response.)

COUNCILWOMAN BLACKWELL: Is there anyone else here to testify for or against this bill?

(No response.)

COUNCILWOMAN BLACKWELL: Councilman Kenney?

COUNCILMAN KENNEY: Thank you very much.

We heard a lot of testimony today. Prior to the Greater Philadelphia Association of Realtors Leaving, I want to congratulate them on their fortitude and "stick-to-it-ive-ness" in the defeat of the sold-sign ban in federal court. I know we tried to give you some assistance here, but I'm glad you followed through and got the justice you deserved by going another route, so I wanted to congratulate you on your efforts.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Is there anyone else to testify?

(No response.)

COUNCILWOMAN BLACKWELL: That, then, will -- oh, Councilman Ortiz?

COUNCILMAN ORTIZ: We are going to have a lot of empty land and we have a lot of buildings falling across the City, so new construction probably will be a very good thing to be happening. We do have the land, and the more buildings fall, the more land will get open.

COUNCILWOMAN BLACKWELL: Thank you. Thank you for your insights.

That then will end the public hearing with regard to Bill No. 64.

\- - -

COUNCILWOMAN BLACKWELL: We will go into our stated meeting. I would ask Councilman DiCicco if he would give a motion with regard to Bill 64 and let us know whether or not you need a suspension of the rules in your motion.

COUNCILMAN DICICCO: Thank you, Madam Chair. I move that Bill No. 64 be approved and would ask for further consideration that the rules of Council be suspended so as to permit first reading at the next session of City Council.

(Duly seconded.)

9/27/00 FINANCE - PUBLIC MEETING

COUNCILWOMAN BLACKWELL: It has been properly moved and seconded that Bill No. 64 be reported out of this committee with a favorable recommendation; and furthermore, that there be suspension of the rules so as to permit first reading at our next session of Council.

All in favor, aye?

Opposed?

COUNCILMAN O'NEILL: Nay.

COUNCILWOMAN BLACKWELL: The ayes have it, and the record will note that Councilman O'Neill is voting nay on this bill.

And so that will end our committee hearing.

Thank you very much, everyone.

(Adjourned at 11:25 a.m.)

\- - -

C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Wednesday, September 27, 2000, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE ON FINANCE
BILL NO. 000064

______________________________________,
JOSEPHINE CARDILLO,
Registered Professional Reporter