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

- - -

Room 400, City Hall
Philadelphia, PA
June 14, 2000
3:00 p.m.

- - -

Bill No. 000028 - Finance Taxes and Collections
Bill No. 000225 - Authorization to Offer Exemptions
Bill No. 000226 - Authorization to Offer Exemptions
Bill No. 000227 - Authorization to Offer Exemptins
Bill No. 000346 - Fees of Commissioner of Record
Bill No. 000395 - PAID
Bill No. 000413 - Wills Eye Hosptial
(Full text of Bills attached.)

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

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I N D E X

(Cont'd)

COUNCILWOMAN BLACKWELL: Thank you for your patience. We will now hear bills before the Finance Committee. They include Bill No. 28, 225, 226, 227, 346, 395 and 413.

At the request of the president, we will hear testimony on Bill 413 first, which reads, "An ordinance declaring that it is desirable for the health, safety and welfare of the people of the area served by Wills Eye Hospital to have a project for Wills Eye Hospital financed through the Hospitals and Higher Education Facilities Authority of Philadelphia."

We note that a quorum is present, certainly by share. Marian Tasco is here. Councilman DiCicco, Councilman Kenney, Councilman Cohen, Councilman Nutter and Councilman O'Neill are here. All members of the Finance Committee are present.

Good afternoon. We ask you to identify yourselves for the record and begin your testimony.

MR. CRAMP: Thank you. My name is Donald Cramp. I'm the executive director of the Philadelphia Hospital Higher Education Authority. May I express that it's a pleasure to be before

Bill No. 000413

the Finance Committee for our very first time, and it's at the same time a great pleasure to be among friends of longstanding.

Also, we'd appreciate an understanding of how grateful we are that you have worked us in at the 11th hour, and it's very much appreciated. It will enable us to proceed through the summer months without delay on behalf of a very, very special institution, one that has chosen to stay within Philadelphia, meaning a continuation of professional and many occupational professionals staying within the City.

And, of course, we are very, very pleased that the hospital decided to stay with our Authority and with their financing through our Authority.

May I read a short statement into the record before introducing one other person we have to testify with us.

I wish to make this brief introductory statement in support of the proposed Bill 000413, which is before you this afternoon.

Wills Eye Hospital submitted their

Bill No. 000413

application to the Authority on May 9th. Thereafter, on June 12, yesterday, a representative for Wills Eye Hospital attended the Authority board meeting, and this financing did receive the full and final approval at that time.

Today, we have the privilege together of assisting Wills Eye Hospital and many other people associated with this outstanding medical complex. In closing, I would like to express appreciation to each member of the Finance Committee and City Council on behalf of the Board of the Authority for scheduling this meeting on such short notice.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you. You have other guests that would like to testify?

MR. CRAMP: Thank you. I would like to introduce Mr. McWilliams Kessler, who is the executive director of Wills Eye Hospital, for a short statement.

MR. KESSLER: Thank you. The Hospital also appreciates your hearing our

Bill No. 000413

proposal this afternoon. As referenced, Wills has been in Philadelphia for a long, long time. It was founded in 1832. It has become a worldwide known institution for the provision of ophthalmology and for the teaching of the future providers of ophthalmology.

In support of that advanced technology and technique that is being developed here facilities must change over the years. We are working to create a world-class hospital that will be as cost-efficient in its operations as possible. We believe that we will probably create the most cost-efficient hospital in the country.

That is what our goal is, and that's why we're seeking financing on behalf of this project. Thank you.

COUNCILWOMAN BLACKWELL: Thank you. Are there questions from Members of the Committee? Councilman Cohen.

COUNCILMAN COHEN: Is there going to be a witness that tells us something about what the proposed use of the money is, what is the project for which this authorization is being requested, and

Bill No. 000413

something perhaps about concerns in the community as to what's happening to present facilities?

There seems to be talk about potential transfer of property to other well-established institutions. I think it would be very good to get some information as to what is happening. Wills Eye Hospital does not have to become a world-class institution. I think it already is and has been for many, many years.

We would like to be in a position to inform our constituents about what is taking place and how it affects them, and I'm sure it affects them in a very positive fashion.

I'm just asking if there is someone here to tell us specifically what the plans are so that we'll be in a position to respond to the constituents.

MR. KESSLER: Thank you. Starting in about 1985, ophthalmology started becoming an out-patient specialty. It moved more and more from the in-patient side to the out-patient side. The current facility finished in 1980 began becoming obsolete within just a few years.

Today, probably only about five

Bill No. 000413

percent of all ophthalmology needs to be in an in-patient setting. A hospital built specifically for ophthalmology, therefore, would be carrying massive amounts of overhead, because the in-patient side became an underutilized resource and, therefore, very costly to the continuing provision of ophthalmology.

Our response at the Hospital was to create new programs to pick up that slack. They've been very successful, and they've also been jointly done with Thomas Jefferson University and Hospital, specifically geriatric psychiatry and neurosurgery.

Those programs have subsequently become so successful that Jefferson would like to become the sole operator of those two programs, plus they need to expand their capacity, which is a very fortunate circumstance. Wills is looking to create a new facility, and Jefferson was looking to acquire a facility that Wills already had.

Our plan is to build directly across the street. Yes, there is a sale of the asset of the current hospital building to

Bill No. 000413

Jefferson. As I said, they become the sole operator there. Wills will continue to maintain an in-patient presence there, both in terms of beds and operating rooms, but the bulk of the activity will move across the street to the new hospital.

COUNCILMAN COHEN: I thought when I read the title of the bill we were dealing with, expansion of facilities, but actually it's basically the sale of the present institution and the construction of a new one. Is that what it seems to be?

MR. KESSLER: Yes.

COUNCILMAN COHEN: What happens to the people who are employed in the current facility?

MR. KESSLER: Our stewardship to our employees is something that I and the management of the hospital have taken very seriously for the last 15 years. We have what I believe is an exemplary record of maintaining our employment levels; in fact, increasing them.

We see this as an opportunity also for our employees. Were Wills to have remained independent in a facility that was difficult to

Bill No. 000413

continue to afford, that would end up costing many programs and many jobs.

I see this as a way to move most of our employees to new employment where they can have opportunity for greater tenure, employment tenure, and also opportunity for greater job growth within Jefferson, Jefferson University, and in fact through the Jefferson Health System.

COUNCILMAN COHEN: You mean the employees that are currently in the existing facility will become employees of Jefferson Hospital?

MR. KESSLER: Yes.

COUNCILMAN COHEN: And will the employees in the new institution be new employees?

MR. KESSLER: They will be employees that we already have, yes.

COUNCILMAN COHEN: So part of them will go with Jefferson, I guess, staying in the existing institution, existing facility, and others may move to the new facility?

MR. KESSLER: Correct.

COUNCILMAN COHEN: Thank you.

COUNCILWOMAN BLACKWELL: Any other questions regarding 413?

Bill No. 000413

MR. DICICCO: I want to point out for the record that I had several meetings in my office with some of the folks here today to testify. Meetings were held with the community representatives at the neighborhood association, that is immediately adjacent to the Wills Eye facility, the Washington Square Neighbors Association.

The representatives here today met with the community to talk about a number of issues, including the aesthetics at the building and the garage facility, areas of ingress and egress.

There's been full participation from my office and the community, as well as the representatives from Wills Eye, and it has met with everyone's satisfaction. I want to thank you for staying in the City of Philadelphia, making this a significant improvement to our community. Thank you.

COUNCILWOMAN BLACKWELL: Any other questions from Members of the Committee? Is there anyone else in the audience who would like to testify regarding 413?

Bill No. 000413

(No response.)

SPEAKER: Madam Chairperson, I would appreciate it if you'd see fit to rule this bill out to suspend the rules in this matter.

MS. DAVIS: On 413, I'm Janice Davis, Director of Finance for the City. The administration supports Bill 413.

COUNCILWOMAN BLACKWELL: Thank you. You should stay, because we have you down to testify on Bill 428. We have Joyce Wilkerson as well. We invite you both to come forward. Joyce Wilkerson, Secretary of Strategic Planning and Initiatives, and Janice Davis, Finance Director. We invite you to come forward with regard to Bill 28, amending Title 19 of Philadelphia Code entitled, "Finance, Taxes and Collections" by amending Chapter 19-2500 entitled "Real Estate Non-utilization Tax" by changing the definition of vacant and abandoned property for the purpose of taxation under this section, changing the rate of assessment of the tax, and modifying the means of collection, all under certain terms and conditions.

I'll ask you to identify yourselves for the record and begin your

Bill No. 00028

testimony. Thank you.

MS. DAVIS: I'm Janice Davis, Director of Finance for the City of Philadelphia. On this issue, I'll be deferring to Ms. Nikki Marx.

MS. MARX: Good evening. I am Nikki Marx, Deputy Revenue Commissioner for the City of Philadelphia. I'm here to present testimony regarding Bill NO. 000028. The ordinance would amend Chapter 19-2500 of Philadelphia Code entitled "Real Estate Non-utilization Tax."

Before addressing the proposed amendments, I would like to comment on the tax itself. The ordinance established in Chapter 19-2500 was enacted on June 10, 1982. It became law without the signature of then Mayor Green.

The tax was to be imposed upon the privilege of utilizing property as vacant and abandoned during any calendar or privilege year beginning January 1, 1982. The tax at the rate of $10 for each $100 of the assessed value of the real estate was to be due on April 15th of the year following the privilege year. To be deemed vacant and abandoned, the property must have been continuously unoccupied or licensed as vacant for

Bill No. 00028

the entire privilege year.

There were exemptions for properties that were in the process of being rehabilitated or being actively marketed for sale. The first and only year the tax was levied was 1983 for the privilege year 1982. The Homeowners Association of Philadelphia challenged the constitutionality of the law and filed suit against the City.

In 1983, the Association also filed an equity complaint seeking injunctive relief. The City and the Association agreed to a court order that required the City to refrain from collecting the tax until appropriate hearings could be held, and further provided that the order would remain in full force and effect until the court specifically ordered otherwise.

The Department of Revenue was advised by the law department to immediately cease all billings and collection activity in connection with the real estate non-utilization tax and to return any payments received on or after the date of the injunction.

Although payments received prior

Bill No. 00028

to April 27th were not returned, revenue records show receipts of only $10,000 for this tax. The case against the City appears to have died with the cessation of taxation.

There's no record of hearings ever having been held, and the court order has never been lifted. On two occasions the Department of Revenue recommended repeal of this tax; however, City Council did not take action on this recommendation, so Chapter 19-2500 is still on the books.

We've been advised by the law department that the City would need to go back to court to have the order lifted if this tax in its present form or as it might be amended were to be enforced. The proposal before us today would amend the definition of vacant and abandoned property, amend the rate of the tax, and add another exemption criteria. The definition changes in Section 19-2502 provide for separate definitions of abandoned property and vacant property.

The revised definition of an abandoned property would extend the period of

Bill No. 00028

time that the property would have to be continuously unoccupied from just the privilege year to the privilege year and the prior four calendar years, or a total of five years.

A new and separate definition is provided for a vacant property. Records of the Department of Licenses and Inspections and/or the Board of Revision of Taxes are to be used to identify properties that would be subject to the tax.

The bill before you also amends the rate of tax in Section 19-2504. It provides for a rate of five percent of the assessed value of the real estate for abandoned property, and ten percent of the assessed value for vacant lots. The difference in rates could result in challenge, especially since it usually costs the City more to clean and seal nuisance structures than to clean vacant lots.

In saying this, we're assuming that the justification for the rate differential would be the cost to the City of providing services for these properties that are otherwise not contributing to the economy.

Bill No. 00028

The third change proposed in these amendments is the addition of an exemption from the imposition of the tax. Section 19-2506 provides for appeal to the Tax Review Board for exemption from the tax.

This section currently provides two criteria for exemption; that the property was occupied for portions of the privilege year not withstanding the designation to the contrary by L&I or the Board, and the property was actively marketed during the privilege year.

These exemption criteria were not amended. I've had discussions to see whether they should be to reflect the expanded definition of the period a property must be continuously unoccupied. That, again, is a technical thing you may or may not want to change.

A third criteria is proposed for vacant lots. These properties could be exempted if they've been completely fenced or if the abutting property owners enter into a written agreement with the property owner, that permits their use of the vacant lot.

We agree completely with the

Bill No. 00028

intent to spur development. We do not object to the bill to amend this law.

COUNCILWOMAN BLACKWELL: Thank you. Ms. Wilkerson.

MS. WILKERSON: My name is Joyce Wilkerson. I'm secretary of strategic planning. I'm here to offer support for the legislation from the perspective of the whole blight elimination initiative that the Mayor is mounting or is proposing.

We are concerned that with the proliferation of abandoned properties, that it's become too easy in the City of Philadelphia to walk away from properties and leave them a burden on the neighborhoods in which they're situated. We believe the tax will create a burden and help alleviate the proliferation of abandoned properties within the City.

One other thing that has changed since the legislation was processed before is that we have a huge database within the City that articulates the abandoned properties, which properties are abandoned. We know where the water shut-offs are occurring in the City, so we

Bill No. 00028

have a lot of data that will facilitate the City's job of trying to identify exactly what it is that is abandoned or vacant within the City of Philadelphia.

We'll be working to try to draw together that information in connection with the implementation of this tax.

COUNCILWOMAN BLACKWELL: Thank you very much.

Did you hear the testimony from Ms. Marx with regard to it being difficult to administer and to enforce?

MS. WILKERSON: That is a concern of the department, and we've had any number of conversations both with the councilmen and with the department. We've been in contact with the University of Pennsylvania as well, and are familiar with the database that has been developed about the status of properties.

They know when they're utilities shut off. Utility shut-off happens to be one of the major indicis of abandonment within the City. We have many more tools to use nowadays than we had in the past, since it's not going to be the

Bill No. 00028

same kind of labor-intensive task of having people walk door to door trying to ascertain what's been abandoned. We have a database that will enable us to determine more efficiently than it has been done in the past.

COUNCILWOMAN BLACKWELL: Thank you. Are there questions from members of the Committee?

Councilman Cohen, and then Councilman Nutter.

COUNCILMAN COHEN: Briefly, I'm not sure I'm clear in my mind between Ms. Marx's testimony and yours. Is the administration speaking with a single voice in recommending passage of this bill?

MS. WILKERSON: Yes, we're recommending passage. We're doing it with an understanding there are any number of issues we have to work through. We'll be doing that prior to the actual implementation date. We believe that we do have time.

We also are mindful of the fact that we have outstanding litigation that has to be cleared up. Mr. Fader is here to answer any questions you might have about the litigation.

Bill No. 00028

We do have some time -- we do think we have the tools out there to address and resolve most of the problems that are inherent in implementing the bill.

COUNCILMAN COHEN: Your assurance, I think, resolves many issues.

MS. MARX: We're just pointing out the problems. We also support the legislation.

COUNCILWOMAN BLACKWELL: Do you have a time when you would want to implement it, or you want to work out various issues and then deal with the implementation date?

MS. WILKERSON: I believe the effective date allows us enough time. It may have to be put off if the litigation has not been resolved. I believe the Councilman has amendments proposed, that address the effective date.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCILMAN NUTTER: Thank you.

Secretary Wilkerson, you made reference to Mr. Fader, and I actually did want to get some clarification. I know the Councilman

Bill No. 00028

has some other amendments and handed out some material today that seeks to address some of the problems with the bill that was originally passed, and I believe it was Bill 1250, back in 1982.

For the record, because we didn't have this opportunity at the last hearing, if I could get a little better understanding of what changes have been made to the bill that address the legal issues, how it gets us to a safer place with the tax, as well as any of the other problems that took place back in the 1982 time period, that will be very helpful for the record.

MR. FADER: My name is Richard Fader.

I'm the head of Appeals and Legislation for the City Solicitor's Office. I think I can answer some of your questions, Councilman.

The main change with respect to the legal issues is that there have been significant changes in the law over the last 20 years since this was first litigated. And although at the time in 1983 when the court struck this down temporarily pending a future

Bill No. 00028

hearing, as Ms. Marx described, there certainly were significant constitutional issues about the bill, and there remained significant constitutional questions.

But I have to tell you that some of our arguments in defense of the bill probably are more stronger today than they would have been 20 years ago. It's not so much the changes that this bill makes with respect to the vacant property tax, as much as the law with respect to uniformity has progressed.

COUNCILMAN NUTTER: We may also just have better, tougher, leaner, meaner lawyers in the law department.

MR. FADER: I'll let my clients be the judge of that.

COUNCILMAN NUTTER: I never worried about stepping into danger, Mr. Fader, when you were on my side.

Can you put again in the record from your perspective a couple of major changes either to the bill or in the law, that put us in a safer place with regard to the tax.

MR. FADER: To be clear, I'm not

Bill No. 00028

telling you this law will necessarily withstand constitutional scrutiny. What I'm trying to say is that there certainly is a -- there's a uniformity clause in the Pennsylvania Constitution that says all tax laws have to treat different classes of property in a uniform manner.

Recent case law, and I'm not prepared to cite chapter and verse right now, has become a lot more accepting of classifications made by taxing authorities. So although it may once have been true that we couldn't distinguish between vacant land and non-vacant land, there's recent case law that might allow us to make that distinction.

COUNCILMAN NUTTER: We are making a clear distinction between vacant land, non-vacant land, and we're also in the bill trying to make a distinction between occupied property and abandoned property?

MR. FADER: Well, it would be a distinction in this ordinance between truly vacant land and land with abandoned buildings on it. As Ms. Marx correctly pointed out, that distinction itself will raise another uniformity issue. I'm just

Bill No. 00028

suggesting to you there are defenses to it.

COUNCILMAN NUTTER: Your testimony is that over the years you believe our defense has grown stronger, we have more of a case to make if challenged, if this comes back?

It's my understanding from the Councilman that more notice provisions either have or will be proposed in order to give people greater notice and to make greater distinctions on these types of properties.

We certainly have some people who pay their taxes currently who have no interest in doing anything with their property. And those properties in and of themselves often are a blight on the community, leaving us with very few tools to go after the current taxpaying blight holding person; is that true?

MR. FADER: I can't speak to whether there are very few tools. I can tell you this bill would add one additional tool.

COUNCILMAN NUTTER: By adding the additional tax, you up the amount of tax on the property and either push it through the $800 ceiling on sheriff sale, and create a disincentive over time

Bill No. 00028

for that person to continue to pay an even higher rate of tax on a piece of vacant property or vacant lot?

MR. FADER: That is clearly the theory behind the bill.

COUNCILMAN NUTTER: Thank you.

COUNCILWOMAN BLACKWELL: Are there any other questions from members of the committee?

(No questions.)

COUNCILWOMAN BLACKWELL: Any there any concerns from other Council persons or members in the room with regard to Bill 28?

Councilman Clarke.

COUNCILMAN CLARKE: Thank you. I want to make a statement along the lines as Councilman Nutter asked. One of the components of the bill that has changed from the prior bill -- and I want to say I have to give credit to late Councilman John Anderson.

This is one of the first bills that I became interested in upon my employment here at City Council. I thought it was a fabulous thing. To this day, I can't figure out why we couldn't make this thing happen.

Bill No. 00028

Unfortunately, some of the conditions that were in place at that point continue to this day. As a matter of fact, some of the same properties that they targeted back when Councilman Anderson was here on earth with us fighting this particular issue, those same properties continue to still stand in some of our communities. It's utterly ridiculous we can't figure out a way to get this done.

One of the components of the bill that has changed in the prior bill, the definition on vacancy was one year, and that was one of the arguments. I understand at the time, that the Homeowners Association had some concerns about that length of time, and we've actually extended that to four calendar years. I think that alone, among individual things we have changed would put us in a stronger position to win the litigation on this particular issue.

There are also some members of the community that want to talk about the specifics of the conditions that they continue to have in neighborhoods and the problems associated with having vacant properties, both buildings and lots, in these various communities City-wide.

As you can recall, in the initial hearing on this bill we talked about some properties not only in the "neighborhoods;" we also gave examples of properties in and around Center City that continue to be a blight on various communities.

I want to thank you for that.

COUNCILWOMAN BLACKWELL: I'll note, Councilman Clarke, that I've learned problems just stick and stay. If we don't decide that we as leaders and elected officials want to resolve them, abandonment, blight and all manner of problems, just wait until somebody deals with them. Certainly we commend you in your interest in this area.

The Chair also notes that Councilwoman Blondell Reynolds Brown is here for this evening. We just wanted to acknowledge that. Thank you very much.

We have the effect of vacancy on neighborhood commercial corridors, James Young, President of Germantown and Lehigh Avenue Business District, welcome. Identify yourself for the record and begin your testimony.

Bill No. 00028

MR. YOUNG: I'm James F. Young, Executive Director and Founder of the Labor Action Bureau, which was founded in 1971. I'm Chairman also of the Germantown and Lehigh Avenue Planning Committee, which is made up of organizations in that area. I'm also business manager for the Merchants Associates for Germantown and Lehigh Avenue.

I've lived and worked in the Germantown and Lehigh area for 37 years. During that time, I've seen more and more properties become vacant, thus eroding the tax base and overburdening those low-to-moderate-income property owners who remain in the area.

Vacant properties become havens for drug dealers, trash. They become easily accessible to small children. In many cases because of deterioration, they become hazardous and in danger of damaging adjoining properties.

On behalf of the residents of Germantown and Lehigh Avenue community, we fully support the amendment proposed by Councilman Clarke that allows the taxation of vacant land that remains continuously unoccupied for four

Bill No. 00028

years, or that that the Department of License and Inspection has licensed it vacant for the entire year at ten percent of assessed value.

The amendment also calls for those properties contained in an abandoned building to be taxed at five percent of assessed value after two years of vacancy. This amendment will certainly help in areas that have been devastated by blight and erosion.

To get to the commercial corridor -- all I've just said applies to this -- all of the above-mentioned problems do effect commercial corridors. In the recent past, we have successfully entered a 65-percent vacancy rate on the Germantown and Lehigh Avenue commercial corridor.

Unless we do something to get rid of the blight surrounding the corridors, we will lose these valued community shopping strips. Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Are there any questions from Members the Committee or Council Members?

(No questions.)

Bill No. 00028

COUNCILWOMAN BLACKWELL: The next individual is Ruth Berchet, President, Heritage Economic Community Development Corporation dealing with the effect of vacancy on neighborhoods and residential development.

Welcome and thank you. Please identify yourself for the record and begin your testimony.

MS. BERCHET: Thank you. My name is Ruth Berchet. I'm founder and President of Heritage Community Economic Development Corporation. I want to commend Councilman Clarke for the introduction of this Bill, and thank Council for hearing neighborhood comments in reference to it.

I also want to thank Councilman Clarke for acknowledging our late Councilman Anderson and all of the hard, hard work that he put forth. It is good to know that those efforts aren't forgotten in light of the fact that the problem hasn't disappeared.

I want to say that in our North Philadelphia community, in particular 5th District, we happen to have the highest

Bill No. 00028

concentration of vacant residential property, the highest utility shut-offs and delinquencies, as well as the highest tax delinquencies. It's no surprise, given those facts, that the overdue taxes are often greater than the market assessed value of our properties.

Heritage Committee Economic Development Corporation has, for nearly ten years, been diligently involved in organizing volunteer community efforts to not only see to the cleaning and sealing of abandoned properties, but also the cleaning of vacant lots as well. We have won awards for those efforts.

It baffles us over and over again as to how the City can commit the expenditure of funds to pay for the removal of trash and the cleaning and sealing of buildings that are owned by persons who aren't even paying taxes on them. We very often when working with Licensing and Inspection Clean and Seal Unit are asked to get five other citizens to volunteer to support their staff in those clean-up efforts.

It troubles us to see that we're putting forth the effort, the City of

Bill No. 00028

Philadelphia is putting forth the effort, yet these property owners are getting away with not providing financial support and responsibility for the properties they need to. This is a clear threat. These properties present a clear threat to public safety.

My own nephew fell through the basement of an abandoned house. We've had that happen to other children as well. He fell through into four feet of water and nearly drowned. It was a miracle that we were able to get him out of that building. We had another child in the neighborhood who was missing, and it turned out that she was playing hide-and-seek and hid in the cellular window and fell into the basement of an abandoned and opened building.

I'm saying to you as someone who is a block captain and very involved in our community, democratic committee person, someone who happens to reside in a home where my family has been for 50 years, and still hoping, yet still hoping, given the conditions of our neighborhood, that our neighborhood can come back.

Bill No. 00028

This bill clearly does an awful lot to make improvements in our community. On my block in North Philadelphia, there are no houses left standing across the street. There were 50 properties on this block. On my side of the street, there are five abandoned properties and three vacant lots.

It's simply not fair for those of us who have done everything we can putting forth or own time, our own expertise and our own goodwill to hang flower boxes outside of our windows or curbside flowerpots to beautify our neighborhoods, yet no matter what we do we are still unable to compete against the blight and the deterioration in our community.

So we encourage you to support this bill that Councilman Clarke has put forth. You simply must do all that you can to help us and to use every means possible to help improve what's come to be our forgotten blocks and government forsaken neighborhoods.

We do support this bill. As one caution with regard to properties being unoccupied for periods of time, if you can --

Bill No. 00028

certainly I think the criteria to look at the delinquency and the lack of utilities in the homes is an issue, but just on the sideline, and one thing that's very often known, when people -- when people associated with drug activity and nuisance occupy a house illegally, very often what they do is illegally hook up utilities. That presents a safety hazard and a fire hazard for neighbors.

You may want to also consider checking in with PECO in reference to those particular fines of properties that they find that are in that condition as well, and have the owner not be able to use that as a legitimate occupancy as well.

That concludes my comments. I truly thank you for all of your efforts in this.

COUNCILWOMAN BLACKWELL: Thank you. Thank you for your continued diligence. I know you come here often. Thank you for coming.

Mr. Cannon, Philadelphia Community Civic Organization.

(Not present.)

COUNCILWOMAN BLACKWELL: The effect of

Bill No. 00028

vacancy on residents. Bernard Lopez. Welcome, and please identify yourself for the record and then begin your testimony.

MR. LOPEZ: Good afternoon, Madam Chair and Members. First, I want to thank Councilman Clarke for allowing me the opportunity, as well as this Committee, to give testimony regarding this proposed ordinance or the amending of this proposed ordinance.

I sort of got a real quick history lesson with the comments made by Secretary Wilkerson as well as the deputy secretary from the Department of Revenue. I sort of became familiar with the Non-utilization Vacant Property Tax while I was a former administrator for the Pennsylvania Department of Revenue.

About eight, ten years ago, I had a conversation with the then chief legislative aid, Darrell Clarke, about this particular tax, and I think the conversation sort of went like this: Darrell, I think this is a way that the City can generate additional tax revenue, and we can not only address some of the abandonment problems that exist in our neighborhood, but this

Bill No. 00028

might be a way to get the owners of what's considered, I think, Class B properties in Center City to get off their duff and start making something happen as was happening in the cities of New York and Baltimore and other metropolises across the country.

As I look through the Philadelphia Code, though, I'm really trying to figure out where the exemption exists for other quasi-public agencies that have large stocks of housing in the neighborhoods; PHA, Redevelopment Authority, as it relates to vacant lots, things like that.

I'm really trying to get a sense of how that's going to impact on their agency as it relates to them if they, in fact, are not exempt with forwarding monies to the City of Philadelphia. So I'm here in support of this amendment that the Councilman has proposed.

Without rambling any further, I want to end, because there are just so many other things that I needed to know with respect to this ordinance. But once again, I just want to give my support for this ordinance and thank you for the opportunity to address this committee.

Bill No. 00028

COUNCILWOMAN BLACKWELL: Thank you. Any questions for this witness?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you. Anyone else here to testify with regard to Bill 28?

MS. ROBINSON: Yes.

COUNCILWOMAN BLACKWELL: Welcome. Please identify yourself for the record. We're always glad to have you and begin your testimony.

MS. ROBINSON: My name is Judith Robinson. I am the block captain for the 2100 block of Woodstock Street in North Philadelphia. Also, I'm a licensed real estate broker. My company is Complete Real Estate Services.

I have been analyzing this vacant property situation for quite some time and have done a study. I went back to the original ordinance, and as I read it, I see vacancy and abandonment in here throughout this whole ordinance over and over again.

So I went back to my computer to determine who is the owner of most of our vacant and abandoned properties. Unfortunately, it's the City of Philadelphia and their

Bill No. 00028

quasi-governmental agencies; PHA, PHDC, RDA, et cetera, et cetera, et cetera.

Now, this bill does not address vacancy as it relates to these agencies and the City of Philadelphia. The next largest group of vacancies in the City would be the estate properties, people who have left properties, they're deceased, and the family members are not even aware that they own the properties. There's one part of this ordinance of 1982 that says, "The owners of vacant properties must be encouraged to use said properties in a positive manner to stop the spread of deterioration and to increase the stock of viable real estate within the City."

I was here last week discussing this vacancy issue. And I didn't want to be redundant, so I brought some visual aids. Can I pass these to you all, please?

COUNCILWOMAN BLACKWELL: Someone will come to your table to get them.

MS. ROBINSON: Throughout my neighborhood, and I contend throughout the whole City of Philadelphia, these are all PHA and

City-owned properties. I contend this is what's causing vacancy and abandonment, holding on to these properties. I noted people live in properties that are abandoned. There are boards on the windows.

If this is to address vacancy and abandonment, I really respectfully would submit that we need to start with the City of Philadelphia and all the quasi-governmental agencies, especially PHA, which gets separate sources of finance directly from the federal government. People are living in those properties with boards on the windows while PHA is collecting millions of dollars from the federal government.

Although this bill, and as I've read the original ordinance, speaks to trying to reduce vacancy and abandonment, it's just such a very small drop in the bucket when you have the majority of vacant and abandoned properties in our City owned by those City and quasi-governmental agencies.

The other properties that are owned by estates -- I heard someone mention about

Bill No. 00028

enforcing this tax. I think you're still going to have very much that same problem. It's not going to do very much to reduce the vacancy and abandonment. That is really my main concern.

As I see millions of dollars being spent on various projects through PHCC, which is supposed to be our home-start agency, I don't see the policies helping us to attack this problem. If this bill -- if I was told that this was to bundle up more tax liens to sell, then I would have a better understanding of what you're trying to do here.

But If you tell me this is mostly about non-utilization and it's to amend Legislative Finding 19-20501, which talks a whole lot about vacancy and abandonment, I think you all need to go back and analyze what you are really doing in all City agencies that are charged with housing, economic development, vacancy reduction, et cetera. That's where you really need to start before you go fining people that have lost interest in their properties for a variety of reasons.

I contend, in conclusion, that if

Bill No. 00028

the City of Philadelphia and all the other quasi-governmental agencies did what they were charged with to eliminate blight, truly, and revitalize our neighborhoods with all these millions of community block development ballets that have been coming into our community over the past 25 years, if somebody thought they were an heir to a vacant property in North Philadelphia, they will be back to claim it, because there will be some true, positive elimination of deterioration by those agencies.

I really thank you all very much for the opportunity to be here today. I really would hope that instead of just having these hearings, that you will really truly move towards eliminating vacancy and abandonment.

COUNCILWOMAN BLACKWELL: Thank you. Before Councilman Clarke speaks, we wanted to say that we're hopeful that having definitions will allow us to move forward. We realize that the City has been in a land-banking business for many, many years, and certainly we agree with you. We have too much blight, too much abandonment.

We're hopeful this bill will go a

Bill No. 00028

long way into remedying that by having tight definitions so that we can process these abandoned properties.

Councilman Clarke, your light is on?

COUNCILMAN CLARKE: Councilwoman Tasco may go first.

COUNCILWOMAN TASCO: I'd like to say thank you for your testimony. I think that what has happened through the 5th District is that through the years -- if we had had something like this 25 years ago, we might not have so many vacant and abandoned properties and the City might not own so many of them, because a lot of them were taken to sheriff sale so that we could gain control of them.

In other areas, particularly in my district, I don't have a lot of agency properties, but I do have properties where the owners will just hold them and pay taxes and they just sit. One house in my district on a residential block, the owner has held the house for 20 years and it's vacant. He pays the taxes, but there's nothing we can do about it.

Bill No. 00028

I have an abandoned building on Ogontz Avenue that's been there for almost 30 years. The owner pays the taxes. He has no interest in doing anything with the property. He pays the taxes, and it sits there blighted and abandoned. We are constantly on him about the trash, the weeds.

So there are a lot of areas in the City where this bill will be very helpful to us in moving these properties into hands of people who might want them and can use them, and we can house people in those properties.

COUNCILWOMAN BLACKWELL: Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair. Thank you, Councilwoman Tasco. I'd just like to say that Ms. Robinson is a constituent of mine. I've known her for some time. I agree with her one hundred percent with respect to some of the agencies and the problems associated with the agencies' inventory.

As a result of some discussion in an earlier community meeting in the district, the Philadelphia Housing Authority has embarked on

Bill No. 00028

the planning process for a very aggressive vacancy reduction strategy that will hopefully reduce the levels of vacancy throughout the City of Philadelphia with the scattered sites units. I commend her and her diligence as it relates to the problem associated with the agency.

As I found out as a new council member 12 months ago now and over the period of this last year, there is no magic bullet to resolve the many problems associated with our great municipality and what we're attempting to do today is to just add one more avenue for us to eliminate blight.

I think that you will see this particular council has consistently introduced bills that address those issues. I think a little later on on the calendars there's also some legislation to discuss potential blighted areas. So wherever we can get some sort of assistance in terms of clearing up some of the problems, we're going to take that opportunity.

COUNCILWOMAN BLACKWELL: Thank you very much. Are there any other questions or is there anyone here to testify with regard to bill no. 28? I

Bill No. 00028

apologize, Ms. Robinson, I do have your name. You must have come up at the last minute. I have your name at the bottom of our list. We prepared our list earlier. Thank you very much.

We'll now hear testimony on the quote, unquote DiCicco Bills. Bill Nos. 25, 26 and 27, and we will read them all at one time and then entertain testimony.

Bill No. 225, an ordinance amending Chapter 19-1303, Section 3, of the Philadelphia Code entitled, "Authorization to offer exceptions from real estate taxes on improvements to deteriorated industrial, commercial, or other business properties" by changing the exception schedule for improvements to deteriorated industrial, commercial or other business properties under certain terms and conditions.

Bill no. 226, an ordinance amending Section 19-304, Section 4, of the Philadelphia Code, entitled "Authorization to offer exceptions from real estate taxes on new construction or residential properties" by changing the exception schedule for new

Bill Nos. 00225, 00226, 00227

construction of residential properties. And repealing Bill No. 970214 approved December 9, 1999, which also amended Section 19-304, Section 4, but has not yet taken effect under all terms and conditions and bill no. 227, an ordinance amending Section 19-302, Section 2, of the Philadelphia Code entitled "Authorization to offer exception from real estate taxes on improvements to residential properties" by changing the exception schedule for improvements to residential properties under certain terms and conditions.

We will now recognize Councilman DiCicco for remarks.

COUNCILMAN DICICCO: Thank you, Madam Chair. Listening to the testimony on Councilman Clarke's Bill No. 28, I see some relationship between what Councilman Clarke is attempting to do in his bill and the bills that we will be hearing today, as you kindly referred to as the DiCicco bill, but I think these are more importantly the City of Philadelphia, City Council of Philadelphia bills.

A lot of the discussion of Bill 28 has to do with obviously abandoned buildings,

Bill Nos. 00225, 00226, 00227

vacant lots, lack of attention that has been paid, attention to those properties. Oftentimes, I'm not saying all the time, but in many cases these properties go unattended to or are under or not being renovated or being improved because of the cost involved in doing those improvements, renovations and reconstruction. I think the bills that I had offered are an attempt to help those homeowners or property owners reach an opportunity to do something with those buildings by lessening the tax burden on those properties.

We talk about stabilization of neighborhoods. We talk about blight removal. It's one of the mayor's initiatives, this new mayor's initiatives, to remove blight. We talk about the loss of population in the City of Philadelphia; what can we do to stabilize those neighborhoods or re-populate those neighborhoods. We talk about creating new neighborhoods, offering houses with amenities that are really conducive to today's lifestyle.

A lot of the housing stock in the City of Philadelphia today just doesn't work in today's lifestyle. There's not enough room in some of these houses for all the stuff that we have; computer rooms and playrooms and all the other things that go along with the American way of life. In many cases, the housing stock that we have in the city of Philadelphia just is not enough to accommodate those needs.

We talk about increasing our tax base by encouraging home ownership and making houses more affordable. I believe that the three bills that we'll be hearing testimony on today offer those opportunities to stimulate residential housing development in the City of Philadelphia.

I generally don't work from prepared notes, but I was sitting here earlier today because I think this is so important that I don't want to leave out any of the thoughts that lead me to create this bill with the help of members of the Solicitor's office over the last year or so.

You know, we all know that we have experienced a great population loss in the City, in particular over the last eight to ten years. Somewhere in the vicinity of about 150,000 residents have left the City of Philadelphia.

They left for a variety of reasons. Some people have left because they're not very happy with the educational system. There are those who cite crime as a reason for leaving. There are those who cite the high cost of living in the city, in particular the wage tax, and some have made the decision to leave because of the existing housing stock, which I just made reference to, that it doesn't really accommodate their needs.

I think we all recognize and have commented at various times as to the difficulty the City of Philadelphia faces in attracting new businesses to the City of Philadelphia, which would create jobs and in many cases would bring new jobs to the City. We would hope that those new jobs and the people that hold those new jobs would become residents.

When you look at the high cost of moving into the City, the outrageous transfer tax which is the highest in the country, and in addition to the wage tax, and the high taxes that we impose on the business community and the

Bill Nos. 00225, 00226, 00227

residents, it makes it even more that difficult. I again, I think the bills I've introduced and we'll hear testimony on today, could help us address some of those concerns.

I think these bills are the counterbalance to the wage tax for businesses and homeowners. I think it levels the playing field between the City of Philadelphia and the suburban counties. The real estate community is here today, I suspect they will speak to some of their marketing tools. When we try to convince people that the City of Philadelphia is a great place to move into, and some people say, yeah, I'd like to move in there, but I don't want to pay that wage tax, I think if we can create new housing and new housing stock in the City and abate the real estate tax on the improvement, that we can use as a tool that kind of counterbalances the wage tax.

So we really haven't lost anything by affording people an abatement on the real estate tax for the improvements of housing, whether it's single family or multifamily. And there are those in the audience I recognize who will speak to the development of multifamily residential development.

The cost of purchasing a home is very expensive, especially in the city of Philadelphia, for some reasons I have already pointed out; the transfer tax and other taxes. That tax alone -- and I sell real estate occasionally -- but that tax alone, the transfer tax in many instances is a deal breaker.

When you get the client to the settlement table and they start looking at all those cost estimates and they see that transfer tax, in some cases it becomes a disincentive to buy, and in many cases, especially when we are talking to people who are at the lower end of the wage bracket, they just can't afford to get the money that they need that is necessary to be able to put the down payment money in, do the transfer tax, do the settlement costs, the Notary fees and everything else that is included in that transaction.

I think there's a concern as to -- and it's been raised to me about an hour or so ago from the administration. I suspect people from the administration will be here to testify that these bills will have a negative impact on the revenue stream to the Philadelphia School District. I couldn't disagree with that more. I don't think that will occur.

I point that out, and my rationale for saying that is this; this bill, these bills do not in any way negate the real estate tax that is due on the land. In the best case scenario, if everyone who had a vacant property and a vacant piece of land in the city of Philadelphia today were paying their real estate taxes -- and we've heard from prior testimony on the previous bill that that is not always the case -- we still will collect the real estate tax on that land. This is not abating that.

All we're talking about doing here -- this may sound familiar -- is offering I guess in the simplest terms, a tiff for home ownership. Developers have come into the City and I have supported them and Council for the most part has supported most of the development tiffs that have come into the city.

All we'll be doing is going to be foregoing the real estate tax on the improvement to the house or the multifamily dwelling or in some cases the industrial or commercial property that is going to be built on that vacant piece of land or on the land that is now occupied by blighted, vacant buildings and create something new.

Really, in my mind, in my opinion, it's a tiff for home ownership. We do it all the time to what some people refer to as those wealthy developers. I think this is an opportunity to offer people from the low end of the wage bracket all the way up to the wealthy people, so everybody in between has the same opportunity. Or as Councilman Kenney referred to earlier, they get the same bite of the apple. Everybody gets the same bite.

I think in my opinion, what is most important about these bills is that we open up that opportunity for people of all wage groups so if they chose to become homeowners in the City of Philadelphia and possibly begin as a result of that to either stabilize our communities at the very least, or quite possibly begin to re-populate a lot of the communities that have gone abandoned for a number of years.

We have offered opportunities to everyone. Other people who come in with ideas and schemes to build and create development for job opportunities, this in effect, these bills in effect I believe accomplish the same thing. What we do with this, if we can convince developers, if developers are incentivised to do this and take vacant land and/or vacant buildings and demolish that to create new housing, we then create jobs.

We create construction jobs in the same manner in which we create construction jobs when we offer abatements in the form of tiffs for high-rise hotel development, entertainment venue development, et cetera. I'm not condemning that. I support that.

There are those who will say today, I assume, based on a conversation I had about an hour ago, that the hit of the district will be significant. I say this; if we do the bills and we pass them and no one builds new houses, nothing ventured; nothing gained. If we take those -- If someone takes advantage of these bills and begins to develop, then we attract new people into the City of Philadelphia. We keep people from leaving.

I've done a marketing survey in a housing development, that I've been working on for about three and a half years in South Philadelphia, where we're creating a new type of housing with off-street parking, side yards and rear yards. We did a marketing analysis in south Philadelphia from Oregon Avenue to Washington, Broad Street east to the river, which was our target area.

Every person we spoke to who has been considering moving because they need a house with a garage or they want a place for their children to play and not play in the street have said if we build those types of housing and we offer them a tax abatement, they would buy just because they'd rather be close to the City.

They would rather be close to family and friends. They understand that it's less expensive long term to live in the City because you don't need the two cars. You don't have the high real estate tax that you have in

Bill Nos. 00225, 00226, 00227

Washington Township and other places. You don't have the transportation cost of traveling over the bridge every day to come to work with the tolls and the fuel and the cost of buying the two cars that you now need.

They would stay. I think the perfect example of that, which I guess is at the high end of the modern income is when you look to the area of Britton Estates and Packer Park. Those are South Philadelphians who have made a decision not to move out of the City even though they're paying some high real estate tax. I don't want to talk myself out of the bill, but these are people who are in a better financial position for the most part. They made the decision to stay in South Philly, but primarily they stay here because they had a place to park their car and they are close to family and friends and the conveyances of City life.

We don't promote enough, I think, about how great this City is. We talk about tourism and visiting it, but I think we should really have to begin to market the City as a great place to live.

Bill Nos. 00225, 00226, 00227

I raised two children, which I'm proud of, in South Philadelphia, on the same block my grandfather moved to around 1910. One of them is a dentist, and the other one is a lawyer. You can raise good kids in Philadelphia. You don't have to move to someplace outside the City, because they have the same problems we do. If you don't pay attention to your kids in Washington Township, they're gonna turn out to be juvenile delinquents the same way they will in North Philly, South Philly or anyplace else.

So I think today is not just about taxes. I think it is about offering opportunities for everyone, especially people at the lower end of the wage group. These folks have a difficult time with all of the financial incentives that are on the table. With low interest loans and no down payment, whatever, they still have a hard time being able to afford that house.

In addition to the mortgage payment you have the expense of running a house, and then the improvements ongoing, and then you have the maintenance ongoing, and then have you the real estate tax. We will continue to get the real estate tax on that ground, but we will put that ground to use.

I don't have a crystal ball. I don't pretend to say that this is going to make it all happen, but look at the results of the conversion bill that we did in 1997 when the skeptics were saying this is not going to make a difference all you're doing is giving developers an opportunity to have less of a burden on themselves, and nothing is going to change. As a result of that bill, which passed unanimously in 1997, over 30 former vacant office and industrial buildings -- I will grant you primarily in Center City -- have now been either converted or are in the process of being converted to residential units.

We don't get anymore money on the taxes initially, but over a ten year period eventually we'll get the full value of the improvements. We now have -- those buildings are now occupied. We have put the people in those buildings who are now formally, for the most part, over 60 percent of the people living in those buildings today or are filling out applications for those buildings are non-Philadelphia residents who are moving into the City.

Twenty to 25 percent of those folks are non -- from the region outside of the city and the other 18 or so percent are not Pennsylvania State residents. It's not going beyond Center City which was good. But I think this offers an opportunity to start to look to develop outside of the core of Center City taking it from the fringes all the way out.

Thank you. I probably will have some statements as the hearing continues.

COUNCILWOMAN BLACKWELL: Thank you. Are there questions or any comments from members of the committee yet?

(No questions.)

Mr. Frank Jacovini, Greater Hotel Association.

COUNCILWOMAN BLACKWELL: Welcome. Thank you for your patience. We're very glad to have you. Please identify yourself for the record and begin your testimony.

Bill Nos. 00225, 00226, 00227

MR. JACOVINI: Madam Chairwoman and Members of Council, my name is Mr. Frank Jacovini. I'm President of the Greater Philadelphia Association of Realtors. Sitting with me is Stephen Pollock. He is past president of the Philadelphia Bar Association's Real Property Division.

Councilman DiCicco's tax exemption Bills Nos. 225, 226, 227 are in direct accord with Mayor Street's top priority to rid the city of blight. These three bills can be summarized in two words; that is thank you. Let's examine these bills individually.

Bill 225 says thank you to those developers who take delapidated, decayed and rundown properties and make them habitable, attractive and appealing for businesses and families. There are plenty of properties in this city that would have never have been improved if previous conversions and tax breaks incentives were not offered.

Bill 226 says thank you to both builders and home buyers. For the few builders and developers who maintained the tenacity and

Bill Nos. 00225, 00226, 00227

determination to build new homes, having to deal with pressures from City agencies, utility companies and the like, this bill will offer the encouragement, motivation and support needed to reduce risk and the project's time on the market.

To those families who at one time or another were faced with the decision of whether or not to move out of the City, but have chosen to weather the storm and stay put, these bills say a hardy and robust thank you. The reduced real estate tax rate for an extended period of time counterbalances the wage tax for those buyers and levels the playing field between new homes outside the city and ones inside the City.

Realtors, like many of the groups represented here today, spend much time trying to convince families to stay in Philadelphia. New construction with the ten-year abatement would unquestionably offer an attractive alternative to the lure of the suburbs in South Jersey.

It is just those families that can and will be influenced by the increased development that will be spurred from this bill.

New construction means additional growth, more jobs, et cetera.

Now, Bill 227 says thank you to all the homeowners that have chosen to stay in Philadelphia. These are the people who would benefit by an extended abatement for home improvements. Because by encouraging these true believers to improve their property without any threat of impending tax increases, it will also encourage people to obtain City permits because the threat of higher taxes is erased.

All three bills say thank you to people who fell left out and ignored when they hear about tips and tax breaks for conglomerates. Now, make no mistake about it, residential homeowners are the backbone of this City. Families who leave the City because of frustration and the feeling of being unappreciated have no incentive to improve the property or can't find new construction readily available as in the suburbs, or simply stated do not want to live near an abandoned or rundown commercial problem.

Now, why is there an obvious

absence of new construction in Philadelphia? The answers are simple. Building in Philadelphia is much more difficult and expensive than our suburban counterparts.

Bill 226 enables a builder to know that his development will be a success and takes away the risk of what is an extraordinarily risky business, especially in this City. If City Council chooses to enact this proposed legislation, Philadelphia will be on a level playing field with her suburban counterparts.

Extending the real estate tax exemption will make the difference for many people when deciding whether to stay in the City or to vacate. We can see only positive outcomes from these bills. All vacant lots now being minimally taxed will become an attraction for developers to reconsider Philadelphia. If it is City Council's goal to keep and increase our tax base and stimulate the economy, what better way to offer incentives that are more than just symbolic. Yes, we encourage you to improve our homes, build new homes, buy new homes and improve commercial properties. You ask what is the cost

Bill Nos. 00225, 00226, 00227

to do these tax incentives? My answer is what does it cost not to do them? More families leaving the City. More homes aging without renovation and improvement and more old commercial properties not being improved.

Once these bill are passed, we need to make sure the word gets out about them. Think of the positive spin that can be generated from these three bills; something for the little guy, a break for the tax payer, a symbolic and real thank you for those who have chosen to stay and those who believe enough in Philadelphia to invest the tax dollars in it.

For the record, I need to say that many associates of my association and a number of representatives here today were here today but had to leave because of the late hour. I wanted to state that for the record. And along with my testimony, I respectfully would like to submit a study conducted by the Central Philadelphia Development Corporation for your review as well.

With that, I would like to turn the mic over.

MR. POLLOCK: My name is Stephen

Bill Nos. 00225, 00226, 00227

Pollock and I speak as a private citizen, as the immediate past chair of the Bar Association's Real Property Section. We do not have a resolution of the Bar Association given the timing. I can say to you that I think you have a unique opportunity here to act as a laboratory in government.

If anything, the golden opportunity is that if you read the news this morning, I believe the House and Senate of Pennsylvania has finally put on the desk of the governor a bill that says no more sprawl in the suburbs. The suburbs are saying we're putting on the brakes. We don't want anymore development. We don't want you to to our areas. We're going to define areas that we don't want you to be. Where is somebody going to turn? Here is a golden opportunity for us to experiment and say to the people, Well, look if they don't want you in the suburbs, we'll give you an opportunity to come back here to the City.

So I think that we have this opportunity, as has been pointed out, if we go down the road that we've been continuing to go

Bill Nos. 00225, 00226, 00227

down, we have the issue of Bill 28, which is vacant properties, your budget increases for L&I's demolition of properties. It's not enough for City government to demolish. The thought has to be once we demolished what do you do? What do you put in its place? The Dicicco bills, I think, give an opportunity to increase that.

I know Councilman O'Neill's district for many years under the old system was a source for a lot of building within the City. But the days you can go by and see a new home being constructed in the city are few and far between.

I think that we need to encourage people to be able to build, be able to stay here, put an addition to their home. In fact, there are new Supreme Court cases in Pennsylvania that are coming down that try and look at this and say that we have to look at urban blight and give cities a way to take blighted properties and recycle them, because we're going to be in the recycling business. I dare to say that Philadelphia in 17 -- when Ben Franklin came here, it is a far cry different now than it was then. And the Philadelphia that we are going to have years in the future is going to be a far cry different than we have here today.

The only way that you can get to that point and get to where we are today and where we need to go in the future is give people these economic incentives both for the homeowner and whatever level you are so that as Councilman Dicicco said, the bite is equal for everybody.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Any questions for these witnesses from members of the committee or council members in the room?

COUNCILMAN COHEN: You know, ever since we began granting tiffs about 20 years ago and abatements, tiffs were a more recent version, we hear the story about how this is going to lead the way to a change; people are going to come back into Philadelphia.

When the statistics are developed they still show the huge loss population. I worry a lot as I hear these rosy stories about what's going to be happening as a result of these

Bill Nos. 00225, 00226, 00227

bills. I worry a lot about the future and the way we're mortgaging the future income of the City. I have to say it's troublesome. I think we're developing the climate so that every developer who doesn't ask for special tax breaks from the City is kind of put in a position where he looks like a fool. It's just out there. You've got to ask for it. It will add to your profit measure. It will help secure you for some risk. I'm just very troubled about that. At what point are existing homeowners who are paying their full share of tax going to rebel at the fact that the increased tax burden is going to be felt by them? Because the new projects don't develop taxes. Somebody has to make up the difference and the difference is being made up, maybe not by tax increases, but by increased assessments by the Board of Revision Taxes. We as politicians are insulated from attack because we don't vote those increases. It's done by the Board of Revision of Taxes appointed by judges.

We're putting on the people who have been here, the people that you say have been loyal and stayed in Philadelphia all these years?

Somebody's going to have to make up for this loss of revenue.

COUNCILMAN DICICCO: We talked about developers who have come before Council and asked for all kinds of incentives and tax abatements and forgiveness. And Councilman Cohen suggested that maybe the numbers don't show the fact maybe that what we attempted to do we're not seeing the positive results of that. I'm convinced that in Center City, we have -- we do see the positive results of those tax initiatives.

Because Councilwoman Blackwell, I was a guest in her district last night with a former GE building at 31st and Chestnut or Walnut, is now being converted into a multi-use facility. You have resident -- 282 luxury rental apartments and some office space for high-tech industry in collaboration with the University of Pennsylvania. And time and time again all of the speakers, all but one, actually -- one developer and everyone else who was not a developer was there. Every single one of them who spoke all spoke to the fact that had it not been for the conversion bill which we passed in '97, that project would never have happened.

It's sitting there vacant for a number of years and it still continued to stay there as a vacant property. I respectfully disagree that we're not seeing the results of those tax incentives or enticements that we put out there.

On the other note, I also recognize what you're saying is there may be a rebellion from the people who are paying taxes and are not entitled to these abatements.

Well, if we don't do something soon and we continue to lose the population at the rate we're losing it, the burden of taxes is only going to increase on those who are left behind, unless we reduce the size of government or the services that we believe people are entitled to. You can't have it both ways.

In a perfect world if we weren't losing population and the housing stock was suitable and people were developing, I wouldn't be here with these bills today. These were not developer-generated bills. These were bills that I looked at developing based on what I see happening in the district that I represent and other parts of the City that I drive through and seeing the exodus of people from the City and all the reasons that they leave. We are always looking.

All of us -- I think there is the consensus among all of us in Council to figure out ways in which we can get that wage tax down even more quickly than we have been able to do. I think this, as I said earlier and Mr. Jacovini pointed out in his testimony, I think this is an opportunity to say to those folks we may not get that wage tax down to where we all would like it to be as quickly as we would like to get there, but here's an opportunity -- we can kind of balance that by not charging you for the real estate tax for moving into the City or staying here and buying a home. I don't have a crystal ball. I can't sit here today and say that if these bills pass that we will see all that development.

If it doesn't happen, we didn't lose anything. If it does happen and we start to repopulate our neighborhoods the way we have repopulated the neighborhood of Center City, which is the only neighborhood that is experiencing an increase in population in the last ten years, I think by 20 percent or more, we'll start to inhabit these buildings and houses and structures with people who will become new residents paying wage taxes. So we're now starting to increase our revenues to a degree that we can maybe start providing more services or begin to take some of that money and reduce the wage tax by having more people who are wage earners living here. I think we need to look at it in those terms. Thank you.

MR. JACOVINI: If I may, 20 percent of all local sources of revenue are generated from real estate tax. The other 73 percent are generated from wage earnings, sales and business privilege taxes. So if foregoing real estate taxes induces new development and if these projects attract new residents, then you have your new jobs and new revenues that are created.

Also, personal point of view, it is my opinion that City leadership needs to do something to become proactive like creating incentive for builders, homeowners and the like. You are taking a proactive stance and encouraging the people to stay in the City, move in the City, improve their properties.

COUNCILMAN DICICCO: When you grant tiffs for certain commercial developments, which I guess created Franklin Mills or created something on 13th Street in town, the little guy says what am I getting out of this?

If we do it, we pass these bills and going forward, we find that some of the things that maybe I'm not convinced of today actually begin to occur going forward. You can always change things. We can go back and amend the bills, repeal the bills. There's lots of things we can do to do the status quo.

I don't think we're doing any of us any good. They tried this in Cleveland and in the first year in Cleveland, which had worse conditions I think than most in terms of housing and some of the problems they had out there in the first year alone, 350 new houses were built. They attracted -- most of those homes were sold

Bill Nos. 00225, 00226, 00227

to non-Cleveland residents. So you start to re-populate, increase tax base.

COUNCILWOMAN BLACKWELL: I did get the word last night we support your bill today. That's the message I get before we left that dedication.

COUNCILMAN KENNEY: I think that the real strength of these bills is not only the ability to attract new homeowners, but anecdotally from my own peer group, my own friends who have moved out of the city who have said to me, you know I really didn't want to go, I liked where I lived, I liked the neighborhood, I like the amenities, I like the convenience, but my wife drove me nuts. She drove me nuts every day because she wanted a laundry room, she wanted a garage, she wanted a family room, she wants this room, that room, and I went through the whole City and I looked for something that could accommodate what my wife wanted and I couldn't find it for less than $300,000.

I believe that there's a cohort of people in the City who want to move up. Young, middle-income working families who want to move from a row house in Mayfair or South Philly or a row house in Southwest or some other part of the

Bill Nos. 00225, 00226, 00227

City and they want to move up to a single or a twin. They can only afford the 120 to 150 or 160. If this kind of incentive creates the construction that we're seeing that we've seen in the last 15, 20 years in the suburbs in the City of Philadelphia, we retain that family. We retain them, because they're getting in addition to continuing to pay the wage tax, which puts us in an unfair advantage, in addition to having to send our kids to private school because they don't like the school system which puts us at an economic unfair advantage, in addition to paying the increase in automobile tax, in insurance cost for automobile insurance, it puts us in an unfair advantage.

We are now beginning to tilt the table back a little bit the other way. A ten-year abatement on that new construction really is an economic incentive for them. Even if they're not even interested in buying a new home, a newly constructed home, and just want to make the investment to expand the house they have in the neighborhood they're living in and we can abate or forgo the increased assessment based on

Bill Nos. 00225, 00226, 00227

the expansion of the house, we are retaining those people.

Because right now, many of them only have the option of Turnersville, Washington Township, those types of neighborhoods, Springfield, Delaware County places where working class people can afford the suburban life style.

I honestly -- I commend my colleague. He thinks about this stuff all the time. I give him credit. When he is driving around he tells me -- He's looking at all these things. How can we just try to retain what we have, just keep those families where we have them. You think about the people we have lost in each of our neighborhoods over the last 15 years, if we just had them back, not from a tax prospective, that's important, but from the contribution to the community perspective. How many little league coaches would we have? How many people who are involved in the CYO or the synagogue, or the church group would we have back in our communities doing the things that made our neighborhoods what we all reminisce about from when we were kids.

Bill Nos. 00225, 00226, 00227

You've got to give them some ability to chose the way to move up into a property they can afford with the amenities that they're looking for. I give them credit. I whole-heartedly support this kind of stuff, and I really don't believe in the end we're mortgaging anything because in the end we're not -- we're never going to have the money to forgo, if we don't do these incentives to develop.

I mean, this is my concept when it comes to tiffs. I get a hole in the ground at 8th and Market, if I got to tiff that to get that developed I'll still have the whole in the ground at some point in time over the next three to five years. I need to figure out ways to incentivise and to balance the tiff between the suburbs and across the pond to Jersey by doing these kinds of things. We can't come in here and do what we really want to do, and that's reduce the wage tax by two and half to three points. That will tip the scales back, but it will also put the government out of business cause we won't be able to afford to provide the services that people also demand.

Bill Nos. 00225, 00226, 00227

So if this is the kind of interesting nuance incentive that we can do to balance the tables, I agree with Councilman DiCicco. We waited too long already. Thank you.

COUNCILWOMAN BLACKWELL: Councilman Nutter, you had a question for this witness?

COUNCILMAN NUTTER: Thank you. Someone in the same neighborhood where Councilman Kenney was, could you tell me a little bit about what it's like, I guess, to try to compete with the suburbs on real estate and keeping people and what their incentives are to go other places?

MR. JACOVINI: Councilman Nutter, I would say this to you from a personal point of view, I am married three years. I have a two-year-old child. I'm at that point in life of making a decision on whether I want to move out of the City or stay. I am born and raised here in south Philadelphia. I'm in the City now 40 years. I love Philadelphia. I've always wanted to stay in Philadelphia, but now that I have a child and educational considerations come into play, I may consider moving out because of the fact if I'm going to pay $1000 taxes, in real

Bill Nos. 00225, 00226, 00227

estate taxes, to stay in South Philadelphia and I have to spend $2,500 a year to send my child to public school because I am not completely satisfied and happy with the private school because I'm not completely happy with the public school system, then it becomes a situation where you start weighing the differences.

Not only do I want a better education for my child, but I want a little yard for him to play in. I want a little driveway for me to park my car and wash my car on a Saturday. You can't find it in Philadelphia.

COUNCILMAN NUTTER: On that particular point, if you start doing that, the washing of the car on Saturday, can I bring my car down? I am really having trouble dealing with that.

Go ahead.

MR. JACOVINI: What I'm trying to say is you start looking at the attractiveness of moving out of the City. And much to my regret, I have to say right now the suburbs become attractive.

A lot of the people that I'm dealing with as far as potential buyers in

Philadelphia, will be saying the same thing to me. Frank, we're looking for a home. We are looking for a little bit more than what we were raised with, the row homes. We want a little better. A tax abatement if you look at the numbers, a ten-year tax abatement, would solve my problem. It would give me the extra cash flow to send my child anywhere I want as far as school and it gives me the type of home hopefully that a developer will develop in a neighborhood I'm happy to live in with a driveway, garage and yard.

COUNCILMAN NUTTER: For a person like yourself, I certainly will not make this any more personal than you're prepared to go, you have shared with us some personal information, you may want to stay and you could look at in terms of size; driveways, yards and all that, you could look at Wynnfield, Overbrook, out in my part of the City, or you could look at West Mount Airy and up in the Ivy Hill section. Stenton Avenue where Councilwoman Tasco is or I am sure even some places up in the Northeast, but is it also a concern that there are virtually no new houses out in my neighborhood. So you can get all of that.

You've got to be willing to pick up a 60, 70, 80 or more year old house and it's in stone. All that goes with that and if you want to spend all your time with that kind of house, that's one thing. You're potentially much more interested in new construction. You want a new house?

MR. JACOVINI: If I'm willing to spend 80, 90,000, yes, I'm looking for new construction for the new modern amenities that a new construction home has to offer. Instead of rehabing a property that I'm paying 60 and putting 40 into it and I still have a 80, 90 year-old home.

COUNCILMAN NUTTER: I understand. Have you made any comments with regard to I think the first bill has -- 225 has more to do with industrial, commercial and other business properties. Are you involved in that side of the business or are you primarily in the residential end of it?

MR. JACOVINI: Primarily residential activity, yes.

COUNCILMAN NUTTER: Do you have any

background in why has it generally been three years?

MR. JACOVINI: With respect to what?

COUNCILMAN NUTTER: In terms of current exemption.

MR. JACOVINI: The current exemption, no, I'm not aware of where the current three-year exemption came in at.

COUNCILMAN NUTTER: Lastly, this might not be the question for you, maybe more for revenue people, do you have any sense of what the response to something like this might be and whether there are any calculations out there on if all this activity just happened anyway, what would be quote, unquote missing by giving up the exemption, whether it is the three-year or ten-year?

MR. JACOVINI: From the report by the Central Philadelphia Development Corporation, they state in the report primary beneficiaries of abatements are the residents.

You know, the properties which are currently abated 81 percent are residential properties, and 16 are vacant commercial/industrial properties that have applied for the new ten-year abatement of residential conversions and 19 percent are properties benefiting from the City's three-year abatement for commercial and retail improvements. I don't know if that answers your question.

COUNCILMAN NUTTER: I think that the opportunity to provide additional incentive on both the home ownership side as well as the construction side to know that you can build that factor into your costs base, as well as promote that kind of house to an individual in certain neighborhoods is, I think, going to be attractive to a lot of people.

In the City that is constantly at an uncompetitive advantage with surrounding counties or across the bridge where we compete with an entire state or at least half of the State of New Jersey, these are certainly many of the kind of incentives that we need to seriously take a look at and try to put out there to people, see what the reaction is. We know that it is -- it's been a shorter term gamble on the three-year side. Now the proposal is to extend it for some time. But at ten years, the abatement is over and you begin to reap not only at that point the combined real estate in year 11 on top of the wage tax that you've been getting for the first ten years anyway.

MR. JACOVINI: Let me say that I would love to see the City reduce this transfer tax. It's something our association has been fighting for and pushing for and lobbying for for sometime. But it's not doable.

COUNCILMAN NUTTER: I thought you would never mention that.

MR. JACOVINI: And also as an independent contractor and a businessman, I'd like to see the wage tax reduced. I can't stand every year having to pay gross tax receipts and then profit, net profit. But these things aren't doable in the City because of its financial structure. On the flip side the next best approach is to offer incentives to developers and homeowners. I think that is something that probably would benefit the City greater in the long run by offering incentives because it gives you the opportunity to give you a little something to go to the taxpayers with and to the developers with.

Bill Nos. 00225, 00226, 00227

COUNCILMAN NUTTER: Well, on the government side, I mean, this is within the realm of the theory of you can't miss what you never had. If this activity is not going on and you're not getting either the real estate taxes or the wage tax, the question I think for us is, are you willing to take the chance if you can attract the person in, at least get that tax and the spending activity that goes with it, the wage tax, and you are willing to forgive a certain tax for some period of time, ten years on, for what most people will be a 30-year investment in mortgage?

I think the question for us is whether we're willing to make that gamble. I think under this scenario, especially given many of the things that we've done in the past, more on the commercial and big business side of the equation this is about real life people who will actually live here. I don't know where the developers who have received -- what are we at 23 -- I think we are at 24 tiffs now.

MR. JACOVINI: We approved 25 tiffs. I'm not exactly sure where the 25 developers live. On this we will clearly know where everyone lives, if they take advantage of this type of opportunity. I think it is the type of thing that should be supported. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

COUNCILMAN COHEN: With respect to this sprawl bill, antisprawl bill, doesn't that create a great opportunity for the City as you stated?

MR. JACOVINI: I don't think that creates the type of opportunity that you may initially believe. The antisprawl bills that are coming across the nation and within the state are limiting the existence or limiting the extent of the additional development sprawl. That doesn't necessarily mean it's going to retroactively come back into the City. It may just come a little bit closer to the City as opposed to going farther away from the City. I don't think that's necessarily going to create development within the City itself.

COUNCILMAN COHEN: Has there been any study that demonstrates that whatever occurs would not have occurred or would have occurred just as well without these abatements? Say a developer decides he can make a deal under current circumstances, why shouldn't he say, but I have got to ask for these abatements. I'm entitled to it. It's under the law, I would go ahead anyway. He's going to go ahead.

MR. JACOVINI: I'm not going by numbers or anything here. I don't think the pot is sweet enough. I don't think the developer has enough incentive to risk his money in developing a parcel of land into new construction within the City of Philadelphia.

COUNCILMAN COHEN: Why is the cost so high in Philadelphia?

MR. JACOVINI: Transfer tax for one of them, the cost of doing business, obtaining permits.

COUNCILMAN COHEN: Labor costs, construction?

MR. JACOVINI: Labor, construction, material. Doing business in the City of Philadelphia is not easy. I would tell you that.

COUNCILMAN COHEN: We have created a situation where originally when the first abatement, I remember, early in the '80s involved the Rittenhouse Hotel. The case came to us on the question on need, but need has been moved out of the picture.

We no longer consider whether developer needs it or not. What I'm concerned about is, as I stated before, we're losing a lot of revenue that we're going to need later and I think the burden of taxes is being shifted. I don't have -- I could use the same formula that my colleague Councilman DiCicco referred to I don't have a crystal ball either.

But I'm concerned about penalizing the current taxpayers in Philadelphia in favor of bringing in these new taxpayers. And I know in the small business community, one of the major complaints during the Rendell years was that the City's policies always favored people who were not doing business in Philadelphia, as against the people who were doing business and had stayed here, and paid all the taxes. I'm concerned the same approach is occurring here that we are favoring people outside of Philadelphia over the people who have been in Philadelphia for many years and shifting the tax burden and creating a situation where it becomes automatic. You ask for the abatement because it's there to be had. These are the concerns I have and they are very real concerns about the development inequity in the whole tax structure. Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN KENNEY: I understand the concept of what Councilman Cohen is talking about when it comes to apparent inequity among those individuals who have stayed in the City.

I think where I diverge from his position is, I believe these bills actually incentivise people to stay. So that that same person who has been paying his or her fair weight of taxes over the course of 20 years as a homeowner, 30 years as a homeowner, is now in a position to decide whether or not they still want to stay or leave.

What we're doing is saying to them we're giving you an extra incentive for all the time you've spent here. If you decide to continue to stay here, either by improving your home or moving into a new home, we're going to tell you thank you. Because you've paid your full rate of your plethora of taxes all these years, now we're going to give you a real serious incentive and benefit to stay as opposed to going. When people go out the door, when they pay their transfer tax in Philadelphia to sell their final home in Philly and when they are on the way over the bridge or on their way out to the counties, they've paid everything and they feel this sense of relief that they're not going to pay anymore.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN DICICCO: Just to pick up on Kenney, when you look at Bill 227, I think again what we're doing with that bill is saying to those folks who may not even be looking to move into a new house or move up, you're staying in your house, you're looking at making a decision as to whether or not you want to put a new heating system in, you want to put a new kitchen in, an addition and the total value may be anywhere from 20 to $40,000 or greater. What we're saying is we're not going to penalize you for making that reinvestment. We're going give you a break, a similar tax break, that we do give to people in the big business community, as some people refer to that.

It's an incentive to stay, not necessarily move out, move into a bigger home, but stay where you are, make improvements to your home which affect you're improving your neighborhood. You continue to stabilize the neighborhood and encourage people to make reinvestment. The other bill says to the commercial and industrial community, 225, don't pack up your business and leave Philadelphia for some of the incentives you may be getting offered in Jersey, fix where you are, make the improvements and we're not going to increase your taxes for ten years. Stick around.

It gives them a reason, I think a psychological reason in addition to a financial reason, but more psychological. I talk to a lot of business people who say I have been around here for 40, 50 years. I don't want to leave Philadelphia, the job pool is here, but I can't afford the gross receipts tax and all the other things I have to do and now I have to make a three, four, five million investment in my

Bill Nos. 00225, 00226, 00227

facility and I'm going to have to get penalized by paying more taxes for making improvements to stay in a City that is taxing me to death anyway.

What we are saying to them is, stay here, we can't do much more than we've already done about reducing some of the existing taxes, but we're not going to burden you with additional taxes for making that commitment. We're are accomplishing that. We are leveling the playing field for all the people in the City of Philadelphia and not shifting the burden from the new residents or the new businesses on to the existing businesses and residents.

You just can't make one go away. So what you do is find some common ground for everybody.

COUNCILWOMAN BLACKWELL: Thank you. Any other comments from members of the committee?

(No questions.)

COUNCILWOMAN BLACKWELL: Mr. Harry Zaslow, HAPCO. Please come forward and identify yourself for the record. Then we will have Dwayne Searls and Ashley Anders, and then Robert Gerzardi. Please identify yourself for the record. Welcome.

Bill Nos. 00225, 00226, 00227

Thank you for your patience.

MR. ZASLOW: My name is Harry Zaslow. I'm the former President of the Homeowner's Association with Philadelphia, known as HAPCO. I'm also on the Board of Directors. We meet every month reviewing all the problems that we face in this City of Philadelphia trying to keep our members together and to stay here to invest and work. That's our purpose. I'm here to represent the Homeowner's Association of Philadelphia. Our organization is strongly in favor of the bills requesting abatement of taxes for ten years.

For more than 40 years HAPCO has represented low and modern income rental units in every area of the City. We are a nonprofit volunteer organization with more than 3,000 members. Our mission has been and continues to be to upgrade and preserve affordable housing.

The proposed abatement of taxes is one way to ensure that small investors will be encouraged to get involved in rehabilitating property one property at a time. Traditionally HAPCO members are the little guys that invest

Bill Nos. 00225, 00226, 00227

their savings in property to supplement their family's income. Tax abatement will help the small investor get a foot in the door. It will provide good standard housing for families who need a home.

A variety of housing and rehabilitation programs were needed. HAPCO encourages City Council to include the small affordable housing provider in its plans to improve property in our neighborhoods. Everyone will benefit if City Council encourages investors large and small to rehabilitate the existing housing stock. We are encouraged by the proposed bill to look forward to the positive results when they become law.

COUNCILWOMAN BLACKWELL: Thank you very much. Questions or comments?

(No questions.)

COUNCILWOMAN BLACKWELL: Dwayne Searls, Building Industry Association. We will call on you, Revenue Department for comment. Thank you Mr. Searls. We appreciate your patience. Please identify yourself for the record and begin your testimony.

Bill Nos. 00225, 00226, 00227

DWAYNE SEARLS: Thank you, Madam Chair. My name is Dwayne Searls. I'm the executive vice president of the Building Industry Association of Philadelphia. I do have a prepared statement, as well as a report. The report is attached to the statement. Thank you. And I will try to be brief, but I would like a moment to review the statement with you and provide one or two comments with regard to some of the Council persons' questions previously.

First, a little bit about us. The Building Industry Association of Philadelphia was founded in 1938. First chartered as a Home Builders Association of Philadelphia and Suburbs. Since its inception the association has represented the views and the interest of residential construction in the City.

Over the past several decades, most of the private and nonsubsidized residential construction has shifted to the suburbs as you have mentioned previously. The focus of the members in the Philadelphia association has been government-assisted housing.

Today we are here to speak in

Bill Nos. 00225, 00226, 00227

support of the proposed amendments, all three, regarding tax abatements because we believe it is time for us, the association members, as well as you, council members, to back nonsubsidized market rate housing.

We believe strongly that the City and our industry are confronting a unique opportunity to work in partnership to revitalize the City's housing stock. Let me hasten to add that there is no quick fix with one unique remedy for us to promote and implement our goal of revitalizing the City's housing stock.

However, we believe you and the proposed amendments to extend and expand tax abatements in the City is an essential part of any revitalization effort. Most importantly, we feel the time is right and believe the dominant economic force which we consider to be market demands is beginning to manifest itself in the region. However, it needs nurturing. Nurturing through meaningful incentive programs such as those you are considering today. Let me cite a few examples of why we believe the time is right for you to act favorably on the changes you are considering today.

First, other major cities -- Cleveland was mentioned and Chicago -- have witnessed renewed residential construction activity, but with incentives. Two, in Philadelphia in the suburbs there is increasing pressure to slow down the rate of development growth which was mentioned by other witnesses.

Three, environmentalists, planners and others are promoting urban revitalization and landfill development. This very day, as a matter of fact, earlier today, the Urban Land Institute was sponsoring a smart growth conference and they were talking about revitalizing and encouraging more residential construction in the City.

Four, residential builders in the suburbs for the very first time beginning to explore the possibility of entering the City. Five, increasing numbers of elected officials such as yourselves and others around the country are beginning to look for ways to promote to encourage more residential construction in the City.

Today, both City and suburban

residents are finding many reasons to make their housing choices outside the City, which Councilman DiCicco was referring to earlier. Their decisions are based in part on economics.

The City wage and property transfer taxes and high auto insurance costs all contribute to this attitude. The proposed change in tax abatement laws is a great way to neutralizing the economic disincentives that consumers must now face in trying to make their housing choices. Today little new home construction occurs in the City. According to a national association of new home builders, a new single family home generates in the year of construction $100,000 in income for businesses and wage earners and creates 2.5 new jobs. We do have a report attached to it, which is the basis of that finding.

In successive years the same home generates $24,000 of income and .08 new jobs. While mindful of the City concerns to some of the questions raised regarding the fiscal integrity of the City, we believe that revitalizing the housing industry will more than offset any

Bill Nos. 00225, 00226, 00227

short-term loss which we expect will be minimal because of the limited new home construction currently occurring in the City.

We all know how governments everywhere are providing tax incentives to create and retain jobs. We support those incentives. It's now the time to extend and expand them for residential growth and development if we are to revitalize our City.

Thank you for listening.

COUNCILMAN NUTTER: I am very sorry. I need to ask if you would grant me 15 seconds. I need to leave a piece of information on this record, because I have to leave.

MR. SEARLS: Please. Thank you.

COUNCILMAN NUTTER: Madam Chair, I need to leave the chambers. I have to go over to the Zoning Board of Adjustment for a matter affecting my district. I wish to leave my vote on the bills that are in front of the committee today and I wish to be recorded as voting aye on all bills in the finance committee today, as well as any motion to report bills out of committee. That's my recommendation. Thank you.

Bill Nos. 00225, 00226, 00227

COUNCILWOMAN BLACKWELL: Thank you.

MR. SEARLS: Let me just make one anecdotal comment with regard to some of the Q and A's that have occurred previously to today. I really think that is, indeed, competition with the suburban areas and suburban neighborhoods. And when consumers make that housing choice there are a lot of things that they take into consideration much of which has been talked about here today.

But it is competition unless and until the City is willing to become more competitive to encourage that housing consumer to make the choice, yes we either stay in the City or move back to the City, we're going to lose in that competition.

I honestly and firmly and strongly believe that measures of this kind, this is not the anecdote that is going to resolve all the issues, but I think it's a step in the right direction. We urge that the Council pass favorably on all three measures before it today.

COUNCILWOMAN BLACKWELL: Thank you. Ashley Anders, GPCC.

Bill Nos. 00225, 00226, 00227

BOB GERZARDI: I'm Bob Gerzardi. Ashley just left the room.

COUNCILWOMAN BLACKWELL: Robert Gerzardi. We will make the testimony for Ashley Andruss, Director of Public Policy for Greater Philadelphia Chamber of Commerce part of the record. It will be included in the record as if she had submitted it in person herself. Thank you very much for your patience.

MR. GERZARDI: My name is Bob Gerzardi. I am the Co-chair of the Legislative Committee of the Apartment Association of Greater Philadelphia. We represent about 90,000 apartment units in Philadelphia and the surrounding four counties in Pennsylvania. We have about 100 owner members, and about 200 vender members. We support this legislation for all the reasons already indicated. I would ask -- unfortunately, Councilman Cohen has left and I believe his points are both valid and legitimate, but I think the facts of what actually has happened in Center City where my businesses are located proves that this tax incentive does, in fact, work. I support this

Bill Nos. 00225, 00226, 00227

because I see this as encouraging residential development outside of Center City thus spreading out the tax burden from Center City to other portions of the City. I don't see this as an inequitable problem, because I see it actually as increasing the tax base.

I wanted to also point out the testimony of Mr. Searls which contains facts and figures that show what the benefit of the City is. The Center City district study done by Paul Levy is outstanding. Mr. Levy is an expert and not only does he know the facts, but he can articulate them and express them very well and I think they will demonstrate to Council the City will not lose as a result of this but will gain. Finally to Councilman O'Neill, I'm aware that he is going to propose an amendment exempting apartment houses --

COUNCILMAN O'NEILL: It's been resolved.

MR. GERZARDI: Then I have nothing further to say. Thank you.

COUNCILWOMAN BLACKWELL: Any questions or comments?

Bill Nos. 00225, 00226, 00227

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN O'NEILL: I want to speak on the DiCicco bill. I will be voting yes on the first and third one which deal with improvements to deteriorated properties and additions or improvements to homes. I will be voting against the middle one, 226, because I believe the ten-year abatement is to much.

And while I may be persuaded that the three-year is not enough, I think it's too much of a leap. In my experience with developments in my district which I've had a lot of would back that up. But I am willing at some future time if the sponsor reduces his abatement period to certainly consider supporting it, because the concept I think is a good one.

COUNCILWOMAN BLACKWELL: Thank you. I did not have you on the list. I'm sorry. I'm trying not to hold everybody.

Nicki Marx, Deputy Revenue Commissioner, we will recognize you. Please identify yourself for the record and make your statement.

Bill Nos. 00225, 00226, 00227

MS. MARX: I have given you earlier a copy of my statement. Good evening. I am Nicki Marx, Deputy Revenue Commissioner.

I'd like to begin by reiterating the administration's support for reducing the burden on Philadelphia's taxpayers and for providing targeting incentives to stimulate residential and commercial development throughout the City.

There's no question that the City's current overall tax burdens are too high for both residents and businesses and this tax structure has contributed significantly to the erosion of Philadelphia's employment and population base over the several decades. It's no less critical that City government continue to generate to meet our full responsibilities and to provide those services important to our communities quality of life.

As this Council well knows, while the City's fiscal condition is now stable, we still face many threats and challenges to our budget. As a consequence, it may not always be prudent or even possible to reduce City taxes

Bill Nos. 00225, 00226, 00227

abruptly. Moreover, it's important that we strive to concentrate our tax reduction and restructuring efforts on those taxes that have the most corrosive impact on our economic base.

In this context, foregoing tax revenues in one area, however desirable, such as tax reductions or abatements inevitably makes it harder to reduce other perhaps even more destructive taxes. City Council and the Rendell administration partnered to implement five consecutive years of wage and business tax reductions; the two taxes widely considered to be the most harmful to Philadelphia.

The Street administration included the continued reduction of these taxes in its five-year financial plan as adopted by FICA on May 16, 2000. In order to continue to reduce these taxes, we must retain the focus on our priorities. In reviewing these proposals we're particularly concerned about the direct revenue impact of these bills. Bill No. 225 proposes to extend the abatement on improvements to commercial property from three to ten years in addition to the current three-year abatement

Bill Nos. 00225, 00226, 00227

legislation. The cumulative effect of this bill will be 62 million reduction in school district revenues and 51 million reduction in City revenues by 2010. Furthermore, the fiscal year 2010 the City and schools will be forced to contend with a continuing annual revenue loss of 40 million, nearly 22 million of which will be bore by the school district.

The potential benefit to this legislation, however, cannot be evaluated in a vacuum, but rather should be studied in light of the spectrum of incentives currently available to owners and developers of commercial properties in Philadelphia, such as the Keystone opportunity zones, enterprise zones, empowerment zones, and a wide range of low interest loan programs and various grant programs targeted for small and/or neighborhood business development.

The significant cost of this proposal is of great concern with the estimated impact reaching 40 million annually, or 28 million more than the current three-year abatement. While such an expanded commercial abatement program would unquestionably benefit some businesses, continued investment and further BPT reductions as set forth in the City's five-year plan, it would likely have an even greater impact on the City's business environment overall without adversely affecting the school district's finances.

Bill 226 proposes to extend the tax abatement period on new residential construction from the phased ten-year period as approved by City Council in Bill No. 970214 to a full ten-year period. It should be noted that state enabling legislation will be required to enact this bill. In addition to the current legislation, Bill 226 will yield a negative cumulative effect of 8 million by 2010 with four and a half million of that loss being bore by the school district.

Furthermore, by 2010, the City and schools will be forced to contend with the continuing annual revenue loss of 5 million. The Administration does not support the bill in its current form. In addition to the increased cost of the legislation, we are not in support of a full exemption that reverts to zero at the end of the fixed period. For smaller taxpayers, an abatement program that creates a full exemption and abruptly reverts to zero abatement at the end of the specified period can create an assessment -- in contrast, by phasing out the abatement the taxpayer would experience a more manageable transition while still receiving a meaningful incentive to invest in the City. The administration could support such a bill if it proposed the phased abatement.

Bill no. 227 proposes to extend abatements on improvements to residential properties from a phased ten-year period to a full ten-year period. Again, it should be noted that State enabling legislation will be required to enact this bill.

Bill 227 could have a net total cost to the City and school district over and above the revenue forgone under the current abatement structure of nearly 17 million over ten years, with approximately 9 million of that loss being bore by the school district. By 2010 this revenue loss will continue in an annual rate of nearly 5 million. Any potential benefits of

Bill Nos. 00225, 00226, 00227

expanding this program should be balanced against its financial impact.

The spending proposed in the current five-year financial plan and the challenges facing the school district illustrate the City's reliance on tax revenue. Therefore, any attempts to enact tax reductions must be balanced against the impact of such revenue reduction. To ensure maximum benefit, the City must concentrate its tax reform efforts on those taxes that have been proven to have the most corrosive effects on the City's fundamental business and residential base.

The administration recommends that these bills be considered within the context of an overall re-evaluation of tax policy such as the analysis recommended in accordance with City Council resolution 000039.

We share Council's commitment to reducing the tax burden for all Philadelphians, and welcome an opportunity to work with you to assess our tax policy and strategies while continuing to promote the financial health for the City and its residents.

Bill Nos. 00225, 00226, 00227

I'm available to answer your questions.

COUNCILWOMAN BLACKWELL: Any questions or comments?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you. Is there anyone else to testify on Bills 225, 226, 227? Thank you. Please come forward and identify yourself for the record, and make your testimony.

MR. KLINE: Thank you. My name is Steve Kline. My office is located in the City and I also live in the City. My company specializes in building apartments. During the last three years my company has developed almost 500 units in the suburban communities. During the same period of time we've been trying to develop a high-rise community at 18th and Vine. But we were not able to do so.

Some of the questions that were asked today; why isn't there new development, is because the cost of construction for new development is more than double what it is in the suburbs. Furthermore, the rents do not justify the cost of new construction. Finally, the taxes in the City on apartments are two to three times the cost that is in the suburban communities. When it's all said and done, you haven't seen any new high-rise residential development in this City in more than ten years.

It's not just my company that can't develop high-rise residential in the City. No one else has been able to do so in the last ten years. It also struck me as I sat here this afternoon and listened to the discussion on Bill 28, you were talking about abandoned and vacant properties. My property is about 70,000 square feet and we park about 250 cars there a day. When I met with my neighbors, both Logan East Senior Citizen Home and the Logan Square Neighbors Association, both of those organizations strongly encouraged us to proceed with this project if we could do so. And why? Because they were tired of looking at a parking lot that parked 240 to 250 cars a day.

I'm talking about a piece of ground on the northeast corner of Logan Square. It's not a pretty sight. It's not abandoned; it's not vacant; it's not very attractive. It was very interesting that both organizations wanted to see us proceed with this project because they were tired of looking at that parking lot, and they would like to have neighbors and residents living with them in the neighborhood.

I strongly urge that you adopt Bills 225, 226, 227. The facts speak for themselves. There hasn't been a high-rise development in this City in more than ten years. It's just not my company. The numbers don't work without a subsidy. That's what we're talking about today. A subsidy that will allow the production of new high-rise residential communities just like your 1997 bill provided for a subsidy which allowed you to produce almost a thousand new units coming from the office buildings, a bill you passed in 1997.

Thank you for your time. I know it is late.

COUNCILMAN DICICCO: Could I have a minute? Thank you for coming today. I know you and I had a phone conversation yesterday. You were out of town, in Texas or New Orleans. I know you came back specifically for this hearing and I certainly do appreciate that and your input.

There has been a lot of discussion today among my colleagues about the abatement and the length of the abatement, the time; the ten years versus three years versus doing something on a sliding scale. I know that most of your development is multi-family. It works the same way for multi-family as it would for single family residential.

Could you give us your opinion and a sense of why you would think that ten years is more advantageous in order to get the project up and running, as opposed to the three years or a sliding scale?

MR. KLINE: The sliding scale is not adequate to produce the kind of new construction you like to see in the City. It doesn't equalize the high cost of building new residentials in the City versus the type of rents or the type of for sale prices you can get. Basically, the costs are so much higher. To put it in perspective, what we build for fifty dollars in the suburbs we're talking $110 here in

Bill Nos. 00225, 00226, 00227

the City. How are you going to justify those kinds of huge increases in costs unless you subsidize the program over the next ten years in order to allow investors and purchasers to recoup part of the high costs that have to be incurred to start the project?

COUNCILMAN COHEN: You know, sir, I'm a kind of a syndic. Beginning in January 2001 the City was supposed to get a sure six million dollars a year from the sports teams for the super boxes. We were sold the idea of giving all kinds of assistance to the teams, but the moment the tax gets close and due, some approaches develop so that we don't get the money.

If you give a ten year -- you know, going from a ten-year abatement to a sudden increase at the end of ten years if it's the same homeowner living there he's going to be in here -- or she -- threatening to move unless you do something about this. You've got to extend the abatement for at least five more years. Stories like that, the concept of an escalating thing is to give some incentive and to gradually break the incentive receiver into the notion of paying some taxes. That's a concern. There's no absolute answers.

We engage in a discussion because there's no button we can push that gives us an absolute answer, and the length of time, ten years, is a long time. I was telling my colleague I don't want to have to be 95 years old before I find out what happened to this. Ten years from now, and it will make me stay in City Council all that time, with the Lord's help.

There are a lot of questions about this. Really, developers will never be satisfied, and they never should be, because you need that kind to creativity to be a developer, and you can't equalize the cost of living in the City and you can't equalize the benefits of living in the City.

Tell me what suburban community can compete with the Philadelphia Orchestra or the Avenue of The Arts or the Convention Center? They can't do that. The people who are going to come to Philadelphia are people mostly who already pay the wage tax because they work in the City. When your kids grow up, what do you do in

Bill Nos. 00225, 00226, 00227

the suburbs? If you're in the City, there are all kinds of activity that are available. That's why even those who are pushing saying, We got to find new ways to attract people to Philadelphia, really admit in the course of the conversation, as my distinguished colleagues, Kenney and DiCicco do, that people have to start talking about the wonderful things about the City. With all of its defects on one side and on the other side, no suburb can possibly compare with the City. I'd would like to find out specifically. I'd like to see a statistical breakdown of why that differential in cost in building in the City as against the suburbs exists.

COUNCILMAN DICICCO: That is very easy. Those numbers I have, and I speak with real authority on that.

COUNCILMAN COHEN: I think you're basically right. You may not be exactly right.

COUNCILMAN DICICCO: I can't answer all your philosophical questions, and you raise some very interesting points. But I point to letting the facts speak for themselves; last ten years no new residential construction. The facts speak for themselves.

COUNCILMAN COHEN: As I drive throughout the City, as an at-large council member I see a lot of new homes. Now, I don't know whether they're all redevelopment authority or what, but they're all in the Fairmount area, coming from 29th to near the Art Museum. There's lots of beautiful homes there that sell for a good price. I don't think it's just residential -- just multi tenants, you know.

I think we have some individual building. I see a fair amount throughout the City. Not in every area. Mount Airy is well built up; West Oak Lane. A lot of areas in the Northeast are jam packed, and the people are rebelling against having further development that take place. Not every part of the City wants increased development in terms of more housing.

My community was delighted when an apartment house was demolished and 14 single homes were put in there instead. It cut the population by several hundreds. Lots of communities are looking for more green space and less crowding. I think we all want to see a

Bill Nos. 00225, 00226, 00227

better Philadelphia. I get worried about how this distributes the tax burden in the City.

I wonder about the people living on social security and they come to a neighborhood meeting and they hear about this. They're struggling to pay their taxes and by God they barely do it. Maybe they miss a meal or two to do it, and then they hear about much more affluent families than themselves getting this kind of tax break, and you know.

COUNCILMAN DICICCO: It's not just the wealthy.

COUNCILMAN COHEN: But they are more affluent. I am not just saying wealthy people, the more affluent people than in the row home.

COUNCILMAN DICICCO: Councilman Cohen, there's where I think we didn't have a total misunderstanding. The misunderstanding is that I think this levels the playing field for everyone from low wage earners to very wealthy people. It gives an opportunity, in my opinion, for people who have very little income and have a difficult time being able to afford the down payment and all the other costs involved in buying a home, by giving them some tax relief, as you suggest, we give developers and wealthy people.

This is for everybody. We're all on the same playing field. You mentioned a fact that you can't understand why anyone would want to live in the suburbs when we have the orchestra and all these entertainment and cultural institutions. I agree. I think I know why some of them leave -- and I don't want to go off on that road today -- because they can't handle people who look different than them. I know why a lot of my friends left. I think they still have their heads buried in the sand. They are going to wake up some day and realize that the world is not made up of one race. There's a racial reason why people leave, which obviously they have problems dealing with.

But the fact of the matter is with all of these cultural institutions and the restaurants and all, we're still losing our population. There's a reason for that. Some we may understand and agree with. Some we may never agree with. We're losing them. 150,000 residents left the City in the last ten years even though we have an orchestra and we have a University of the Arts and the Academy of Arts and everything else.

What we're saying is -- and this isn't for development or developers -- I think there's another misconception. You referenced the fact that ten years may be too long and people are basically going to be in some sort of a shock when they get hit with the tax bill after having to have to pay taxes for ten years, and the developer is going to come in and ask for an extension. Once the home is bought by a homeowner, the developer is out of the picture. They're not involved anymore.

If you never own a home in your life and you become a first-time home buyer, you're in shock from day one whether you have an abatement or not, because now you have a bill that you never had before in addition to the maintenance of the property and everything else.

If you have a three-year abatement, which we have presently in the City of Philadelphia, and you're abated for three years, on the fourth year you're going to be just as much in shock as you would at the end of the ten years or as you would be on the first year if there was no abatement at all.

There's a beginning to everything. I will also make the argument though in this scenario if you have a ten-year abatement and if you are a wise homeowner, you could -- this probably won't happen, but it could happen -- it's a question of choice. You're the homeowner. You've had the mortgage to pay. If you figure out what your taxes would be like they never were abated and you apply that money towards your mortgage, you will pay down your mortgage in half the time and save yourself a considerable amount of money in interest over the life of the mortgage.

Now, I'm not suggesting that people will do that, but they can if they choose to. A 30-year mortgage, if you took the taxes that you're abating and paid that money into your mortgage payment every month, without knowing all the numbers, depending on the size of the mortgage you could probably pay that mortgage off in half the time.

Councilwoman Tasco, maybe you're right. Maybe they won't do it, but they can. We're giving them that opportunity. We're giving ourselves the ability to keep people in the City by offering them this same incentive that we offer the big developers and have been offering them, which I agree with and I support. We have been giving those developers those abatements for the better part of eight or ten years.

I want to see tiffs made available to homeowners, potential homeowners, whether they make $15,000 a year or 1,000,005 a year. Everybody is in the same pool. That's where we're having a hard time accepting it.

COUNCILMAN COHEN: Just one point, the money saved by a $15,000 person as against a million and a half, that's not equalizing it.

COUNCILMAN DICICCO: It's all relevant to what you make. If you make 30,000 a year and I save you 2,000, that $2,000 a year to somebody who makes 30 is probably the same equivalent as somebody who makes a million saving $100,000 a year. We all can't make a million and a half. Some of us make more; some of us make less. It's all relative to what you make.

Give me more wealthy people to move back into the City of Philadelphia. I'll take every one of them. They are the people who go to the -- the guy who is making 15,000 a year doesn't go to the restaurant three times a week. They're lucky if they go three times a year.

The guy who is making $15,000 a year doesn't go to the orchestra, doesn't go to all the other cultural places because they can't afford it. So the wealthy people are the ones who afford it. That's why we are able to sustain ourselves to a certain degree. Wealthy people we should welcome because they help to pay for the services for the poor. That's the way it works. That's the system.

COUNCILMAN COHEN: We should welcome the wealthy people into the City, but that doesn't mean we pay the restaurant bills and their cultural bills and everything else.

COUNCILMAN DICICCO: But they pay the bills. They go out -- and the guy who owns the restaurant or the movie theater or whatever has to employ people who live in the neighborhoods.

Bill Nos. 00225, 00226, 00227

All the work this Council did even before I got here in creating an environment for developers to want to come in and build hotels, just looking at hotels, before the Lowes opened and before Marriott Courtyards opened in the last couple of months, 4,000 jobs were created in the hotel industry. 3,200 of those jobs are now occupied by Philadelphia residents who, for the most part, were unemployed before those hotels were built.

So you did a good thing. You helped a rich guy make more money because he built a hotel, but you helped small people get jobs. Those are the people that I believe that these bills will help considerably to become part of the fabric of the Philadelphia community by having an investment as homeowners in our City.

COUNCILWOMAN BLACKWELL: Thank you.

Identify yourself for the record, and begin your testimony. Is there anyone else here who wants to testify on either bill?

Bob Fina, I promise next hearing I will make you first whenever I see you.

Please identify yourself for the

Bill Nos. 00225, 00226, 00227

record make your testimony and then, Commissioner, we're ready for you.

MR. CHUNG: My name is Richard Chung. I have lived in Philadelphia Metropolitan area for 49 years. I have seen Councilwoman Blackwell over television many times, but this is first time I'm able to honor myself to seeing you in person.

COUNCILWOMAN BLACKWELL: Thank you.

MR. CHUNG: Just listening to all the people speaking, I like to think of a Philadelphia as a glass half full rather than half empty. I'm coming from abroad, 49 years ago. And since I have lived in this area so long, oriental people think I am leader. They keep telling me I'm too much Americanized and Americans tell me I'm too much oriental.

I'm trying to build the bridge, something where these people can. Hopefully they will quickly adopt American way of life in this country. After all, they live here, they pay taxes here. I like to be more positive.

If Mayor Street was able to carry out 30,000 abandoned cars, towed away, I don't think anything is so incorrigible we cannot do. I have to think of something, what we can do, something -- better place to live, safer place to live, economically better to do, so citizens become proud. Something contributing to citizens, rather than all this negative things people mention which brings on stress and depression.

What I like to think of was something what we can really do is instead of a big dream cannot be achieved, but we can really do it, even if it's five years. All the things I heard from the developer they don't want to come here to Philadelphia because 28 percent higher cost to them than the suburban area.

Well, I'm not deciding, but if we can understand their position just like what I'm against the U.S. government sent the French here ambassador man who only knows how to speak German or vice versa. I think we should understand the other side first before we want something. We talk ourself of racial things.

Racial things, I know there are thousands of towns, white, black, yellow, I don't see any white person in here because is truly this color. Black is supposedly this color. I'm not totally yellow. I was called that over thousands of times. I think there's a -- if we can get together something what we can really do, just even a small amount of improvement what we can make it, I think the world can be a little better place.

Instead of saying impossible -- if you have visited Japan or Hong Kong, that little space people still try to make a nice place out of it. Out of a maybe 15 by 18 square feet area. There's flowers, there's shrubberies and they're clean. I think we can love each other and maybe work as a team rather than fighting.

Then you know, 49, 50 years ago, I was told anything made in USA it is made by God. We can no longer say that. If we can just bring ourselves to invest in our children, because they're the future of the country. If we just team up -- Philadelphia is not only nice place, but modern City. I think you can make me very happy person before I die. Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

Bill Nos. 00225, 00226, 00227

Any questions or comments from the committee?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you very much. Is there anyone else to speak on Bill Nos. 225, 226, 227? Thank you.

Commissioner, Bill 346. Again, I apologize. It's terrible. Welcome. We do appreciate your patience.

Bill 346 an ordinance amending Section 10-1001 entitled, "Fees of Commission of Records" of the Philadelphia Code.

Again, thank you for your patience. We welcome your testimony. We are ready. Please identify yourself for the record and continue.

MS. DECKER: My name is Joan Decker, Commissioner of the Records Department. And with me today is Jean Reedy, the Administrative Services Director.

Good evening, Chairwoman Blackwell and Members of the Committee of Finance. I'm here today to present testimony for Bill No. 346, an ordinance for the fees of the Commissioner of Records. I am requesting your support of this

Bill No. 000346

important initiative for the Department of Records.

The proposed fee schedule has multiple benefits, including benefits for the citizens we service as well as for the department. The proposed schedule streamlines and simplifies fees, improving the efficiency of the document recording process as well as customer service.

In addition, the proposed fees are realigned to reflect current operational costs. In December 1999, the department implemented a new automated system. Automation efforts, as well as a series of process changes affected over several years, have enabled the document recording unit to reduce the time required to record documents.

The turnaround time for the return of documents from receipt is currently only three to five days, depending upon incoming volumes which fluctuate daily. The proposed fee schedule was derived from a comprehensive review of costs and recording volumes and represents the joint work of several City agencies, including the

Bill No. 000346

Office of the Budget, the law department, the Office of Management and Productivity and the Department of Records.

If the proposed fee schedule is approved and implemented, the document recording staff will expend less time calculating total fees due per transaction. Every minute saved in document recording translates to 18.3 hours daily given the actual volume of 1,098 documents daily, 85 percent of the time. Additionally, a simplified fee schedule benefits the public by reducing confusion about the cost per document recorded.

The current myriad of charges per document, which includes recording fees, one for each document type, legal description fee, an address fee, a noting fee and multiples, a rejection fee and book filing fee will be replaced with one charge per document. $46 for deeds and $41 for all other document types. Deeds require additional processing steps and, therefore, additional costs.

Documents presented for recording are rejected unless accompanied by payment in the

Bill No. 000346

correct amount. Less customer confusion will result in fewer rejected documents. Consequently, this initiative will save our customers time and time translates into money.

Since staff answers numerous telephone calls regarding fees, we expect a reduction in time so spent and available for other tasks that will expedite the recording process.

We are requesting your approval this session. The ordinance has a July 3, 2000 effective date. Thank you for your consideration and support for this important records initiative. I would be happy to answer any questions you may have.

COUNCILWOMAN BLACKWELL: Any questions or comments from members of the committee?

Councilman Kenney.

COUNCILMAN KENNEY: I have no questions. I have a comment.

I know you've been in here before and have been battered around and beaten around terribly over the last couple of times you were here.

Bill No. 000346

The things I'm hearing about the department, about the service, about the reducing of the quagmire over there has really come light years ahead from where it was. You come in here and you get beat up so and when things are going good, I just wanted to say thank you for all your hard work. I know your people have been working very, very hard.

The information that I am getting from the real estate community and from others is that things are really beginning to straighten out over there or down there, and I want to thank you for your efforts.

MS. REDDY: Thank you very much. And thank members of Council, too, for all of your support. If you didn't support our initiatives, we would not have been able to make this progress. I thank you all for your support.

COUNCILWOMAN BLACKWELL: Thank you. Is there anyone else to testify on Bill 346?

(No response.)

COUNCILWOMAN BLACKWELL: Bill 395, an ordinance authorizing the Philadelphia Authority for Industrial Development, PAID, to file an application

Bill No. 000346

with the Office of the Budget, Commonwealth of Pennsylvania under the Capital Redevelopment Assistance Program in an aggregate amount not to exceed $34 million to assist in the development of the Blue Horizon, Nueva Esperanza, Asociacioin de Musicos Latinos Performing Arts Center, the Congreso de Latinos Unidos Inc., Community Center, the Please Touch Museum and the Franklin Institute.

Maybe we saved the best for last. Mr. Fina, Thank you for your patience. Please identify yourself for the record.

MR. FINA: Good evening, Councilwoman Blackwell and Members of the Finance Committee. My name is Robert Fina. I am the Senior Vice President of the Philadelphia Industrial Development Corporation and I'm appearing on behalf of the Philadelphia Authority for Industrial Development, PAID. I'm accompanied by my colleague from PIDC, Tim Roseboro on my right. I'm here today to testify on Bill 395, not on any tiffs, although it was an interesting conversation earlier.

395 would authorize PAID to apply for state redevelopment assistance grants. The

Bill No. 000395

amount of the grants are $34 million for seven different redevelopment assistance projects.

Since I submitted my testimony previously, I will summarize it to save some time. I think that would be to everyone's benefit.

The seven projects are the Association of Latino Musicians Performing Arts Center at 5th and Huntington Streets for $2 million, they're seeking state funds; the Congresso United Latinos Community Care Center at Somerset and American Streets where they're seeking two and a half million dollars; the Blue Horizon on North Broad Street near Jefferson Street where they're seeking $1 million; Nueva Espironza at Hunting Park Avenue and 5th Streets where they are seeking $3 million; Point Breeze Performing Arts Center in the 1600 block of Point Breeze Avenue where Point Breeze is seeking $3 million of state redevelopment assistance funding; Please Touch Museum currently located at 21st Street near the Franklin Institute will relocate to Penns Landing and seeks $5 million of redevelopment assistance; finally, The Franklin

Bill No. 000395

Institute at 20th Street and the Parkway seeks $17.5 million dollars.

Previously under the past administration, the Democratic administration of Harrisburg, the Casey administration, and the first term of Governor Ridge's administration, we had received approval for 27 other projects for $392 million dollars of state funding for a combined total project cost of nearly $1 million.

I am pleased to advise that although demanding and time consuming, all 27 projects are either completed or are presently under construction in accordance with the Commonwealth's requirements.

Under this bill, PAID will enter into a number of contracts with each of the entities with the City and with the State. Those contracts, among other things, basically bring the grant dollars to the non-profits that I mentioned. That's on a reimbursement basis.

They must incur the cost, do the improvements and then the State will reimburse them. The City is obligated to repay the State if those projects are not done according to the

Bill No. 000395

plans that are submitted or are not completed.

We make certain in all 27 other projects to date and on these seven that there is not an opportunity or chance that the projects will not be completed, so it basically holds harmless the City. Although the City under this legislation would be obligated to repay the State if the projects did not proceed to final conclusion.

Also, the State comes in with a private consultant and makes certain, an engineering consultant, that the projects can be built in accordance with the plans for the amount of monies that are available. Again, we've done this 27 times. We expect to do this again. I will quickly just explain, because some people are somewhat confused, how these projects are actually selected.

To apply for state redevelopment assistance funding, either the Commonwealth's Budget Office or the Governor's Office must in writing authorize PAID to submit an application to the budget office. The Commonwealth's House of Representatives and the Senate must first approve in the state capital budget that specific project at a specific dollar amount.

So it must occur first by legislative approval in the State House and Senate and then the governor or the budget office must authorize the application. PAID will then submit the application or the pre-authorized application to the state, and then we will monitor the projects and make certain the funding goes into the project in its proper form.

Again, I very much summarized my testimony. I'll be happy to answer any questions. I request that Bill 395 will receive favorable consideration by this committee and that the rules are suspended by Council to permit a first reading at the next regularly scheduled session of City Council, which I believe will be tomorrow.

I thank the Committee for its time and energy. I will be willing to answer any questions to the best of my ability.

COUNCILWOMAN BLACKWELL: Councilman Kenney.

COUNCILMAN KENNEY: One technical

Bill No. 000395

question that I may be misreading it. You mentioned in your testimony the Point Breeze Performing Arts Center. The mention of Point Breeze Performing Arts Center is in the "therefore" clause on Page 2, but I don't see it in the title of the bill. I'm wondering whether or not we have some --

MR. FINA: I believe that we actually had that approved prior to this, and we just packaged it again. I don't think it will be a problem.

COUNCILMAN KENNEY: My only concern is I don't want to leave them out. I know they're mentioned in the "therefore" clause of the bill. But the fact they're not in the title, I don't want us to pass and have them somehow eliminated because technically they weren't involved in the title of the bill.

MR. FINA: Can we amend it? I believe they have been approved previously.

COUNCILMAN KENNEY: I noticed they weren't in the title. I was wondering if that was a problem.

MR. FINA: I don't believe it will be. Thank you though.

Bill No. 000395

COUNCILMAN COHEN: If it goes through such careful scrutiny by the State initially, why does the State hold us responsible if for some reason or other the project doesn't go forward? Why do they require us to make good?

MR. FINA: Because the state feels that it is the municipalities across the Commonwealth of Pennsylvania's benefit to have the project in its community that they should -- that they must guarantee the repayment of funds.

We've done that 27 other times already, Councilman, without a problem. There is a lot of scrutiny. We don't ever want that to occur. It's a safeguard for the Commonwealth.

What we do, what PAID does, is pass that requirement on to each of the nonprofits anyway, that they must repay the dollars if they cannot complete the project. For the most part, we would uphold that providing the nonprofit has the funds to do that.

COUNCILMAN COHEN: They would probably not have the funds.

MR. FINA: We haven't faced that event and we're careful it doesn't happen. So I

Bill No. 000395

can't say whether they would or would not.

COUNCILMAN COHEN: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Anyone else to testify on this bill? Anyone to testify on any bill we've heard?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much. That will end our hearing for today. We'll enter into our meeting. Thank you much. Thanks for your patience.

Thank you very much. In our stated meeting, we'll go in order as printed on our hearing sheet. We will enter into a hearing and I'll entertain a motion with regard to amendments to Bill 28. Council DiCicco.

COUNCILMAN DICICCO: Thank you. I don't believe these have been read into the record. So I'll take this opportunity now to read them into the record.

Proposed amendments to Bill No. 000028 amending Title 19 of the Philadelphia Code entitled, "Finance, Taxes and Collections," by amending under Chapter 19-2500 entitled, "Real Estate Non-utilization Tax" by changing the

Finance Hearing

definition of vacant and abandoned property for the purpose of taxation under this section, changing the rate of assessment of the tax and modifying the means of collection all under certain terms and conditions.

Section 1 (one) the amendment reads, "That is not a vacant lot as defined in this section and (ai) Section PM-102.4 of Title 4 of" -- under the same section under (bi) "In the case of property containing one or more buildings used in the whole or in part for one or more dwelling units immediately prior to the time such property became vacant has been under continuous designation as a public nuisance pursuant to Chapter 7-600, Section PM-307.0 of Title 4 of the code during the privilege year and for the year immediately preceding the privilege year or (iii) (in the case of land not containing any building) has been continuously under citation for violating section" -- delete 7-301 (4 or 7-50293) PM-102.4 or PM-302.0 of Title 4 of the Philadelphia Code during the privilege year.

Strike all language under Parens 2 of that section. Parens 5, strike the word

Finance Hearing

"property" and include the word "lot" after vacant. Under Parens 5 in (a) strike the word "accordance" and include the word "compliance", include the world "all," strike the word "or" after citizens, include the word "and".

Under (b), strike the word "and" after the word "inspections," Strike all (c), all of (d), all (e).

Under Section 19-2503, imposition of tax, (1) include the word "and," strike the word "lot" or "and" before the word "abandoned." Include "after and each year thereafter" include the words "through and including the calendar year 2000."

Include a new paragraph under (2) a tax upon the privilege of utilizing property as a vacant lot or abandoned property within the City during any privilege year commencing with the privilege year beginning January 1, 2001 and every privilege year thereafter, is hereby imposed and assessed for the year 2001, and each year thereafter.

Under Section 19-204, rate of tax, includes (1) the tax authorization by this chapter for any privilege year commencing prior to January 1, 2001, shall be measured by the assessed value of the real estate at the rate of ten (10) dollars for one hundred (100) dollars of the assessed value of the real estate and most recently returned by the Board of Revision of Taxes. Strike small (1). Create a new (2). (a), the tax authorized by this chapter for abandoned property include the word for any privilege year commencing January 1, 2001, or thereafter. After the word "shall be," include "measured by the."

Further on in that sentence after the word of "five percent of the," strike "of the," because it was duplicated. Assessed value of the real estate. Strike "compounded continuously."

Move to small (b) under the new Section 2, the tax authorized by this chapter for vacant lots for any privilege year commencing January 1, 2001, or thereafter shall be add "measured by the."

Further in that sentence after the word ten percent of the, scratch "of the," which

Finance Hearing

was duplicated. After real estate in that same sentence strike "compounded continuously."

Strike Section 19-2406 create 19-2506, appeals. Under section in (c) strike after the words "vacant lots" strike "that the property." After the words "fenced," include "during the entire privilege year or subject to." At the end of that paragraph after the word "vacant lot" include "; or."

Create new section in (d), "In the case of vacant lots, is owned by the abutting property owner." Section 2, includes as the effective date January 1, 2000. Strike the word "immediately." I'm sorry. I stand corrected.

Include the words January 1, 2001. Strike the word "immediately." That concludes the amendments. I offer those amendments and move for the adoption of the amendments.

COUNCILWOMAN BLACKWELL: I believe there was also a hyphen after the word "lot" in Section C. And also what about the asterisks that are underlined? Are they not new? After the word "appeals," you have three asterisks underlined.

Does that not indicate new section

and also after --

COUNCILMAN DICICCO: What I said was strike 19.406 and create 19-2506. We did create a new section. I move for the adoption of the amendment.

COUNCILWOMAN BLACKWELL: All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

Ayes have it. So the amendments to Bill 28 are accepted.

I'll will now entertain a motion with regard to Bill 28 as amended.

COUNCILMAN DICICCO: I move that bill No. 000028 as amended be recorded out of this Committee with a favorable recommendation and further recommendation that the rules of council be suspended so as to permit first reading at our next session at City Council.

COUNCILWOMAN BLACKWELL: All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

The ayes have it and so Bill 28 is amended as passed.

Councilman DiCicco, we will

Finance Hearing

entertain a motion on your three bills. First, Bill No. 225.

COUNCILMAN DICICCO: I move that Bill No. 000225 be recorded out of this Committee with favorable recommendation and a further recommendation that the rules of Council be suspended so as to permit first reading at our next session of City Council.

COUNCILWOMAN BLACKWELL: All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed? Bill 225 has been approved and seconded and is passed.

No. 226, Councilman DiCicco.

COUNCILMAN DICICCO: I move that Bill No. 000226 be reported out of Committee with a favorable recommendation that the rules of council be suspended so as to permit first reading at out next session of City Council.

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill 226 be reported out of Committee with a favorable recommendation, and also recommendation for its suspension of the rules so as to permit first consideration tomorrow morning.

Finance Hearing

All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

MEMBERS: No.

COUNCILWOMAN BLACKWELL: The record will reveal there are four ayes and two nays.

Councilman DiCicco, the Chair will entertain a motion with regard to Bill 227.

COUNCILMAN DICICCO: I move that Bill 000227 be recorded out of committee with a favorable recommendation that the rules of Council be suspended so as to permit first reading at our next session of City Council.

COUNCILWOMAN BLACKWELL: It's been moved and seconded that Bill 227 be reported out of committee with a favorable recommendation and also recommendation that the rules of Council be suspended so as to permit first consideration at our next session of Council. All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

The ayes have it and so the bill passes.

Councilwoman Tasco will entertain

a motion with regard to Bill 346 with the suspension of the rules.

COUNCILWOMAN TASCO: Madam Chair, I move Bill 346 be removed out of Committee with a favorable recommendation and with a request for suspension of the rules.

MEMBERS: Seconded.

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill 346 be reported out of Committee with a favorable recommendation and also that the rules of Council be suspended so as to permit first consideration tomorrow.

All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: All opposed?

The ayes have it and so it is carried.

Councilman O'Neill.

COUNCILMAN O'NEILL: I move Bill 000395 be reported out with a favorable recommendation and also with a recommendation that the rules of council be suspended to allow first reading at out next session.

MEMBERS: Seconded.

Finance Hearing

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill 395 be reported out of committee with a favorable recommendation and also that the rules of Council be suspended so as to permit first consideration at our next session of Council.

Councilman Nutter, I will entertain a motion with regard to Bill 413.

COUNCILMAN NUTTER: I move Bill 413 be recorded out of this Committee with a favorable recommendation and further recommendation that rules of Council be suspended so as to permit consideration at our next session of City Council.

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill 413 be reported out of committee with a favorable recommendation and also that the rules of Council be suspended so as to permit first consideration at our next session of Council.

All in favor?

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

The ayes have it. Thank you everyone for your patience. This hearing is adjourned.

(Hearing adjourned at 6:50 p.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 March 3, 1999, were reported and accurately by me, and that this is a correct transcript of same.

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MAUREEN E. BRODERICK, RPR and
Notary Public