

1

2

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

3

4

5

- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, 5/29/02
12:53 p.m.

6

7

8

BILL 020275 - Authorizing the Mayor, on behalf of
the City, to file an application with the United
States Department Housing and Urban Development
(HUD) for a Community Development Block Grant
(CDBG) as required by Section 104 of the Title I of
the Housing and Community Development Act of 1974
(P.L. 93-383), as amended, including all
understanding and assurances contained therein...

RES. 020285 - Approving the annual program
statement and budget for the expenditure of the NTI
bond proceeds for Fiscal Year 2003.

15

(Hearing continued from 5/28/02)

17

PRESENT: COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILWOMAN MARIAN B. TASCIO, Vice Chair
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DICICCO
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER

21

22

- - -

23

24

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

25

[illegible]

4	Luis Cortes, President, Nueva Esperanza CDC	4
5	Patricia Smith, NTI, Director, NTI.....	13
6	Herbert Wetzel, Executive Director, RDA.....	65
7	Debra McCullough, Director, Housing.....	81

25

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN BLACKWELL: This is to
3 resume our hearing from yesterday regarding NTI and
4 community development block grant application.

5 We have a quorum. To my left is
6 Councilman DiCicco; to my right is Councilman
7 Kenney and Councilman Nutter; and also to my right
8 is Councilman Darrell Clarke.

9 The bill numbers are 020275 and 020285.

10 Is there anyone here who -- I
11 understand there was a Reverend Cortes who wanted
12 to speak; we will permit Reverend Cortes. We said
13 we would not have any public testimony, but for one
14 individual, certainly, we're happy to let you make
15 your testimony now, Reverend Cortes.

16 And after that, we will have questions
17 from members of the committee for the
18 Administration.

19 Is there anyone else here who's asking
20 to testify?

21 (No response.)

22 (Witness comes forward.)

23 COUNCILWOMAN BLACKWELL: Okay.

24 Reverend Cortes, we'll ask that you identify
25 yourself for the record, and we're happy to receive

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 your testimony.

3 REVEREND CORTES: Thank you.

4 COUNCILWOMAN BLACKWELL: You're
5 welcome.

6 REVEREND CORTES: My name is Reverend
7 Luis Cortes, and I'm the President of Nueva
8 Esperanza Community Development Corporation, and I
9 want to thank City Council for the opportunity to
10 address you regarding NTI.

11 The establishment of the neighborhood
12 initiative is a sound one as it begins to address
13 fiscal blight problems of our city and the way in
14 which we think of our neighborhoods. I want to
15 request for you today that the community of Hunting
16 Park, east of Broad Street and west of Front
17 Street, be included as a part of the NTI action
18 plan.

19 I believe that the exclusion of our
20 community is an error, given the investment that
21 many organizations and other businesses and
22 nonprofit groups and individuals have made in
23 turning around a neighborhood with many abandoned
24 commercial and residential properties. Nueva
25 Esperanza alone has acquired over eight acres of

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 distressed or abandoned properties in order to
3 reclaim this neighborhood. In the last four years,
4 we've had major plans for the coming five years.

5 I'm here hoping that you would include
6 us in the NTI action plan. I'm here because in the
7 document that has come forward, we were distressed
8 to find that there were various communities. If
9 you look at the map that we have included, you will
10 see that Nueva Esperanza's community was skipped
11 over; whereas, the entire area around us was, in
12 fact, included in the City Planning's proposal.

13 The neighborhood has strong nonprofit
14 organizations and businesses that are committed to
15 turning it around. We have in this community
16 Aspira, the oldest educational organization; Casa
17 del Carmen, the second oldest Latino social-service
18 organization; Roberto Clemente, Taylor, McClure,
19 Cayuga, Central East, Barton, Sheridan, Stetson,
20 Aspira, Nueva Esperanza, Edison, and the public
21 schools. All of these schools are in the community
22 that was skipped over.

23 We have the largest educational
24 community in the City, with over 15 percent, or
25 20,000, of Philadelphia's school children within

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 our boundaries.

3 Aspira and Casa del Carmen have
4 invested over \$3 million in the community in the
5 last four years. The public school system has
6 invested over \$18 million of rehabilitation of the
7 existing schools. Tierra Colombiana, regarded as
8 one of the best, if not the best Latino restaurant
9 in Philadelphia, has also invested over half a
10 million dollars in their business.

11 Nueva Esperanza is an anchor in this
12 community that can and has led significant
13 community-development efforts and can deliver
14 community change.

15 * We have invested close to
16 \$7 million in a four-block area over the last four
17 years. We purchased a seven-acre industrial site
18 for \$2.7 million that now contains over 250 jobs.

19 * We rehabbed a 70,000 square-foot
20 warehouse to create a charter school at 301 Hunting
21 Park Avenue, an investment of \$3.1 million. An
22 additional \$3 million will be invested at the
23 industrial site and high school, totaling close to
24 \$9 million.

25 * The City of Philadelphia invested

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 \$100,000 of that \$9 million through a Department of
3 Commerce grant that represents Nueva Esperanza
4 leveraging \$9,000 for every City dollar that we
5 have received. Neighborhood transformation
6 requires this kind of leadership and not just
7 demolition.

8 Nueva Esperanza also owns 4530 North
9 Fifth Street, a 2.2-acre lot, which at the time of
10 purchase, was a large, blighted industrial
11 building. The building cost Nueva Esperanza
12 \$450,000. We had the State of Pennsylvania invest
13 over \$50,000 in remediation, an additional \$50,000
14 in a site development plan. Nueva Esperanza has
15 already paid over \$40,000 in back taxes from the
16 previous owner. The building suffered arson, and
17 we now face a City bill for the demolition, and we
18 are being charged for additional taxes and fees by
19 the City of Philadelphia.

20 Nueva Esperanza has a \$28 million
21 development plan to create a Latino corridor in
22 North Philadelphia. That plans is included in the
23 back of your packets.

24 We continue to work closely with HUD
25 and with the House and Senate at the federal level

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 to secure federal funding for \$6.8 million of the
3 project cost. And, as I mentioned, the proposal is
4 in fact in the packets we handed out.

5 The City of Philadelphia's insistence
6 on collecting \$53,000 in taxes and fees of \$15,000
7 may cost Nueva a \$1.4 million loss. HUD, Housing
8 and Urban Development, is interested in developing
9 a partnership with us. We need to have our city be
10 a part of this development and treating us in a
11 fashion similar to for-profit developers downtown
12 where tax revenue, its collection and assessments,
13 are seen as part of a development package.

14 The collection of taxes and placement
15 of liens and court appearances only lend to the
16 problem of development. We have tried to dialogue
17 on this issue, but to no avail.

18 Neighborhood-development projects must
19 get similar treatment to the Kvaerner and stadiums
20 and other development projects. Tax relief to
21 support commercial development is good in the
22 neighborhoods as well as downtown.

23 The Federal Home Loan Bank in
24 Pittsburgh is considering the Nueva Esperanza
25 community as one of three in the state to invest in

5 This neighborhood has a strong core of
6 commercial and residential owners and is
7 strategically located off of the Roosevelt
8 Boulevard. There are many viable businesses in
9 this area, including restaurants, auto-repair
10 shops, bank branches. In addition, most
11 residential properties in this community are, in
12 fact, not abandoned. This neighborhood can become
13 a popular destination for first-time homeowners.

25 We also encourage Council to examine

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 development of tax treatment to encourage
3 neighborhood economic development.

4 Finally, we hope that the HRP project
5 that has not had enough funding for nonprofits not
6 be open to for-profit organizations without
7 assuring those who have made the program successful
8 in lower-income communities continued access.

9 Thank you for holding these hearings
10 and thank you for allowing me to speak to you this
11 afternoon.

12 COUNCILWOMAN BLACKWELL: Thank you very
13 much, Reverend Cortes. And let me say that,
14 obviously, your representation has preceded you in
15 the way that Nueva Esperanza has been wonderful for
16 our city and for the community.

17 Do we have any questions from any
18 members of the committee?

19 Councilman DiCicco.

20 COUNCILMAN DICICCO: Thank you, Madam
21 Chair.

22 Good afternoon, Reverend.

23 REVEREND CORTES: Good afternoon.

24 COUNCILMAN DICICCO: On Page 3 of your
25 testimony, you referenced that the City is

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 insisting on collecting \$53,000 in taxes and an
3 additional \$15,000 in fees.

4 REVEREND CORTES: That's correct.

5 COUNCILMAN DICICCO: Could you be a
6 little more specific as to what that represents.

7 REVEREND CORTES: Yes. When we
8 purchased the property, there were \$60,000 in back
9 taxes.

10 COUNCILMAN DICICCO: How much?

11 REVEREND CORTES: 60 at the time.

12 COUNCILMAN DICICCO: 6-0, 60?

13 REVEREND CORTES: 60. We have paid 45
14 of those 60. Other taxes have accumulated, and as
15 they have accumulated, they've also accumulated
16 liens as well as fees.

17 So in addition to the -- we have about
18 \$15,000 in additional fees in addition to the
19 \$53,000 in outstanding taxes.

20 COUNCILMAN DICICCO: Are the taxes --

21 REVEREND CORTES: They're real-estate
22 taxes.

23 COUNCILMAN DICICCO: Real-estate taxes?

24 REVEREND CORTES: Yes, due to the fact
25 that it's an empty lot.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN DICICCO: No liens, there
3 aren't any liens -- are demolition liens --

4 REVEREND CORTES: There is a demolition
5 lien.

6 COUNCILMAN DICICCO: In addition to
7 that?

8 REVEREND CORTES: In addition to that.

9 COUNCILMAN DICICCO: What's the value
10 of that?

11 REVEREND CORTES: About 280,000.

12 COUNCILMAN DICICCO: Thank you.

13 No other questions.

14 COUNCILWOMAN BLACKWELL: Thank you very
15 much.

16 Any other questions?

17 (No further questions.)

18 COUNCILWOMAN BLACKWELL: Thank you,
19 Reverend Cortes.

20 Now we're ready for the questions for
21 the Administration, so we ask you to come forward.

22 (Administration witnesses come
23 forward.)

24 COUNCILWOMAN BLACKWELL: Councilman
25 Kenney?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN KENNEY: Thank you very
3 much.

4 Just a few follow-up questions relative
5 to yesterday's discussion. When Council passed NTI
6 originally, there was a \$20 million advance, I
7 guess, on the money to get work started. Could you
8 tell me what the status of the \$20 million is, what
9 work it accomplished, and if there's any left.

10 MS. SMITH: The closing on the bond
11 issue occurred about two weeks ago, and out of
12 that, the cost of issuance and other transactional
13 costs would have been deducted; that would have
14 been about \$4 million.

15 COUNCILMAN KENNEY: I'm sorry, it's
16 \$4 million and --

17 MS. SMITH: Yeah. So that's connected
18 to the actual issuance of the bonds and the closing
19 and all of the transactional costs. That's been
20 the only monies spent thus far.

21 COUNCILMAN KENNEY: So there's
22 \$16 million of that original approval left?

23 MS. SMITH: Yes. And in addition, as
24 we testified yesterday, we are in the process of
25 restructuring the PHIL Loan bond, and would include

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 approximately \$2 million of NTI bonds as a part of
3 that restructuring so that we could lower the
4 interest rates to 3 and 5 percent. That bond
5 closing, I think, is tentatively scheduled for
6 sometime at the end of this month or at the
7 beginning of --

8 COUNCILMAN KENNEY: A there a list
9 available of the professionals involved and the
10 fees paid?

11 MS. SMITH: I can talk to the City
12 Treasurer's Office; they usually handle that part
13 of it.

14 COUNCILMAN KENNEY: I would like to see
15 a breakdown of who got what work and what they were
16 paid and what they did and what services they
17 perform; in addition, what professional corporate,
18 legal, or other professionals have been engaged on
19 the \$2 million -- was it \$2 million fees on the --

20 MS. SMITH: On the refunding that the
21 Redevelopment on the --

22 COUNCILMAN KENNEY: Right.

23 MS. SMITH: Okay.

24 COUNCILMAN KENNEY: Okay?

25 Also, on the issue of -- one of the

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 concerns I had yesterday is, as far down the road
3 as this is, we still don't have bid packages and
4 pre-qualification issues relative to contractors.
5 That's a concern to begin with from my perspective,
6 but the other question I have on that is, will this
7 work go to the lowest bidder?

8 MS. SMITH: Yes. This is being issued
9 pursuant to the City's standard procurement
10 process, and that standard, as dictated by the
11 Charter, is the lowest responsible bidder.

12 COUNCILMAN KENNEY: The lowest
13 responsible; not necessarily the lowest bidder.

14 MS. SMITH: The Charter requirement is,
15 you know, out of the Procurement Department.

16 COUNCILMAN KENNEY: Who will review the
17 bids and who will make the final decision on who
18 gets awarded what?

19 MS. SMITH: That work is let out of the
20 Procurement Department. I don't know if they have
21 a committee structure or how they actually review
22 it, but it will be the work of -- it will be
23 treated as our current demolition contracts and
24 reviews are done.

25 COUNCILMAN KENNEY: Well, is it

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 envisioned that a larger kind of general contractor
3 would be hired, and then that contractor would then
4 hire subs? Or would each individual job be bid
5 separately? Will there be an overall large
6 construction or demolition company that would have
7 the authority to hire subcontracting demolition
8 firms?

9 MS. SMITH: I think -- I mean, I can't
10 speak to how contractors respond to our bids, but
11 it will be in the same manner as are traditional
12 demolition contractors. I assume GCs sometimes
13 bring in subcontractors; I assume some people, you
14 know, bid and they do all of the work.

15 But there's no, like, requirements that
16 it has to be done one way or the other. It's the
17 standard, you know -- what we can do is make
18 available to you, you know, the standard bid
19 packages and the requirements and the technical
20 specifications that will be issued as a part of
21 this.

22 COUNCILMAN KENNEY: But is it
23 envisioned in a general sense that a large overall
24 construction manager or a general contractor would
25 be hired through the competitive bidding process,

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 and that individual would then have the ability to
3 hire subcontractors to do the actual work?

4 MS. SMITH: I really can't answer that
5 type of question; I, you know, must plead a little
6 bit of ignorance between GCs CMs and
7 subcontractors. As I said, we can make available
8 to you the actual bid specification.

9 COUNCILMAN KENNEY: My concern is that
10 we may engage in a competitive bidding process, as
11 the Charter requires, but as a result of things
12 that we've seen in the -- this is the demolition
13 side, but on the construction side of it, what
14 we've seen in the past are lowest responsible
15 bidders being awarded the bid, and then through a
16 process called "change order," and other
17 negotiations, the bid itself, in some ways,
18 changes: The scope of the work changes and the
19 price often changes.

20 So what I need to know is what the
21 specific process is going to be from the response
22 to the bid to the evaluation of those bids to the
23 Awards of those bids, and then further down the
24 road, to what happens to allow that scope of work
25 to be changed during the course of this process.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: Okay.

3 COUNCILMAN KENNEY: 'Cause I've seen
4 construction bids, maintenance bids, stuff at the
5 airport come through the airport, for example, wind
6 up being one number, and a year later, it's doubled
7 that because we've had a change order process. And
8 one of the reasons why I was skeptical and voted
9 against this in the first place is because I don't
10 want the continued process of the way bids are
11 awarded in this city to be part and parcel of this
12 NTI if this is going to be successful.

13 Because too many times, those contracts
14 change without anyone's approval other than a small
15 group maybe on the second floor. But Council, once
16 we approve it, it's out of our hands, and then
17 people have the ability to manipulate it the way
18 they see fit, and I want to try to avoid that if we
19 can, to avoid problems down the road with NTI's
20 success or lack thereof.

21 MS. SMITH: Okay, I will follow up and
22 provide that type of information as to what the
23 City's procurement process is and the review
24 process.

25 COUNCILMAN KENNEY: Okay.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: As well as the process for
3 reviewing change orders.

4 COUNCILMAN KENNEY: And, I guess, the
5 initial Strawberry Mansion is the initial area
6 we're going to be doing a large amount of --

7 MS. SMITH: What we've historically
8 called "the prototype area" was to try to test out
9 the, you know, new bids specs, things of that
10 nature.

11 COUNCILMAN KENNEY: Are there
12 relocations involved in that demolition?

13 MS. SMITH: In the package that we are
14 putting together, we're looking at all vacant
15 buildings.

16 COUNCILMAN KENNEY: Okay, all vacant
17 buildings. Is there a relocation plan?

18 MS. SMITH: A relocation plan?

19 COUNCILMAN KENNEY: A plan for
20 individuals who need to move out of their homes or
21 be located while the demolition is going on.

22 MS. SMITH: Well, there's always the
23 issue of what we call "emergency and temporary
24 relocations." For example, one of the things that
25 we talk about is, prior to demolition occurring, to

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 do assessments and surveys of the neighborhood.
3 You know, if there's an occupant next to a property
4 that's going to demolished, to make sure that
5 there's not a elderly person or someone with
6 special, you know, health issues and, therefore,
7 may need to be temporarily located to make sure
8 that occupied house will be okay.

9 That work will be lead, you know, by
10 the Office of Adult Service, in partnership with
11 Risk Management, doing what we call "a social
12 survey assessment." And then depending on the
13 outcome of that, if it's necessary, working with
14 the person, we think their health or something may
15 be at jeopardy, there may be a temporary, you know,
16 or a emergency relocation.

17 Historically the of Department of
18 Licenses and Inspections has on occasion, you know,
19 had to move somebody on an emergency basis.

20 COUNCILMAN KENNEY: Well, obviously,
21 this is a larger number of properties that are
22 being demolished in one period of time, and I would
23 guess that over the course of the two years of
24 planning, we would have some idea on the potential
25 number of people that need to be relocated?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: I really think it's going
3 to vary from neighborhood to neighborhood, from
4 community to community and the situation within
5 each. And that's why, you know, we built in time
6 to do those inspections.

7 COUNCILMAN KENNEY: Do we have an idea
8 how many potentially?

9 MS. SMITH: We have not done the field-
10 survey inspections on social services; we've just
11 done the building-condition inspections, and then
12 once we are clear about which properties will be,
13 you know, included in the bid package, then the
14 next step will be to begin to deploy -- to do the
15 social-services assessment.

16 COUNCILMAN KENNEY: But, obviously,
17 that would impact on the cost.

18 MS. SMITH: Right, and I do believe we
19 included a percentage number to acknowledge that,
20 and it would just be, you know, for hard costs.
21 Like, for example, if you have to put somebody
22 with -- you know, a lot of times, I believe, the
23 Office of Emergency Services works with agencies
24 like the Red Cross and other providers to provide
25 temporary housing.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN KENNEY: I assume the
3 Housing Authority will be involved in any potential
4 relocations?

5 MS. SMITH: No.

6 COUNCILMAN KENNEY: They're not
7 supporting -- they're not going to be providing any
8 support?

9 MS. SMITH: The Housing Authority can
10 and may be asked to do some stabilization work on
11 houses that we want to preserve, but they will not
12 be involved in the relocation work; that is through
13 the Office of Emergency Services.

14 COUNCILMAN KENNEY: So the --

15 MS. SMITH: They were all -- I guess if
16 there's a tenant, that if the property is PHA-
17 occupied with a PHA tenant, they would then be
18 responsible for handling that person, but if it's a
19 privately-owned property, no.

20 COUNCILMAN KENNEY: And will the
21 Section 8 Program be utilized in any way?

22 MS. SMITH: No. As we stated in the
23 NTI bond program, that we would not be using
24 Section 8 certificates out of bond proceeds to do
25 permanent relocations.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN KENNEY: You indicated in
3 your testimony yesterday that the generally stable
4 neighborhoods would -- what is "a generally stable
5 neighborhood? Could you give me some ideas on
6 which neighborhoods by name you would you believe
7 would be generally stable?

8 MS. SMITH: I mean, basically what
9 we've been saying with respect to some of -- we
10 said neighborhoods and blocks, that there are a lot
11 of blocks in the city and neighborhoods in the city
12 where you just see one or two vacants on the block
13 and, you know, they're all across the city. I'm
14 thinking they're in the lower Northeast and in
15 areas of Northwest Philadelphia, Southwest
16 Philadelphia, South Philly, but even in North
17 Philadelphia, where you may even have a significant
18 amount of vacancy, you also have a significant
19 number of blocks where there's one or two vacant
20 properties on that block.

21 And so what we want to do is to make
22 sure that -- you know, if it's feasible and it's
23 likely that that property can be rehabilitated, can
24 we stabilize it in such a way, get title to it, get
25 it back into the private marketplace.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN KENNEY: Okay. Yesterday's
3 Daily News article indicated that Westrum (ph), a
4 very successful developer generally, has been
5 trying to do more and more in Philadelphia, is
6 looking at Brewery Town as a potential for
7 market-rate residential housing. There were some
8 indications in there from Mr. Westrum and also from
9 Toll Brothers that they believe that right now, the
10 climate and the environment in Philadelphia is not
11 terribly suitable for the construction of
12 market-rate housing at a profit to the developer.

13 What discussions are going on as we
14 speak, or will be going on, in an effort to deal
15 with the construction costs associated with, I
16 guess, Phase II of what comes after demolition?

17 MS. SMITH: Mm-hmm.

18 COUNCILMAN KENNEY: What is going on to
19 have those discussions? who is having the
20 discussions? and what are the results of those
21 discussions?

22 MS. SMITH: Again, the issue of labor
23 costs, I think, again is a complex one,
24 particularly where, you know, the City's not
25 directly involved in one of our own projects. We

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 have begun to look at what are some, what people
3 call, "cost drivers" for construction costs. I
4 believe there's been some work done to say, you
5 know, is it just the differential and wage rate? I
6 think someone mentioned yesterday about the A rate
7 and the B rate. You know, some people say it's
8 work rules, are there other cost drivers, you know,
9 permitting processes and the like.

10 So, you know, there's been some work
11 done with respect to that.

12 The solution, I think, is one that, you
13 know, the Mayor, I know, is very much committed to
14 looking at, and probably himself personally would
15 take the leadership on an issue like that.

16 COUNCILMAN KENNEY: Do you know when
17 that may happen?

18 MS. SMITH: I mean, you know, I can't
19 speak to that.

20 COUNCILMAN KENNEY: It is a major part
21 of the success to this project, is it not?

22 MS. SMITH: I think the issue of the
23 cost of housing and the cost to build in
24 Philadelphia, the same as with the Convention
25 Center and others, is an issue, and we do have to

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 grapple with it. And sometimes I know there's been
3 progress, and sometimes there hasn't been.

4 COUNCILMAN KENNEY: But without --

5 MS. SMITH: But I'm not, you know, I'm
6 not in the leadership on that particular issue so
7 I --

8 COUNCILMAN KENNEY: But without
9 progress in that area, the potential of
10 experiencing a situation where we have a lot of
11 vacant land and nothing being built on it should be
12 a concern for anybody involved in approving money
13 for this or involved in the implementation of the
14 program.

15 MS. SMITH: Mm-hmm.

16 COUNCILMAN KENNEY: And that's the
17 other -- the final question I have is, what happens
18 during the course of the two, three, five years
19 that we're talking about, when it comes to the
20 securing, cleaning, and maintaining of these vacant
21 parcels we're going to create over the next two to
22 three years?

23 MS. SMITH: Mm-hmm. Well, as you know,
24 we've incorporated into the beginning last year a
25 process of going through and cleaning the current

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 vacant lots in neighborhoods. Because of the
3 amount of debris and the scale of debris, it was
4 very clear that, you know, we in government had to
5 tackle that problem.

6 I believe that as of today, we're
7 probably about at least two-thirds through the
8 approximately 31,000 lots. I believe the
9 numbers -- and this work is being led by the
10 Managing Director's Office -- is approximately more
11 than 20,000 tons of debris have been removed. And
12 then at the same time --

13 COUNCILMAN KENNEY: Do you know at what
14 cost that was?

15 MS. SMITH: We budgeted, if I remember
16 correctly, in that fiscal year budget somewhere in
17 the area of \$6 million to undertake this -- and it
18 also included graffiti abatement. I mean, it
19 wasn't just lot cleaning but a number of that type
20 of work that you're seeing in neighborhoods.

21 Then going forward, having gotten it
22 down to a manageable position, we have been working
23 to identify both private and other resources.
24 We've done, you know, some pilot projects in some
25 neighborhoods. I believe the Philadelphia Green

14 So we're beginning to try to mine the
15 federal budget because increasingly, the issue of
16 urban land is not one -- and the management of that
17 is not one that is unique to Philadelphia. Cities
18 like Chicago have been successful in getting a
19 significant amount of federal resources to do
20 different types of what people call "greening
21 projects," and we've had some interest by the, you
22 know, private banking community about playing a
23 role, you know, where their offices are in this
24 type of land maintenance.

25 COUNCILMAN KENNEY: The City of Chicago

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 also makes money from towing abandoned so -- and we
3 pay money to have 'em removed while the City of
4 Chicago makes money to have them removed, so I
5 don't always want to be compared to Chicago 'cause
6 I don't think we're right up there with them.

7 But I guess the question is, what are
8 we putting aside in the way of budgeting money to
9 maintain these lots? If, in fact, they stay vacant
10 for two, three, five years, you know that the
11 refrigerators and the car tires and the other
12 things grow off those lots.

13 MS. SMITH: Yes. We did include in
14 this year's fiscal budget to go through it on a
15 periodic basis, to continue to make sure the lots
16 remain reasonably free of debris. So I don't -- I
17 think it was around 4 or 4.5 million, but I can
18 check.

19 COUNCILMAN KENNEY: Over what period of
20 time?

21 MS. SMITH: Well, I think the annual
22 budget is they budget it out in the Five-Year Plan
23 for, you know, over the five years. But I will
24 check it.

25 COUNCILMAN KENNEY: Okay.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: That it is within the
3 five-year financial plan.

4 COUNCILMAN KENNEY: Fine. Thank you
5 very much.

6 COUNCILWOMAN BLACKWELL: Councilman
7 DiCicco?

8 COUNCILMAN DICICCO: Thank you, Madam
9 Chair.

10 In the area of cleaning vacant lots,
11 encapsulating vacant buildings that are not
12 City-owned, that are privately owned, are we
13 lienning the owners?

14 MS. SMITH: Yes, we are.

15 COUNCILMAN DICICCO: And we'll continue
16 if we have to go back time and time again?

17 MS. SMITH: Yes, we are.

18 COUNCILMAN DICICCO: That's the only
19 question I have. I wanted to make sure. Thank
20 you.

21 COUNCILWOMAN BLACKWELL: Do we have
22 further questions?

23 Councilman Nutter?

24 COUNCILMAN NUTTER: Good afternoon,
25 Ms. Smith and Ms. McCullough and Mr. Traylor.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN BLACKWELL: Councilman,
3 would you pull your mic. closer because we
4 absolutely can't hear you.

5 COUNCILMAN NUTTER: I'm sorry.

6 COUNCILWOMAN BLACKWELL: Thank you.

7 COUNCILMAN NUTTER: From the earlier
8 hearing, Madam Chair, it was pointed out that I was
9 being unusually quiet, and that has continued into
10 this hearing.

11 In response to an earlier question, I
12 could not -- I was actually having trouble hearing
13 over on this side -- you were responding with a
14 question with regard to relocation, and I only
15 heard a part of what you said, that there was an
16 office of "something" services that was working
17 with people, and I couldn't hear what that word
18 was.

19 MS. SMITH: Oh, the Office of
20 Emergency -- the OESS.

21 COUNCILMAN NUTTER: Okay.

22 MS. SMITH: Okay. And usually they
23 work very closely with the Office of Risk
24 Management 'cause sometimes, you know, it gets to,
25 you know, whether or not it's a dangerous condition

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 or something for the occupied property.

3 COUNCILMAN NUTTER: Okay. I had asked
4 you yesterday about -- and I again want to say that
5 while some of the questions may make reference to
6 the current pilot area, which is in Strawberry
7 Mansion, obviously. That's not in the area that I
8 represent. At the same time, I will make a little
9 bit of an assumption, which is that whatever may be
10 going on in the pilot area, to some extent, is
11 probably going to go on in other parts of the City
12 when the plan is fully operational.

13 So my questions are not so much
14 directly about the Strawberry Mansion area but only
15 in the context of whatever it is you're doing, and
16 you happen to be doing it there, and it's probable
17 going to be pretty much the same in another part of
18 the City, and whenever it rolls over into the 4th
19 District, I'd like to better understand better what
20 the program is. So if you could answer the
21 questions in that context, I'd appreciate it.

22 I asked you yesterday about the
23 upcoming pilot area activity, and I think you told
24 me that there were a hundred properties that were
25 going to be demolished, all of which were vacant.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: Approximately, mm-hmm.

3 COUNCILMAN NUTTER: Okay. But in
4 previous materials or in earlier news accounts
5 about the pilot area, I thought that I had actually
6 read that it was 120 properties.

7 MS. SMITH: I can't speak to what's in
8 the previous accounts, but as we've been doing the
9 inspections and analyzing the building, having
10 conversations with the District Councilperson, the
11 number moves up and down basically.

12 As we committed to in both the
13 framework document that, you know, the District
14 Councilperson we're going to be working very
15 closely with in terms of identifying properties.
16 You know, sometimes for example, you know, people
17 raise the question that that particular property
18 needs to be demolished, someone may assert they can
19 rehab it, you know, it may make sense to take it
20 off. So the numbers do go up and down.

21 And even after we kind of size the
22 package, you know, it's still possible that
23 something can happen and a property gets taken out
24 or added, but it really is a consultive process
25 that we try to have with the District

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 Councilperson.

3 COUNCILMAN NUTTER: Right, and I
4 understand that. And is there any expectation that
5 there will be relocations in the pilot program?

6 MS. SMITH: In terms of permanent or
7 temporary relocations?

8 COUNCILMAN NUTTER: I mean, you know,
9 once you're out of your house, you're kind of
10 relocated.

11 MS. SMITH: Okay. Well, there's --
12 what we always acknowledge and want to be sensitive
13 to -- and we talked about it in the program
14 description -- is two types of relocation. One
15 could be temporary in emergency. The reason why,
16 as I explained to Councilman Kenney, is due to, you
17 know, a health issue, the presence of a elderly
18 household. We really do kind of, since we're going
19 to be working on a geographic basis, kind of want
20 to be able to anticipate those issues, identify any
21 special needs, and then make sure we have an
22 appropriate response for that.

23 You know, in addition --

24 COUNCILMAN NUTTER: I hate to cut
25 across you, but we would temporarily relocate

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 someone because we're going to be doing a lot of
3 work in the area and it's not safe for them? Or, I
4 mean, what --

5 MS. SMITH: Yeah, I think if it's -- if
6 we think there may be, for example, you know, say,
7 someone has an asthmatic condition, and due to the
8 dust that may result from the demolition activity,
9 we do want to be in a position to move that person
10 temporarily from their house, if they want to be
11 moved, or find some other way to kind of
12 accommodate those needs.

13 COUNCILMAN NUTTER: Now, where are they
14 going, where are they going?

15 MS. SMITH: The Office of Emergency
16 Services has, you know, worked with a number of
17 providers that can provide temporary shelter or,
18 you know, hotels, things of that nature. It really
19 is a case-by-case type of determination. And one
20 of the things that we said in the program framework
21 was that any relocation or need also would be
22 reviewed with the District Councilperson so that
23 they're aware of the situation.

24 COUNCILMAN NUTTER: So, again, in that
25 situation, the District Councilperson will decide

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 whether someone gets relocated?

3 MS. SMITH: What we said is that we
4 will review and discuss that issue, but we do have
5 to be sensitive to health issues. Sometimes
6 there's concern, as I understand it, that a house,
7 if you're demolishing an adjacent house, even if
8 it's being done by hand, is there a risk of, you
9 know, the other -- some houses may not be in very
10 good condition, and if there's going to be a risk
11 there, I know L&I historically will, you know, try
12 to move people out.

13 So, as I said, it's a case-by-case
14 thing, and we're allowing for it if it's needed and
15 necessary and recommended.

16 COUNCILMAN NUTTER: Now, what happens
17 in a situation where -- I mean, I guess some
18 element of common sense just makes it such that if
19 you're going to take down -- I mean, if there are
20 26 properties on the side of a street, 20 of which
21 are vacant and dangerous, 3 are occupied, and the
22 other 3 are already vacant lots, I mean, what
23 happens with the 3 people who would technically be
24 left after the 20 properties come down and you've
25 now got 26 parcels and 23 of them are vacant?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: Well, again, I think this
3 will vary from, you know, neighborhood to
4 neighborhood, district to district.

5 But, like, in the past, in those
6 situations, you might explore the possibility of
7 permanent relocation.

8 In order to do that, just as the City
9 has done in West Poplar, I think even in the
10 Jefferson Square community, there's a whole
11 process. I mean, we would have to initiate, you
12 know, an eminent domain taking that has to be
13 approved by City Council, you have to buy the
14 person's house out, you have to compensate them,
15 you know, for the value of the home.

16 There's, you know, there's very
17 stringent requirements around what they call "the
18 uniform relocation code," when there's the taking
19 of property for redevelopment purposes. And,
20 again, it --

21 COUNCILMAN NUTTER: Well, how many of
22 those do you anticipate doing?

23 MS. SMITH: I can't really answer that,
24 and the reason why I can't really answer that, I
25 really do believe those types of issues you've

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 really got to deal with on a case-by-case basis,
3 looking at the situation, seeing if it makes sense.

4 So to project a number would be to
5 project a number artificially and superficially. I
6 mean --

7 COUNCILMAN NUTTER: Well, I mean, when
8 do you think you would know?

9 MS. SMITH: As we're looking in
10 partnership with the District Councilperson,
11 looking at that neighborhood, looking at, you know,
12 are there immediate needs for redevelopment
13 opportunities for that neighborhood, is there --
14 you know, that's the type of thing that I envision,
15 that there's a type of dialogue and a conversation
16 going back and forth on, 'cause these are not, you
17 know, simple or easy issues to deal with.

18 And that's what we and the
19 administration have committed to. I know
20 historically, the Redevelopment Authority has
21 worked on relocation in Jefferson Square and
22 historically have done it in other parts of the
23 City.

24 It's a complex process, it's not a easy
25 one, it's a sensitive one. And so it's not done,

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 and cannot be done, in a heavy-handed manner.

3 COUNCILMAN NUTTER: When would you
4 anticipate this dialogue and these conversations
5 taking place?

6 MS. SMITH: As we, you know, are
7 sitting down with the District Councilpeople and
8 looking at the target areas, looking at where
9 demolition is going to occur, what the issues are;
10 you know, that's when we would see that, that's
11 when you start having the conversation. And so
12 we've, you know, begun to talk.

13 First we got to do the field
14 inspections, you know, just getting the conditions
15 of the house: Is it vacant, is it occupied, is it
16 structurally dangerous? And then, you know, we
17 tend to map that information out, update it when we
18 have a target area, and that's why we're trying to
19 work within a defined geographic boundary.

20 COUNCILMAN NUTTER: Right. Well, I
21 mean, I certainly --

22 MS. SMITH: And some people may elect
23 to say you know even though there's three
24 properties left there on block, you know, we, for
25 whatever reason, you know, and the City has in the

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 past, you know, done demolition if it's need be
3 around that.

4 COUNCILMAN NUTTER: Well, I understand
5 you're going to handle them on a case-by-case
6 basis. I mean, since there is a schedule and we
7 talked about this yesterday and I know you might be
8 a little behind because that's just how things
9 happen sometimes. I'm still hopeful that in this
10 process, even with a schedule that might be a month
11 or so behind, can you give me some idea of when
12 these kinds of conversations, based on the bid
13 package timetable or the demolition timetable, when
14 will this activity start?

15 MS. SMITH: Well, the first step that
16 we've done is, we sit down and try to identify the
17 geographic target area that we want to focus on in
18 the first year, and there's been a couple of
19 meetings already in the process.

20 COUNCILMAN NUTTER: Do you have a
21 deadline by which you want to have that done?

22 MS. SMITH: Well, sometimes it's been
23 going back and forth with the District
24 Councilperson. It was my hope that we could at
25 least have the initial meetings done in April, May,

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 and June with each Councilperson in that target
3 area identified. As I said, I think it has not
4 gone as quickly; Councilmembers have been very busy
5 and this has been, you know, a very busy time of
6 year in catching everybody and so forth.

7 Then second, once we kind of define the
8 geographic boundaries, then they deploy L&I
9 inspectors who go out and do a reinspection of the
10 areas as to the physical buildings: Is the
11 building dangerous, unsafe; is it a vacant lot;
12 does it appear to be occupied?

13 Then we update, you know, the
14 existing -- they take the existing records which,
15 you know, again, things don't stay stagnant, you
16 know, things move. They update that, and then
17 there's a sitdown, again, with the District
18 Councilperson to begin to look at what may make
19 sense in terms of, you know, a demolition package:
20 What do we move forward with? At the same time
21 there's existing vacant lots, do we identify those
22 parcels for acquisition?

23 You know, we stated that we wanted to
24 demolish -- acquire prop -- take title when we do
25 demolition, but are there other vacant parcels in

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 that community that it makes sense to take title.
3 Maybe there's just a vacant lot on the block that
4 could be a potential side yard, what's the current
5 ownership. You know, are there any -- you know,
6 what would be the -- so then you start kind of
7 sizing.

8 Again, it's experience -- it's a kind
9 of a give-and-take type of a process that goes back
10 and forth. Then you can -- and then we also have
11 committed to in our documents that we, at the
12 direction and in partnership with the Council
13 office, you know, have community meetings.

14 So, again, I think each District
15 Councilperson takes that part differently. You
16 know, you have big meetings, small meetings,
17 leadership meetings. So that gets built into it at
18 the same time.

19 It's a very dynamic process, I'm
20 finding, of going back and forth. It's not a
21 simple, straight line.

22 COUNCILMAN NUTTER: There was a story
23 in today's paper, which, I guess, was some
24 combination of a bit of reports from yesterday's
25 hearing, and then there seemed to be some

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 information that had nothing to do with yesterday
3 and more generally about --

4 MS. SMITH: I didn't get a chance to
5 read today's paper, I'm sorry.

6 COUNCILMAN NUTTER: Okay. Well, there
7 was a story in the Inquirer this morning which made
8 reference to some of the activity, I guess, going
9 on in the pilot area, and you were quoted as
10 basically saying -- I'm going to paraphrase and
11 possibly not do a good job -- that you had learned
12 a great deal through the process, there are a
13 number of residents who are expressing, I think,
14 some concern about getting information either
15 outside, or it may have even been at yesterday's
16 hearing.

17 MS. SMITH: Mm-hmm, mm-hmm.

18 COUNCILMAN NUTTER: But also that there
19 may be a need to slow things down a little bit in
20 the context that getting additional information
21 might be helpful and will actually make things
22 better going forward.

23 Do you remember that?

24 MS. SMITH: Yeah. You know, they grab
25 you as you're walking out, so --

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: I've had that
3 experience a couple times.

4 MS. SMITH: So basically what I was
5 saying was that -- I guess the things I've learned
6 is that it's not a linear process, it's not a
7 simple --

8 COUNCILMAN NUTTER: It's not a what?

9 MS. SMITH: A linear process. You
10 know, you do A, you do B, you do C. That it's
11 dynamic, that it goes back and forth. And you just
12 have to be open to those processes. You know, I
13 mean you -- it's -- that was the gist of it.

14 And whenever you have processes, you
15 know, sometimes they don't stick to timetables, and
16 there has to be flexibility. That was kind of,
17 like, the gist of our remarks.

18 It really is a dynamic process between
19 the Administration and trying to package the bids
20 and put things together and move things with just
21 working with the District Councilpeople, getting
22 that input, working with the community.

23 COUNCILMAN NUTTER: Right.

24 MS. SMITH: As they say, these
25 processes sometimes are, you know, messy, and

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 they're not simple or straightforward.

3 COUNCILMAN NUTTER: Okay. So the quote
4 was accurate?

5 MS. SMITH: I just re -- that was -- I
6 just reconveyed what my sentiment was, and I didn't
7 read the actual report.

8 COUNCILMAN NUTTER: Okay, and when you
9 said that you might want to slow some things down,
10 what actually did you mean?

11 MS. SMITH: Well, that it's clearly the
12 process of reviewing the properties and does it
13 make sense; at what point, you know, are you
14 getting feedback from community; you know, getting
15 meetings set up. And all of that takes time. So
16 that's what I was referring to when I said things,
17 you know, took longer.

18 We initially, again, had plans and
19 timetables, but they slip sometimes. That's what I
20 mean. It's not, like, intentionally slowing it
21 down, but you have to allow for the process and how
22 that process plays out. And I think it's going to
23 play out differently in different community.

24 And that's why we really welcome and
25 are happy about the partnership with District

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 Councilpeople, 'cause they help us with those
3 processes. And it's always maintained that, you
4 know, it's not one size fits all, one process fits
5 all. It really isn't.

6 COUNCILMAN NUTTER: Well, yeah, I mean,
7 that's fairly clear, and I think that that has been
8 part of the discussion both on the record and off
9 the record over some extensive period of time about
10 this in the first place.

11 There's been a lot of consternation, if
12 you will, about getting this done, getting it done,
13 getting it done, and now that you're in the middle
14 of a process, people are now maybe coming to the
15 realization that some of this work probably could
16 have been done at an earlier point in time, some of
17 this work and information could have been gathered
18 at an earlier point in time when we were arguing
19 about whether we should do something or not do
20 something, have a bill or not have a bill, when,
21 clearly, there's still more work to be done and
22 there's more information to be gathered. Is that
23 accurate?

24 MS. SMITH: Well, I think, again, but
25 then it changes, time changes the information. As

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 we've said, you know, we've done surveys before and
3 things like that just in terms of that.

4 COUNCILMAN NUTTER: Mm-hmm.

5 MS. SMITH: But because conditions
6 change and environments change, you still need to
7 update. So, yes, you know, we've had surveys, and
8 that's a good start, like we're not going out from
9 scratch. So we're confirming or affirming
10 information. If you had something happen, you
11 know, there could have been intervening factors.

12 COUNCILMAN NUTTER: Right.

13 MS. SMITH: So I don't know if that
14 would have really changed some of those steps.

15 COUNCILMAN NUTTER: Okay, but you do
16 know more today than you did a year ago.

17 MS. SMITH: And that was the whole
18 purpose of what we had always envisioned, what we
19 call that "prototype project." We built into our
20 processes the idea of trying to work through some
21 of those operational issues.

22 COUNCILMAN NUTTER: Mm-hmm.

23 MS. SMITH: You know, it's easy to sit
24 in a room and, you know, make a plan and say this,
25 that, and the other, but when you put it -- test it

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 in the field, other things change, and it was one
3 of the reasons why we built in this concept of the
4 prototype project.

5 COUNCILMAN NUTTER: Okay. Tell me a
6 little bit about the budget on Page 3 of the -- you
7 told me yesterday this is the program statement and
8 budget. How was this budgeted put together?

9 MS. SMITH: Basically it was myself
10 working with various individuals within the
11 operating departments. So, for example, for
12 residential demolition, which took the number
13 that's been historical experience, allowed for the
14 fact that we are changing bid specs to do
15 additional treatments -- you know, like some
16 post-demolition treatments -- and then base than on
17 a per-unit and average it out. So in that sense,
18 it's a flat number.

19 We allocated the --

20 COUNCILMAN NUTTER: What's the current
21 cost of a demolition?

22 MS. SMITH: It is -- the number,
23 depending on whether or not, when you say
24 "demolition," if you're including party wall
25 treatments and the like and --

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: We always include
3 that.

4 MS. SMITH: Yeah. Well, some people
5 don't; sometimes they give just the number for the
6 demolition activity, and it will be around 6 or
7 7,000, and I think it's around 8 or 9,000.

8 COUNCILMAN NUTTER: Okay. And so why
9 are we estimating 10 to 11?

10 MS. SMITH: The reason why is that in
11 looking at the number -- the past experience has
12 been the combination of some machine and the lot.
13 We wanted to look at -- make sure that we had
14 enough resources to make sure we do appropriate
15 treatments for party wall and how you're finishing
16 off things. I mean, the historical complaint has
17 been how occupied properties have been left behind.

18 We also wanted to make --

19 COUNCILMAN NUTTER: Given the massive
20 size of what you're planning to do, my sense would
21 be that there would be fewer party walls given the
22 amount of demolition, especially string demolition,
23 than we would normally have in the present
24 environment where we pretty much do them on a
25 complaint-driven basis as opposed to in any

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 significantly coordinated fashion.

3 MS. SMITH: Yeah --

4 COUNCILMAN NUTTER: I mean, there's no
5 stucco to worry about if you take 20 properties
6 down at the same time.

7 MS. SMITH: Yes, but in a lot of
8 neighborhoods there aren't 20 vacant properties in
9 a string like that.

10 COUNCILMAN NUTTER: Well, I understand
11 that, right.

12 MS. SMITH: There may be five in a
13 string and then some properties and then three in a
14 string. So that's one variable.

15 And I have to admit I do --

16 COUNCILMAN NUTTER: You're going to
17 have more string demolition in this program than
18 we've ever had before, though, right?

19 MS. SMITH: Yes, in some neighborhoods;
20 in other neighborhoods, maybe not.

21 COUNCILMAN NUTTER: Right.

22 MS. SMITH: You know, and as I said,
23 we're also beginning to try to contemplate
24 different treatments on party walls and edging, and
25 we're also trying to budget for things like, you

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 know, what can we do around some of the post-
3 demolition treatment. You know, there's the
4 environmental costs component of this that's
5 starting to go up, you know, how we allow for that
6 and landfill.

7 And what I can do is, again, you know,
8 get back to you and talk about you know, having
9 somebody put together a short paper about how the
10 types of things that we are looking at and do them
11 somewhat differently than we've done before to make
12 sure that when we leave a neighborhood that we're
13 trying to leave it, you know, without a lot of
14 issues that have been raised in the past.

15 COUNCILMAN NUTTER: Well, I mean, I'd
16 be glad to read the paper. I'm trying to
17 understand -- I mean, some of this goes against
18 some of the fundamental laws of economics, that --
19 I mean, we have a tremendous supply here of product
20 and I don't understand why the price is going up as
21 opposed to down.

22 MS. SMITH: Again, I mean, we may be --
23 until we actually test the market, we don't know.
24 Again, I'm being very conservative. I understand
25 your point of view. I --

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: I mean, if you
3 budget \$11,000, I think you could pretty much
4 anticipate that that's probably what they're going
5 to charge us, right?

6 MS. SMITH: Mm-hmm, mm-hmm. And if we
7 budgeted -- I mean, I think it's a question of how
8 you want to budget. I mean, the other side of the
9 coin is if you budget low and then you get the
10 issue of, you know, the bids coming in a lot
11 higher, and then since we have to approve this each
12 year, you know, with Council, how do we -- you
13 know, we have to come back and things like that.

14 So it was just a decision on my part on
15 how to budget this.

16 COUNCILMAN NUTTER: I understand, and
17 I'm not questioning your ability to budget; I'm
18 just saying that, mean, you're going to set the
19 floor wherever you're going to set the floor, and
20 it seems to me that for what it is that we're
21 trying to accomplish with quality and with good
22 standards, we want that floor to be as low as
23 possible.

24 MS. SMITH: I understand.

25 COUNCILMAN NUTTER: We're apparently

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 setting the floor higher than the current ceiling.
3 And, I mean, I'm sure the market would love to
4 respond to it. I'm just questioning why we would
5 put out that kind of number when it is clearly
6 above what we're currently paying and there should
7 be, I mean, certain economies of scale.

8 I mean, we don't need to get Lawrence
9 Summers in here to have a discussion about how
10 you're massively increasing the number of
11 demolitions, many of them are not going to result
12 in party walls and some of these other treatments,
13 people are getting more work than they ever got
14 before, so it seems to me that we should be driving
15 the number down as opposed to potentially inflating
16 it to start with more work to come.

17 I mean, who's controlling the process
18 and whose money is it?

19 MS. SMITH: You know, I already gave
20 you my rationalization of, you know, what we are
21 trying to accomplish in that number. We just
22 differ on that.

23 COUNCILWOMAN MILLER: Okay.

24 MS. SMITH: I'm not sure what more I
25 can say.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: And so you expect,
3 based on your budgeting, that every demolition is
4 going to cost -- and what is the number, 10? or is
5 it 11?

6 MS. SMITH: This is just an average,
7 it's an average number that's projected in the
8 budget.

9 COUNCILMAN NUTTER: Okay. Let's talk
10 about the housing and neighborhood preservation
11 areas. And that starts on...

12 I guess it starts with the vacant
13 property stabilization, Page 23. This is
14 encapsulation? Is that what this budget is?

15 MS. SMITH: Yes, mm-hmm.

16 COUNCILMAN NUTTER: The \$3.5 million.

17 MS. SMITH: Yes.

18 COUNCILMAN NUTTER: Okay. Now, in the
19 past, when we've done the encapsulation, you're
20 saying that we have put a lien on the property?

21 MS. SMITH: Yes.

22 COUNCILMAN NUTTER: Okay. How many
23 properties did we lien last year?

24 MS. SMITH: I believe in FY '02, there
25 were around 50 or 54 properties that were

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 encapsulated. I can get back to you with the exact
3 number.

4 COUNCILMAN NUTTER: Okay. And what, if
5 anything, happened with the liens, or was there any
6 collection?

7 MS. SMITH: What we've done is we then
8 began to slate those properties for acquisition,
9 and through the public-taking process, if someone
10 were to step forward, those liens get deducted from
11 any fair-market value.

12 Experience has shown that demolition
13 liens and any other liens tend to exceed the value
14 of the property. You know, at the end of that
15 process, you know, money gets paid into court and
16 so forth and so on.

17 COUNCILMAN NUTTER: And how many
18 properties of the 50 last year did we acquire?

19 MS. SMITH: We've initiated acquisition
20 on -- that's why I know the number 50, it's
21 approximately 50. I can get back to you on the
22 exact number.

23 COUNCILMAN NUTTER: Okay. And what was
24 the cost of the acquisition?

25 MS. SMITH: It hasn't been completed

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 yet; it's just been initiated. And the request
3 went over -- I believe the funding for those
4 acquisitions were included in the midyear transfer
5 ordinance.

6 COUNCILMAN NUTTER: Say that last part
7 again, I'm sorry.

8 MS. SMITH: The funding to support the
9 Act 94 actions for those encapsulated properties
10 was included in the just midyear transfer
11 ordinance. So they're winding their way through
12 the process.

13 COUNCILMAN NUTTER: Are you talking
14 about the list -- is that Attachment 4, that list?

15 MS. SMITH: Yeah, I believe we had a
16 list in the back of the book.

17 COUNCILMAN NUTTER: All right. You're
18 saying that these were encapsulated properties and
19 we're acquiring them based on that?

20 MS. SMITH: There was a list of
21 acquisition-type line.

22 COUNCILMAN NUTTER: Right, as of
23 February 2002.

24 MS. SMITH: Right. And one of the,
25 quote, projects in that speaks to the properties

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 that have been encapsulated by the City.

3 COUNCILMAN NUTTER: Which one was that?

4 MS. SMITH: I'm sorry, it was left off,
5 but it was in the original grouping. I don't know
6 if we got a page missing. I apologize for that.

7 COUNCILMAN NUTTER: Okay. I mean, most
8 of these --

9 MS. SMITH: It was about 54 properties.

10 COUNCILMAN NUTTER: Okay. And this is
11 the list that starts with 1600 Diamond Street?

12 MS. SMITH: Yeah, mm-hmm.

13 COUNCILMAN NUTTER: And ends with
14 Jefferson Square?

15 MS. SMITH: Right, mm-hmm.

16 COUNCILMAN NUTTER: And you're
17 saying --

18 MS. SMITH: But there was about 54
19 properties which we -- that's the number, for some
20 reason, that's sticking in my head, around 50 that
21 we wanted to make sure we budgeted dollars for
22 acquisition.

23 COUNCILMAN NUTTER: Okay, but you're
24 saying that that's not a part of this package here?

25 MS. SMITH: I think it may have been

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 left off. I apologize. We did have one more thing
3 and it got of left out. It's a lot of paper.

4 COUNCILMAN NUTTER: It's a lot of
5 paper, yes. Our paper budget gone up also.

6 And you'll get that to us?

7 MS. SMITH: Yes. And I'll get what we
8 originally submitted, you know, by letter to
9 Council, and then we broke everything out. I know
10 it was on that.

11 COUNCILMAN NUTTER: Okay. And along
12 the similar line of the earlier questioning, with
13 regard to the encapsulation or what you're calling
14 "stabilization general," we're anticipating an
15 average cost of \$10,000; is that what we're
16 currently spending?

17 MS. SMITH: Yeah. Again, it really
18 varies in terms of the type of work that needs to
19 be done. I believe the historic experience could
20 be as low as 3 or 4,000, up to, you know -- in some
21 instances, I think there were some properties
22 around 15,000. It depends on, you know, taking off
23 that -- what you need to do to stabilize the
24 property.

25 COUNCILMAN NUTTER: Okay, all right.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 Now, I know we had some of this
3 discussion when we were actually going through this
4 process earlier this year. Tell me a little bit
5 about the CLIP Program and how it will function and
6 what, I guess, the difference will be between
7 what's going on in the 6th and the 10th and the
8 other eight districts across the City.

9 MS. SMITH: The exact program is being
10 let out of the Managing Director's Office, and
11 basically, it's kind of like a quality-of-life
12 enforcement program to coordinate the quality-of-
13 life type of code-enforcement issues in those
14 districts. That's, you know, sort of like the core
15 of it.

16 We also recognize -- what we try to do
17 is show that there will also be some vacant
18 property stabilization. These are areas of the
19 City, again, with very low vacancy and demolition
20 needs, but there are other types of quality-of-life
21 issues.

22 And there was a proposal that was
23 submitted called "CLIP," Community Life Improvement
24 Program, and it can deal with everything from, you
25 know, citing for, you know, improper disposal of

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 trash and, you know, those quality-of-life types of
3 things.

4 COUNCILMAN NUTTER: Now, when do you
5 expect that program to go citywide, or what would
6 someone have to do to have, I mean, the same type
7 of coordinated effort in other parts of the City?

8 MS. SMITH: I think what is happening
9 is that the Managing Director's Office wants to get
10 a sense of the cost and what kind of changes they
11 have to make, I guess, within the internal workings
12 of government to do that.

13 So I don't know when they've projected
14 to take it citywide or the like. I would have
15 Miss Richman get back to you on that. It's not a
16 core piece that I've been working on other than to
17 make sure that we show that there will be some
18 vacant buildings and to help stabilize properties.

19 COUNCILMAN NUTTER: I mean, is it a
20 funding issue or --

21 MS. SMITH: That program is funded out
22 of -- it's not funded out of bond proceeds other
23 than the vacant property stabilizations. Like in
24 all the rest of the City, it's funded, you know,
25 out of the regular City's general operating budget

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 resources. And that's why we called it "an
3 associated activity."

4 COUNCILMAN NUTTER: But the million
5 dollars is being funded out of bond proceeds,
6 right?

7 MS. SMITH: That's for vacant property
8 stabilization, just like we've talked about in
9 other districts; that's the same thing.

10 COUNCILMAN NUTTER: Okay.

11 MS. SMITH: It's just to kind of
12 highlight, you know, again the idea of this
13 coordination work.

14 COUNCILMAN NUTTER: Right, I
15 understand. So what will the Clip Program actually
16 cost?

17 MS. SMITH: I'm not sure what's been
18 budgeted for that, the actual for the other
19 components. This is what we've put aside for
20 vacant property treatment in support of it.

21 COUNCILMAN NUTTER: Mm-hmm, okay. So
22 that takes care of the first \$6 million under
23 housing investment and neighborhood preservation.

24 Now, tell me about the \$5 million for
25 housing rehab and preservation programs. How did

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 you -- there seems to be four components, you're
3 doing an expanded HRP program. Are we adding money
4 to the PHIL Loan Program? You have the new
5 anti-predatory loan product?

6 MS. SMITH: Mm-hmm.

7 COUNCILMAN NUTTER: And you have this
8 employer-assisted housing program.

9 MS. SMITH: That's correct. And we've
10 also talked about doing -- it's doing a targeted
11 basic system repair program.

12 Essentially because of the timeframe
13 involved in putting together this budget, we made
14 the decision to prioritize some of the existing
15 programs that are preservation-focused.

16 For example, the PHIL Loan program,
17 that's a program that does not need to be created
18 and get up and running. It's program that we
19 thought could also be a great service to the City
20 by lowering the interest rates, by making it much
21 more flexible in terms of income eligibility
22 requirements. So that's why we included that in
23 this FY '02.

24 Similarly, the HRP Program has been an
25 historic program that's used for moderate

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 rehabilitation of vacant properties that's been
3 funded exclusively with Community Development Block
4 Grant dollars. That program historically has just
5 been opened or used by CDCs. We have not, you
6 know, marketed or brought in other types of
7 developers to use that program.

8 Again, there's, I guess, innumerable
9 neighborhoods within the City that's beginning to
10 see one or two vacant properties, that if the
11 person would be able to get title off the private
12 market or if there needs to be a public taking,
13 there's a public taking, that the rehab of that
14 will bring it back, and it will need a rehab.

15 The challenge is that not every
16 neighborhood has a community-based development
17 corporation with the capacity to do that.

18 COUNCILMAN NUTTER: Right.

19 MS. SMITH: So the thinking is --

20 COUNCILMAN NUTTER: Well, what are we
21 going to do in those areas?

22 MS. SMITH: So the thinking is to be
23 begin to work with the contracting community to
24 get -- and there are lots of small rehabber-type
25 guys and women, and there are businesses, you know,

2 outside of government that pick up vacant
3 properties, rehab them, and then turn 'em, you
4 know, and sell them.

13 So begin to kind of create this network
14 and make this program known to them, and it's being
15 managed out of the RDA. Herb could talk about some
16 of the things we're trying to do to begin to reach
17 out to that community.

20 MS. SMITH: Yeah, the RDA right now is
21 the agency that manages the HRP Program, the Home
22 Repair Program -- the Homeownership Repair Program,
23 sorry.

25 MR. WETZEL: Councilman, prior to the

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 change that's being made -- excuse me. My name is
3 Herbert Wetzel and I'm Executive Director of the
4 Redevelopment Authority.

5 The HRP, or Homeownership
6 Rehabilitation Program, was created about eight
7 years ago to help CDCs transition from being a
8 direct contractor to the City to becoming a
9 developer and earning a development fee. Over that
10 period of time, a significant number of properties
11 have been rehabilitated; it's now well over 300
12 properties under the program.

13 Except that the criteria limited it to
14 nonprofit Community Development Corporations and,
15 therefore, it became a geographically-targeted
16 program because most of the nonprofits, with a
17 couple of exceptions, one of them being Resources
18 for Human Development, which has done properties
19 all over the City of Philadelphia, but almost
20 entirely, the users of this program have a defined
21 geographic area.

22 What we're doing now is, we're going to
23 open up a program to for-profit developers as well
24 as to nonprofit developers, and there will not be
25 any geographic restriction or profitability versus

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 nonprofit restriction.

3 The second, I think, key thing is that
4 we're putting NTI bond funds into the program,
5 which will -- currently, HRP is funded with CDBG so
6 the maximum income a buyer can have to acquire one
7 of these houses is 80 percent of median. With the
8 bond proceeds that we're going to be using the
9 income limit, if we use private-activity bonds, it
10 would be 115 percent; and if it was taxable bonds,
11 there is no limit on the income of the buyers of
12 the properties.

13 So it begins to make sense in areas --
14 and I know you and I have discussed in your
15 district areas like in Roxborough where you might
16 have an after-rehab value of between 80 and
17 \$100,000 or even higher than that.

18 COUNCILMAN NUTTER: Mm-hmm.

19 MR. WETZEL: And in some cases,
20 properties could not be done, you know, in
21 high-value areas because of the 80 percent median
22 cap on the income of the buyers.

23 So in two ways we're opening it up:
24 One, we're expanding it to for-profits; and the
25 second is, we're putting additional financing that

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 doesn't have the income requirements that CDBG has.

3 COUNCILWOMAN BLACKWELL: Excuse me.
4 May we interrupt you, Councilman, and members of
5 the Administration for an announcement?

6 Thank you.

7 MR. KEARNEY: Good afternoon. My name
8 is Tim Kearney, and I'm the clerk of the City
9 Council Law Committee on Law and Government.

10 The hearing on Resolution No. 020171 on
11 the experimentation survivors in the Philadelphia
12 City prisons is recessed until Tuesday at 2
13 o'clock -- will be postponed and rescheduled for
14 Tuesday, June 12th, at 10:30 a.m. here in this
15 room. Tuesday -- I'm sorry, Tuesday, June 11th at
16 10:30 here in room 696.

17 Thank you.

18 COUNCILWOMAN BLACKWELL: Thank you very
19 much, Mr. Kearney.

20 We can now resume with our questions.

21 Thank you.

22 COUNCILMAN NUTTER: Just quickly,
23 Mr. Wetzel, in opening up to the for-profit
24 community, how will the Authority work with --
25 there's, naturally, been a lot of discussion,

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 through the NTI process, about working with local
3 elected officials. What either has been the
4 process mor what will be the process going forward,
5 with regard to use of NTI bond proceeds opening up
6 to the HRP Program and the involvement by the
7 for-profit community?

8 MR. WETZEL: Well, I think it starts
9 with the decision that District Councilpeople make
10 on what properties are going to be encapsulated,
11 and that's a also mas I mentioned yesterday, a
12 simultaneous decision to acquire.

13 So when we decide to encapsulate, we're
14 going to begin the acquisition process, and the
15 reason we can do that is we actually have the money
16 to start the acquisition process.

17 In the past, it is, you know, we
18 encapsulate or we desire to do something, and then
19 we have to wait to find the resources to proceed
20 with the acquisition. Because the funds are
21 available now for both activities, it will be a
22 simultaneous decision.

23 We would want to work with District
24 Councilperson to figure out, do we want to package
25 these, are they in a concentrated area, do we want

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 to put out an RFP and look who comes forward?

3 Let's say there's 11 of them in a particular area.

4 You know, we will work with District
5 Councilpeople in a process to design a methodology
6 to achieve what the District Councilperson wants to
7 achieve. And that could be, "I want to package all
8 of them in a group and see who comes forward," or
9 "I want to offer them one at a time and I want to
10 see if two or three particular contractors in my
11 district -- you know, they tell me they're good;
12 let me find out -- you know, each one of them can
13 have a house and let me see how they do that."

14 COUNCILMAN NUTTER: Right.

15 MR. WETZEL: I mean, I think that's
16 what we want to be able to do.

17 I think the second thing is, we have
18 discussed, and I think we have to make a final
19 decision on any potential deed restrictions,
20 because you've expressed the desire that if the
21 property is publicly acquired and disposed of to a
22 developer for home ownership, that we deed-
23 restrict that property so it doesn't become a
24 rental property.

25 COUNCILMAN NUTTER: Right.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MR. WETZEL: Either shortly after
3 rehabilitation, you know, it's sold and then the
4 owner walks away from it. So I think we have heard
5 that and I think we want to come back to you to
6 talk about a specified period of time in which the
7 property would be deed-restricted for home
8 ownership.

9 COUNCILMAN NUTTER: Okay.

10 MR. WETZEL: Now, for privately-
11 acquired ones, what we'll have is a second mortgage
12 on the property, you know, for the subsidy money
13 that will control its use for a period of time. So
14 there will be two levels of controls that will be
15 available.

16 COUNCILMAN NUTTER: Okay.

17 Ms. Smith, on Page 32, the Employer-
18 Assisted Housing Program, can you tell me a little
19 bit about that? What employers do we think that
20 might target, and how will the program be
21 implemented?

22 MS. SMITH: This was one of the newer
23 program ideas that we wanted to bring forth to City
24 Council. We do have experience about the
25 successful work of the University of Pennsylvania

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 in West Philadelphia providing, I believe, mortgage
3 assistance and down-payment assistance for
4 employees to buy within a defined geographic area.
5 And it's served as a wonderful stimulus, we think,
6 for the private market.

7 There are other cities and states that
8 have also done different types of employer-assisted
9 housing. I'm having a staff person now review
10 other national programs to get ideas, but
11 essentially, the principle is to maybe do a match,
12 you know, if an employer -- I mean, some colleges
13 and universities say that not everybody may have
14 the resources of a University of Pennsylvania, or
15 you may have smaller employers.

16 I know there was interest by Frankford
17 Hospital -- I don't know if we ever got that up and
18 running -- of doing an employer-assisted housing
19 program in the Frankford community in partnership
20 with that CDC. You know, we've had meetings with,
21 you know, representatives from places like LaSalle
22 and St. Joe's.

23 So we wanted to use this as an
24 opportunity to craft that program, to look at other
25 experiences and come up, you know, with a strategy.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 So we don't have the specifics on that yet.

3 What we would do is, when we have the
4 program defined, you know, we'd bring that back,
5 but we wanted to say that this is an area we
6 consider a priority area in terms of furthering one
7 of our objectives.

8 COUNCILMAN NUTTER: Okay. In
9 attachment 1 on Page 9, this is under --

10 MS. SMITH: I have mine set up a little
11 bit differently than yours.

12 COUNCILMAN NUTTER: Do you want one?
13 Do you need one?

14 MS. SMITH: Are you talking about in
15 the original program statement that was a part of
16 the book?

17 COUNCILMAN NUTTER: Right. Do you need
18 one?

19 MS. SMITH: Page 9?

20 COUNCILMAN NUTTER: Yeah.

21 MS. SMITH: No, I have it.

22 COUNCILMAN NUTTER: Oh, okay, I'm
23 sorry. I thought said you didn't have it.

24 MS. SMITH: I said it's just in a
25 different place.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: A different place,
3 okay. Well, you have the master document; we all
4 just have copies.

5 This is under the heading of the NTI
6 bonds and the different things that they'll be used
7 for. One of the bullet points is repair of
8 streets, driveways, curbs and sidewalks and
9 retaining walls, and provision of utility
10 infrastructure and public facilities.

11 MS. SMITH: Mm-hmm.

12 COUNCILMAN NUTTER: Can you tell me in
13 the budget that we have where those items are
14 covered, or under what heading any of those items
15 are dealt with?

16 MS. SMITH: Those are just what we call
17 "eligible uses." I mean, those are the types of
18 things that are eligible to be used for various
19 types of bond proceeds.

20 We did not include in this document a
21 program with respect to that. What I've been doing
22 in response to the letter that I received from you,
23 I guess, about a week ago is to begin to think
24 about what a program like looked like; are there
25 existing programs that we -- like, for example, can

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 we -- or do you tweak a PHIL Loan Program to
3 include this; would that work to address issues
4 around retaining walls and driveways.

5 Or do we do something differently.
6 What else in the City looks like a program like
7 that. For example, the Water Department, I've
8 learned, has a revolving-loan fund for water
9 (indiscernible) sewer repair.

10 So what I'm in the process of doing is
11 trying to put together background information to
12 think about how we might craft such a program.

13 COUNCILMAN NUTTER: Well, I mean, my
14 recollection is that we pretty much had a program
15 like that some number of years ago. It primarily
16 functioned through the Redevelopment Authority
17 using funds provided the City, where we did do curb
18 and sidewalk work; we have not done retaining
19 walls.

20 But I guess I am intrigued as to why
21 something like that wouldn't be included in this
22 proposed budget given that there's been this topic
23 of conversation for many, many years here in the
24 government. And, quite honestly, other than
25 another conversation with OHCD, wich these are all

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 eligible uses as well, these are many of the kinds
3 of things that are of great demand in some of the
4 neighborhoods that -- I mean, I think our mutual
5 objective here is to preserve maintain some of the
6 communities.

7 Now, in some of instances, there's also
8 the Model Blocks Program, of which OHCD is a
9 participant in, and you could use that as a bit of
10 a prototype, where there is a payment of some
11 funds -- I believe 30 percent -- by the homeowner,
12 and the balance, the 70 percent, is picked up.

13 I mean, I would say that I don't
14 necessarily know that we need to scour the universe
15 in terms of research and information. We have done
16 these things in the past. There were line items in
17 City budgets in the past called "Site
18 Improvements," and that's what Councilmembers used
19 to do that kind of work.

20 MS. SMITH: Mm-hmm. Again --

21 COUNCILMAN NUTTER: It stopped in the
22 '90s.

23 MS. SMITH: Again, I mean, I am not
24 aware of all of the variety and different programs,
25 you know, that we've done before. You know, again,

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 one of the reasons -- given the amount of time we
3 had in terms of, you know, trying to bring forth
4 this document, you know, in accordance with the
5 timelines, you know, it's one of many ideas and
6 suggestions that have come forth --

7 COUNCILMAN NUTTER: I'm sorry, what
8 timelines are we talking about?

9 MS. SMITH: Well, we were supposed --
10 because we needed to submit a program statement and
11 document by May 1 for the final program between the
12 passage of the legislation and all of the other
13 work that we're doing with respect to, you know,
14 meeting of Council people, my office and myself and
15 others, we just have not -- I just simply haven't
16 had the time. I've gotten a lot of ideas that we
17 still need to vet through.

18 So we made a decision to kind of, you
19 know, for this first one, to take a conservative
20 approach to it, make it a conservative budget.
21 This is only the first year. We know we can come
22 back to Council under the ordinance with specific
23 changes in that budget.

24 But I just was not in a position to put
25 something together in response to that particular

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 issue. We heard you, I understand it's a major
3 issue. How we manage it, what does it look like,
4 what type of resources, how does it operate; you
5 know, does it look like the Model Repair Program;
6 if we create a revolving-loan fund, you know, how
7 do we use the tax resources to structure that.

8 It's kind of like technical-development
9 program work that, to be frank, I haven't gotten a
10 chance to get to.

11 COUNCILMAN NUTTER: Well, I understand
12 that but, I mean, Ms. Smith, based on your
13 testimony here today, there are, I think,
14 admittedly -- I mean, this is certainly nowhere
15 near any level of criticism and there a lot of work
16 here. On the other hand, there are a number of
17 items that either myself or other members have
18 asked about that you have, I mean, very
19 forthrightly said that more details need to be put
20 together, you're still working on elements.

21 And, quite honestly, given the fact
22 that, again, this has been the topic of a great
23 amount of discussion over many, many years, why
24 something couldn't be at least put in in terms of
25 the budget, and similar to many of the other items

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 you've discussed here today, you could, you know,
3 fine-tune some of the details.

4 I mean, you've got a number of items
5 here that are not rock-solid and tight as a drum,
6 right?

7 MS. SMITH: Yes.

8 COUNCILMAN NUTTER: Okay. So this
9 could be another one of those, which, again, to be
10 honest with you, we have done in the past, and at
11 least a couple of the people up at the table there,
12 I think, have some experience with that, who could
13 work along with you, but if you'd at least have the
14 item in the budget, it would clearly and very
15 directly and, I think, somewhat forcefully address
16 an issue that many of us have raised over a long
17 period of time and would probably generate
18 additional interest and support. And you'd also be
19 doing something that many Philadelphians would like
20 to see done in their neighborhoods, in contrast to
21 some other activities.

22 MS. SMITH: Mm-hmm. I -- I don't know
23 what to say. I'm --

24 COUNCILMAN NUTTER: You could say
25 you're going to amend the budget, you could say

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 you're going to put something in and work on the
3 details later; you could say a lot of things.

4 MS. SMITH: Okay. Again, I'm just in
5 the process of beginning to explore what our
6 options are in this area, and I was planning to
7 report back out, you know, what we can do with
8 respect to that. I understand there are proposals
9 and ideas over at the Streets Department and other
10 places. I just apologize for not having included
11 it.

12 COUNCILMAN NUTTER: Well, is there a
13 question as to whether or not we can do these
14 things or not?

15 MS. SMITH: I -- I mean, I just haven't
16 had a chance to really look into this personally
17 and begin to think through those sets of issues.

18 COUNCILMAN NUTTER: Okay. And so you
19 would not be in a position to put forward that
20 there should be an adjustment made here and at
21 least some dollars set aside and you'll continue to
22 work on the details, but they're at least there,
23 and help to focus the program in that particular
24 area, which many of us have raised over a long
25 period of time?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. SMITH: Mm-hmm, that's always an
3 option. Yes, we could do that.

4 COUNCILMAN NUTTER: Okay. So what's
5 the next step?

6 MS. SMITH: You know, we could go back
7 in and, I guess, prepare a budget amendment. I
8 mean, Council can amend it.

9 I just, you know, wasn't in a position
10 to put something together in time for this
11 document.

12 COUNCILMAN NUTTER: So you're saying
13 you're open to that?

14 MS. SMITH: Yes, mm-hmm.

15 COUNCILMAN NUTTER: All right, good.
16 Thank you.

17 Let me ask Ms. McCullough a couple of
18 questions about her testimony yesterday.

19 (Ms. McCullough comes forward.)

20 COUNCILMAN NUTTER: Ms. McCullough, on
21 Page 3 of your testimony, you say that funding for
22 the operations of L&I has been introduced, in part,
23 to ensure that the City meets the federal
24 requirements governing the expenditure of funds for
25 basic City services.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 Can you tell me what that means?

3 MS. McCULLOUGH: Yes. My name is Debra
4 McCullough, and I'm the Director of Housing.

5 CDBG regulations require that --

6 COUNCILMAN NUTTER: I'm sorry, whose
7 regulations?

8 MS. McCULLOUGH: CDBG, federal
9 regulations, require that a city does not simply
10 replace a city service with community development
11 block grant funds.

12 COUNCILMAN NUTTER: Right.

13 MS. McCULLOUGH: So the idea being the
14 City -- and this would be any city -- could not
15 simply say, In this year's budget, we're going to
16 stop funding police officers with city general
17 funds; we're going to fund them with community
18 development block grant funds.

19 COUNCILMAN NUTTER: Right.

20 MS. McCULLOUGH: There are specific
21 regulations regarding the funding of what's called
22 "public services," and it must be for a specific
23 program that a city wouldn't otherwise have unless
24 you were using these funds, or it must increase the
25 budget by a certain percentage showing that the

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 city is making a commitment to what is essentially
3 a new activity that's being funded with the
4 community development block grant funds and not
5 simply replacing city funds with CDBG funds.

6 COUNCILMAN NUTTER: Right. So what
7 funds did you take away from L&I?

8 MS. McCULLOUGH: In this proposed
9 budget, we have reduced Community Development Block
10 Grant to L&I in order to make sure that we didn't
11 do that -- that we didn't want run afoul of the
12 federal regulation.

13 COUNCILMAN NUTTER: Okay, and the
14 reduction was...?

15 MS. McCULLOUGH: The reduction was
16 \$400,000.

17 COUNCILMAN NUTTER: Okay, okay. Now,
18 there was also a fair amount of testimony,
19 especially by a number of advocacy groups and the
20 like. You're testimony talks about that although
21 the Housing Counseling Program has been reduced by
22 \$647,000, all core services of housing counseling,
23 including default, etc., are still being provided.

24 MS. McCULLOUGH: Mm-hmm.

25 COUNCILMAN NUTTER: How did they do

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 that with a \$647,000 reduction? Is it being made
3 up somewhere else?

4 MS. McCULLOUGH: We have reduced the
5 amount of counseling services that are being
6 provided to the City compared with past years, but
7 we're still providing the core services of default
8 and delinquency counseling, tenant counseling,
9 mortgage counseling, and anti-predatory lending
10 counseling.

11 COUNCILMAN NUTTER: And why did we make
12 the reduction?

13 MS. McCULLOUGH: We made the reduction
14 in part because over the past couple of years, the
15 counseling budget has increased, and we just felt
16 we could bring it back down to sort of a
17 standard -- there's not really a standard, but to
18 bring it back down to a level that it was at a
19 couple of years ago and still be able to meet the
20 needs that are being listed here, still meet those
21 services.

22 COUNCILMAN NUTTER: Well, what was
23 being done that won't be done now as a result of
24 the reduction?

25 MS. McCULLOUGH: There will be fewer

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 people served because there will not be as much
3 housing counseling money out there as there was in
4 the past.

5 COUNCILMAN NUTTER: Now, why would we
6 do that?

7 MS. McCULLOUGH: We did this in part
8 because we needed to reduce the budget, and we did
9 it in part because we still are providing the
10 largest -- we still have the largest housing
11 counseling program in the country, and we thought
12 that we would still be meeting the needs of
13 Philadelphians even with a reduced budget.

14 The settlement -- as we discussed
15 yesterday, the Settlement Grant Program has been
16 reduced because of the lead-paint requirements,
17 although there was testimony yesterday from the
18 housing counselors that although the settlement
19 grants have been reduced, the need for mortgage
20 counseling is still great, and I think that's the
21 case.

22 COUNCILMAN NUTTER: Well, I understand
23 when you have to make a budget cut, I mean, you've
24 got to make tough decisions, and everybody doesn't
25 always get what they want. I mean, it does seem a

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 little bit at odds to some extent with -- I mean,
3 we are about to embark on one of the greatest
4 neighborhood preservation and revitalization
5 programs that the City has probably ever done, and
6 as was mentioned yesterday, possibly going on in
7 the country. At the same time, we're reducing our
8 housing counseling services.

9 How many people do you think don't get
10 served as a result of the reductions? And, I mean,
11 from your perspective, is there any conflict with
12 these simultaneous actions?

13 MS. McCULLOUGH: Well, I can't tell
14 you -- I don't know the number of people that won't
15 be served.

16 The way we made the reductions
17 essentially was, we put out a request for proposals
18 this year and solicited proposals for housing
19 counseling services, and for the most part,
20 organizations -- we continue to fund most of the
21 organizations that we have funded in the past, not
22 100 percent of the organizations, but most of them.

23 So there will be some people -- the
24 services will be reduced because perhaps the
25 neighborhood counseling agency that that individual

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 would have been gone to isn't being funded this
3 year, and so that individual would have to go to --
4 if that individual's going to pursue counseling
5 services, would have to go to a counseling agency
6 outside of his or her neighborhood. So I can't
7 exactly predict how many people would then choose
8 not to go get that service.

9 But for the most part, the reductions
10 came in not funding some groups that we funded last
11 year and not giving groups the increases that they
12 requested. We didn't do that across the board
13 because we analyzed each proposal as it came in,
14 and in fact, some organizations received an
15 increase in funding from what they had last year.

16 COUNCILMAN NUTTER: Have services
17 been -- I mean, I'm assuming that they've been
18 requesting these increases in funding because
19 they've been providing more service? Has service
20 activity been going up over the past few years?

21 MS. McCULLOUGH: I think activity has
22 been going up and generally costs have been going
23 up; people want to give their housing counselors
24 raises, which is understandable.

25 COUNCILMAN NUTTER: They want to do

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 what?

3 MS. McCULLOUGH: Organizations want to
4 give their housing counselors raises.

5 COUNCILMAN NUTTER: Right.

6 MS. McCULLOUGH: Appropriately so. In
7 some cases, organizations wanted to hire an
8 additional counselor to provide some additional
9 services. Um...

10 COUNCILMAN NUTTER: Let's talk about
11 BSRP. One, again, I heard yesterday and I read in
12 your testimony that the Tier 3 Program, you're
13 saying, being ended or dropped or discontinued?

14 MS. McCULLOUGH: The Tier 3 Program is
15 being eliminated for new cases; any Tier 3 property
16 that's in the budget -- to which we've made a
17 commitment, we will meet that commitment, but we
18 will no longer take -- starting in Year 28,
19 starting on July 1st, we will no longer take new
20 Tier 3 cases.

21 COUNCILMAN NUTTER: Now, that was the
22 -- I mean, that's the highest level? Is that the
23 most amount of money that --

24 MS. McCULLOUGH: That's the highest
25 level of service.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: Okay. Is that the
3 \$25,000.

4 MS. McCULLOUGH: Correct.

5 COUNCILMAN NUTTER: And why are we
6 doing that?

7 MS. McCULLOUGH: We're doing that in
8 part because of the tier of the BSRP that has the
9 lowest demand. The highest demand of tiers in the
10 BSRP Program is Tier 2, which we actually gave a
11 modest increase to. And the average number of
12 cases we were doing under Tier 3 was 20 to 25 cases
13 a year. So it was -- in the scheme of things, it
14 was a more minor program.

15 COUNCILMAN NUTTER: Well, all right.
16 What happens to those 20 or 25 properties that end
17 up not applying next year, what happens to them?

18 MS. McCULLOUGH: We're hoping that we
19 can give them, through the expanded PHIL Loan, some
20 combination of a grant and the loan. Or if that's
21 not possible -- I mean, that may not be possible in
22 all cases, and we would need to work with that
23 family to figure out if there was some other option
24 for them.

25 Without knowing an individual

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 situation, I can't describe it, but we would have
3 to work with the families.

4 COUNCILMAN NUTTER: Now, you mentioned
5 that you had provided a slight increase to Tier 2,
6 but did I also hear yesterday -- 'cause I thought I
7 took down in notes that you were cutting the
8 maximum amount you could get from \$15,000 to \$7500?

9 MS. McCULLOUGH: Yes.

10 COUNCILMAN NUTTER: And we're doing
11 that because...?

12 MS. McCULLOUGH: To expand the number
13 of people that can be served under Tier 2.

14 COUNCILMAN NUTTER: But if you need
15 \$10,000, what happens?

16 MS. McCULLOUGH: Well, again, we're
17 expanding the pool of loan funds, so people may be
18 able to have a combination of a loan and a grant.

19 COUNCILMAN NUTTER: Okay, and if they
20 can't?

21 MS. SMITH: If I may a little bit,
22 Councilman, this is something we've been discussing
23 within, you know, the community development group
24 and looking at our programs.

25 I think basic system repair programs,

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 when you start doing \$25,000 and \$15,000 worth of
3 work, is really a moderate rehabilitation program.
4 Initially, I think, you know, this idea that people
5 need a roof or a system or a couple things done to
6 their houses, I think the program's designed to try
7 to give money, you know, to those individuals.

8 And one of the things that, you know,
9 we want to use as part of this effort in kind of
10 looking at, you know, our program and our delivery
11 systems are if you're starting to look at
12 properties that require \$25,000, \$15,000 worth of
13 work, these are basically rehabilitation.

14 And, you know, do we need and does it
15 make sense to create a program that's specifically
16 designed that's basically a moderate rehab of
17 occupied property. You know, we have a moderate
18 rehab program, so to speak, on the books for, you
19 know, a vacant property. The basic system repair
20 grant, you know, this idea of giving grant
21 assistance to do a basic system repair.

22 But there is this -- I think, there's
23 this area in between. And then how you do, like,
24 basic system repairs is kind of done on a citywide
25 basis; it's first come/first served and things of

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 that nature. You know, do you start crafting a
3 program that also supports -- is part of, you know,
4 your other rehabilitation and revitalization
5 activities.

6 So the Administration, you know, as we
7 said, you know, one of the things we think is
8 important is to begin to -- just begin to rethink
9 and take a look at, you know, some of our programs,
10 some of our policies. I think we've put things on
11 the books, you know, and created them when it was a
12 different environment and it was a different time
13 and there was a different need.

14 COUNCILMAN NUTTER: Mm-hmm.

15 MS. SMITH: And we kind of you know,
16 keep chugging along. You know, we're trying to use
17 NTI as an opportunity to really rethink some of
18 those policies.

19 COUNCILMAN NUTTER: That's why we were
20 having that curb and sidewalk discussion.

21 MS. SMITH: Yeah.

22 COUNCILMAN NUTTER: A different time,
23 different needs.

24 MS. SMITH: Yeah.

25 COUNCILMAN NUTTER: What's the backlog

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 of the BSRP Program?

3 MS. McCULLOUGH: I don't know. Let me
4 see if there's anyone here that knows that.

5 (Ms. McCullough confers with
6 colleagues off the record.)

7 MS. McCULLOUGH: In general, there's
8 about 800 to 1,000 people in the backlog. Not Tier
9 3, but overall.

10 COUNCILMAN NUTTER: Tiers 1, 2, and 3?

11 MS. McCULLOUGH: Yes.

12 COUNCILMAN NUTTER: Okay. And what's
13 our anticipated timetable for cleaning up the
14 backlog?

15 (Ms. McCullough confers with
16 colleagues off the record.)

17 MS. McCULLOUGH: As we move forward,
18 it's going to take a year to go through all those
19 cases, but all of those cases may not - all of
20 those cases may not all come through. I mean,
21 every case that's in the backlog, as we're
22 describing it, may not ultimately receive a grant
23 because, for one thing, time has passed and the
24 situation may change or, you know, the client may
25 end up not being eligible and so forth.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: Well, the roof may
3 have fallen in.

4 MS. McCULLOUGH: (Inaudible.)

5 COUNCILMAN NUTTER: And how many people
6 would be coming on line new in the upcoming fiscal
7 year?

8 MS. McCULLOUGH: Well, it's an open
9 program so people continue to call.

10 COUNCILMAN NUTTER: Right. How many
11 new applications, net new applications, do you get
12 a year?

13 MS. McCULLOUGH: We'll get another
14 thousand cases through the year. So it's sort of a
15 roll -- you know, it's a rolling -- it's like a
16 rolling thousand going through the system at all
17 times.

18 COUNCILMAN NUTTER: Okay. And how many
19 people do you actually serve a year?

20 MS. McCULLOUGH: About 2500.

21 COUNCILMAN NUTTER: Ms. Smith, did I
22 take it from your comments earlier that you might
23 be looking at changing the first come/first served
24 process; did I hear you say that?

25 MS. SMITH: We have the Basic System

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 Repair Program continuing to be a citywide organ on
3 the application.

4 What we've done in response to
5 conversations with Councilpeople over some of our
6 briefings and issues that have been raised at
7 community meetings, is it possible to do a basic
8 system repairs program that's much more
9 geographically focused and targeted. It will be
10 similar for -- and then we're getting proposals
11 from organizations who want to do -- you know, we
12 use the word "basic system," which basically is a
13 grant program and a loan program.

14 So, you know, we've gotten people
15 who've submitted ideas and concepts about grant and
16 loan programs that focus in on a geographically
17 targeted area, again, so that you can see the
18 impact.

19 So what we have put together is, the
20 Administration is proposing to add \$2 million
21 toward what we're calling a "targeted basic system
22 repair program." Again, it's one of those things
23 that -- which we don't have the operational detail,
24 but the general principle is, how can we do more
25 targeted repair work based on criteria, making it

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 more accessible to individuals whose incomes are up
3 to 80 percent. I believe the current basic system
4 repair program, your income -- is based on the
5 City's poverty level, which is significantly lower
6 than the area median income, so there are people
7 who kind of need grant assistance who may not have
8 been able to access this program because of those
9 requirements.

10 COUNCILMAN NUTTER: What are the
11 targeted areas?

12 MS. SMITH: We haven't selected the
13 targeted areas at all. Basically we said that we
14 have -- there's one proposal that's come forth, and
15 we haven't even had a chance to look at it, that
16 says, can we, you know, use the concept of It's
17 Your Turn, which was something working with the
18 CDC, and they brought in outside resources for loan
19 grants, can we replicate those in other areas of
20 the City.

21 COUNCILMAN NUTTER: Well, will a person
22 who's not in a targeted area be a disadvantage to a
23 person who's in a targeted area?

24 MS. SMITH: As to the income
25 requirement, yes, because the current basic system

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 repair --

3 COUNCILMAN NUTTER: Let's say their
4 income is the same.

5 MS. SMITH: That's what I mean. For
6 example, if you're making 80 percent of median in
7 income and you're not in one of these targeted
8 areas, if you were to go to the regular basic
9 system repair program because that program was also
10 designed to serve, you know, some of our most
11 neediest homeowners and the like, you would not be
12 able to access it.

13 COUNCILMAN NUTTER: Are you talking
14 about presently or going forward?

15 MS. SMITH: Going forward. What we --
16 as we said, what we were intending to do is to, in
17 targeted areas, try to take it up to 80 percent,
18 but the regular basic system repair program that
19 operates citywide will continue to operate, and its
20 income limits are lower; they're based on poverty
21 rates.

22 COUNCILMAN NUTTER: Okay. Now, do you
23 have budgets developed? I know, obviously, there's
24 a big budget, the \$65 million, which is in your
25 Five-Year Plan, as well as it sits alone on Page 3.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 How does that budget break out by Council District?

3 MS. SMITH: What we've done where we
4 have that information -- where we can glean that
5 information in each of the sections, like it's easy
6 for demolition and the encapsulation, what we --
7 for programs like PHIL Loan, which is what we call
8 a "customer-driven program," where a person goes
9 and applies for it, it's harder to break that out.
10 We can probably give you past statistics on usage
11 of PHIL Loan by Councilmatic District. I know
12 we've shared that information before as an
13 indicator, you know, who applies for it from a
14 variety of places.

15 COUNCILMAN NUTTER: Right. Well, I
16 mean, I wasn't just solely speaking about the PHIL
17 Loan Program. What I was asking was, you have a
18 budget \$65,140,627.

19 MS. SMITH: Mm-hmm.

20 COUNCILMAN NUTTER: What I'm asking you
21 is, do you have ten sheets of paper that lay out
22 demolition, land assembly, housing and neighborhood
23 preservation MIS, which I assume is pretty much
24 citywide.

25 MS. SMITH: Mm-hmm.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: The addition of
3 which all adds up to \$65,140,627?

4 MS. SMITH: Mm-hmm.

5 COUNCILMAN NUTTER: How does it break
6 out by Council District? is the question.

7 MS. SMITH: Oh, you know what? I
8 didn't summarize -- I can go back and summarize how
9 we could take each of the ones. For example, you
10 know, the Councilmatic, the 2nd, the 1st, or 4th
11 and go through each of those areas. I didn't do
12 that. You meant the collective, cumulative one.

13 COUNCILMAN NUTTER: I think that may
14 have been part of the expectation back at the time
15 that we approved NTI. I'm not criticizing any of
16 the work in the book; I'm just asking, how does
17 the --

18 MS. SMITH: We followed the template
19 that we submitted in the ordinance; we didn't have
20 a consolidated template.

21 I can go back and have someone add up
22 the numbers.

23 COUNCILMAN NUTTER: Okay. So you'd be
24 able to provide us with a budget for each --

25 MS. SMITH: It's just a question of

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 going through each one and adding those up.

3 COUNCILMAN NUTTER: Mm-hmm. All right,
4 how long do you think that will take.

5 MS. SMITH: Well, I guess it depends on
6 what time the hearing ends this evening. I have a
7 community meeting tonight too.

8 I can just, you know, try to take --
9 you know, get somebody maybe from Herb's shop or
10 Debra's shop to go through this and add it up for
11 us and give it to you.

12 COUNCILMAN NUTTER: Okay.

13 MS. SMITH: In fact, they can do it now
14 if they have a copy.

15 COUNCILMAN NUTTER: And Ms. McCullough,
16 how do those numbers break out for the CDBG budget?

17 MS. SMITH: (Addressing
18 Ms. McCullough.)

19 Do you break it out through CDBG like
20 that?

21 COUNCILMAN NUTTER: That's all right.
22 I realize you were extracted.

23 How do those same numbers break out or
24 the same process, how does that lay out by Council
25 District for the consolidated plan in front of us

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 and specifically the -- what is it, four major
3 funding sources, or is it five?

4 MS. McCULLOUGH: It was four plus
5 the -- the question is, can we break out each of
6 these numbers by Councilmatic District?

7 In some cases, we can break out what's
8 projected; and in some cases, we won't be able to
9 because it's a citywide program like basic systems
10 repair. And so we wouldn't be able to give you
11 what that number is because that's client-driven,
12 but we can provide that information.

13 COUNCILMAN NUTTER: Right.

14 MS. McCULLOUGH: Insofar as we have it,
15 we can provide it.

16 COUNCILMAN NUTTER: Okay. That would
17 be helpful.

18 Do you plan -- and I know you were a
19 part of this and also Scott Wilds. A couple years
20 ago, OHCD provided documents by program by District
21 over, I think, Years 21, 22, 23, and 24. Former
22 Director Kromer had some staff directed to take
23 every program that was funded. Obviously that was
24 going backward.

25 MS. McCULLOUGH: I remember those

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 reports.

3 COUNCILMAN NUTTER: You remember some
4 of those discussions, right?

5 That information actually is very
6 helpful. So, one, I'd like to make the request
7 that we get the same information in the format that
8 you provided for Years 25, 26 -- I understand we're
9 in 27 and you won't be able to do that right now.

10 We discussed also yesterday, and I
11 understand you put it in the book, having an
12 amendment made to reflect the information requests
13 that have been in the Year 2000 and the Year 2001
14 CDBG applications. I think you indicated yesterday
15 that you didn't have a problem with that.

16 MS. McCULLOUGH: No. We have that
17 information in a slightly different format on Pages
18 26, of the Appendix 26 and 27.

19 COUNCILMAN NUTTER: Right.

20 MS. McCULLOUGH: And the eligibility on
21 Appendix Pages 28 and 29, and we'll revise that as
22 you requested.

23 COUNCILMAN NUTTER: Okay. I did have a
24 question on number 2 on that Appendix 26.

25 MS. McCULLOUGH: Mm-hmm.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: The comprehensive
3 assessment of community development; now, your
4 response is: Contained in the needs assessment and
5 market analysis sections of the Year 24
6 Consolidated Plan, these sections are required to
7 be updated every five years. Copies of the Year 24
8 consolidated plan are available.

9 Now, are you taking it that,
10 notwithstanding the request of that information in
11 the Year 27 application, that you don't have to do
12 that because it was already in Year 24?

13 MS. McCULLOUGH: The last comprehensive
14 assessment of community development needs that was
15 done was a part of the Year 24 Consolidated Plan,
16 so that's the data that we have, those are the data
17 that we have available.

18 COUNCILMAN NUTTER: Right.

19 MS. McCULLOUGH: The next time we have
20 to do that as part of the consolidated plan to be
21 submitted to HUD will be in Year 29, so we'll have
22 to redo the entire document for next year.

23 COUNCILMAN NUTTER: Well, I understand
24 that. Is that a five-year requirements based on
25 federal regulations?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. McCULLOUGH: Yes.

3 COUNCILMAN NUTTER: Okay. My question
4 was, if we ask for it in the bill that was approved
5 by Council, are you taking the position that you
6 don't have to respond to that because you have the
7 five-year process as laid out in the federal
8 regulations?

9 MS. McCULLOUGH: I was taking that to
10 mean that the document that we had available was
11 sufficient to meet the needs of what you've
12 requested.

13 COUNCILMAN NUTTER: Okay. The purpose
14 of that being in there is that there would be that
15 kind of assessment done on a yearly basis.

16 And what does the response to number 1
17 mean, which says "Sources for items not included"?
18 Number one is how minority residents in each area
19 benefit from each project. The response here says,
20 "See response preceding."

21 Are you talking about the response at
22 the bottom of the left-hand column?

23 MS. McCULLOUGH: Yes.

24 COUNCILMAN NUTTER: How does that
25 respond to that?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. McCULLOUGH: It refers to the
3 sentence sort of midway through that bottom
4 paragraph: "There is no specific area benefits to
5 these programs. The benefit is based upon consumer
6 demand."

7 In the same way minority residents in
8 each area benefit from programs because they are
9 consumer-driven, and so there's no way to show how
10 they benefit except insofar as where minority
11 residents live, then they are benefitting from the
12 project.

13 COUNCILMAN NUTTER: Okay, we'll have a
14 little more discussion about that.

15 Let me lastly ask you, in 5, it's
16 crystal-clear in the various budgets what the
17 administration costs are, but later on, you say,
18 "The breakdown of CDBG program delivery and
19 administrative costs is provided in the budget
20 detail in the consolidated plan. OHCD does not
21 track CDBG program delivery costs of specific
22 projects."

23 Why is that? And if you don't, then
24 how do you know what your program delivery costs
25 are?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. McCULLOUGH: We know what the
3 program delivery costs are for OHCD, PHDC, and RDA,
4 but one -- just to use an example, one inspector
5 may work on a variety of projects, and as long as
6 that person is working on CDBG-eligible activity,
7 then that's an eligible program delivery expense.

8 COUNCILMAN NUTTER: Okay. And is there
9 any limit on program delivery expenses, similar to
10 administration expenses?

11 MS. McCULLOUGH: No.

12 COUNCILMAN NUTTER: There's no limit?

13 MS. McCULLOUGH: No, because it's a
14 cost of the program.

15 COUNCILMAN NUTTER: But there is a
16 limit on the administration costs?

17 MS. McCULLOUGH: Correct.

18 COUNCILMAN NUTTER: Okay. With regard
19 to the request for -- similar to the NTI budgets
20 and the analysis of how each of the districts is
21 affected by the Year 28 Consolidated Plan, how long
22 do you think it would take to put that together?

23 MS. McCULLOUGH: Oh, this is for the
24 current budget looking -- I mean, what's been
25 budgeted?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILMAN NUTTER: Right.

3 MS. McCULLOUGH: Oh, we could have that
4 for you next week.

5 COUNCILMAN NUTTER: Okay. There was
6 some discussion yesterday, and there was some
7 discussion last year, about the cycle of when this
8 all comes upon us, and that there was, again,
9 apparently a tremendous history to this. I don't
10 know all the history, but that we start -- well, we
11 say we're going to have the money as of the fiscal
12 year, that the money actually was allocated --
13 refresh my memory -- in January?

14 MS. McCULLOUGH: The money that we are
15 currently reviewing -- for which we're currently
16 reviewing the budget is a part of the federal
17 fiscal year that started last October.

18 COUNCILMAN NUTTER: October '01?

19 MS. McCULLOUGH: October 1st of 2000 --

20 COUNCILMAN NUTTER: '01.

21 MS. McCULLOUGH: Yes. So we could --
22 we could change our community development block
23 grant year to either mirror that, which, I have to
24 say, HUD does not usually recommend because the
25 federal funds aren't always available on the first

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 day of the federal fiscal year.

3 COUNCILMAN NUTTER: Right.

4 MS. McCULLOUGH: Or we could change it,
5 as was discussed last year, to start January 1st,
6 and that would give us that time between October
7 1st and January 1st to have these hearings to get
8 our budget together and so forth.

9 COUNCILMAN NUTTER: Right.

10 MS. McCULLOUGH: And then we could
11 begin to draw down federal funds on January 1st.

12 COUNCILMAN NUTTER: Right, okay. I
13 mean, has that discussion gone anywhere or are we
14 looking to do that? Are there pluses or minuses to
15 that? Are we just going to keep doing what we've
16 been doing?

17 MS. McCULLOUGH: At this time last
18 year, there was a lot of discussion with the City's
19 Finance Department of this proposal last year, and
20 there were some administrative barriers that the
21 Finance Department discussed that would make it
22 difficult for us to be on a different schedule than
23 the City's fiscal year.

24 COUNCILMAN NUTTER: Okay, so we're
25 not -- I mean, that's pretty much the end of that

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 discussion, okay.

3 MS. McCULLOUGH: Right.

4 COUNCILMAN NUTTER: Okay, then we don't
5 need to talk about it anymore, okay.

6 Ms. Smith, let me just ask you lastly,
7 with regard to the discussion we had earlier about
8 curbs, sidewalks, driveways, retaining walls, and
9 the prospect of putting some dollars aside to deal
10 with that while we work on some of the mechanics,
11 do you think you will be able to put together an
12 amendment on a timely basis?

13 MS. SMITH: Yes, I will.

14 COUNCILMAN NUTTER: Okay, thank you.

15 Thank you, madam Chair.

16 COUNCILWOMAN BLACKWELL: Councilwoman
17 Tasco?

18 COUNCILWOMAN TASC0: Thank you.

19 I just wanted to go back over to the
20 basic systems repair program again.

21 MS. McCULLOUGH: Mm-hmm.

22 COUNCILWOMAN TASC0: How much money is
23 set aside for the regular basic systems repair,
24 aside from the \$2 million you put aside for the
25 targeted area?

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 MS. McCULLOUGH: That \$2 million that
3 was discussed today, that's new NTI funds, so
4 that's separate from the community development
5 block grant budget.

6 COUNCILWOMAN TASC0: Okay.

7 MS. McCULLOUGH: Of --

8 COUNCILWOMAN TASC0: So the community
9 development block grant dollars will still be
10 citywide based on income?

11 MS. McCULLOUGH: Correct. What's being
12 proposed are two different things: There's our
13 budget of 7.3 million for Tier 2.

14 COUNCILWOMAN TASC0: Okay.

15 MS. McCULLOUGH: And then, if you will,
16 the standard program. And then what's being
17 suggested today is an additional \$2 million in NTI
18 bond proceeds that would be for this so sort of
19 targeted initiative and would increase the income
20 level for eligibility a little bit.

21 Pat just asked me what the Tier 1
22 budget is. That's 3 million of state funds and
23 then \$700,000 for the heater hotline.

24 So it's 3.7 for Tier 1.

25 MS. SMITH: 3.7, okay.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 So, Pat, on your 2 million for the NTI,
3 would -- could an individual call for your program,
4 or would it have to go through an organization
5 something like It's Your Turn?

6 MS. SMITH: We have to figure out how
7 we would deliver those resources and the mechanism,
8 I mean, because it's to be modeled in terms of
9 principles, like a basic system repair, but we
10 haven't done the design development work.

11 So do you have them apply, you know,
12 through another agency, do they come to government,
13 do they go to PHDC? I mean, we're just putting
14 that forward as a strategy.

15 And that doesn't necessarily mean for
16 the whole thing; there is a proposal that someone
17 submitted where they would want to do, you know,
18 It's Your Turn in some other neighborhoods. But
19 that wouldn't service, you know, everyone 'cause
20 it's CDC, you know, tied to CDC.

21 So we haven't designed it yet. I mean,
22 this is an idea -- and that was one of our
23 challenges with this year. I think there's
24 opportunities and ideas as we continue to go
25 through the planning processes for communities that

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 for new programs or delivering program resources
3 differently. And getting that up and running is
4 something, you know, that we'll have to take this
5 summer and the early part of fall to get into
6 place. And with really ideas and suggestions as to
7 how that might operate, we would welcome that.

8 COUNCILWOMAN TASC0: Well, in your
9 thinking and discussion, I hope that -- you know,
10 these districts are very large, and we service
11 about 152,000 people, and that we don't end up --
12 well, if there's one It's Your Turn in the 9th
13 Councilmatic District, which operates on the west
14 side of Broad Street, someone from the 9th District
15 on the east side of Broad Street we turn down
16 because if they came up with an idea for a program,
17 well, there's already one in the 9th District
18 'cause you have to think broader than just the
19 district; you have to think in terms of
20 neighborhood and location and that kind of thing.

21 MS. SMITH: And that's the type of
22 thing that I hope that we can have more dialogue
23 about. I mean, you know, just to say we're putting
24 it there as a placeholder, we heard the concerns
25 about, you know, the income. And so now it's

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 figuring out how you craft the program, how does it
3 work, how do you address those issues.

4 COUNCILWOMAN TASC0: The other thing
5 is, if someone, say, in the It's Your Turn targeted
6 area is not a part of that program, hopefully they
7 would not be turned down by the regular basic
8 system program if they meet the guidelines.

9 MS. SMITH: Yeah, they could still --

10 MS. McCULLOUGH: If they're eligible
11 under BSRP, they would be eligible under BSRP; it
12 doesn't matter if the family happens to live in the
13 It's Your Turn target area.

14 COUNCILWOMAN TASC0: Okay. We were
15 talking about -- I just really have one question.
16 I've tried to figure out, looking at this NTI
17 budget, at the end of the day, what resources will
18 come to the 9th Councilmatic District, 'cause I've
19 seen demolition, acquisition, \$50,000, vacant
20 property stabilization, and stabilized proposition
21 for expanded HPR, home repair program, which comes
22 to \$1,125,000.

23 MS. SMITH: One of the challenges on
24 some of the programs, what we call
25 "customer-driven," or in that instance, it would be

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 developer-driven, it's where, you know, a developer
3 picks up properties and applies for the HRP
4 program. So that's one of the challenges of
5 breaking it out by Council District.

6 One of the things that we're hoping is
7 that, you know, by expanding it to other CDCs, you
8 know, like resources for human development, other
9 people will start doing programs, you know,
10 accessing that program.

11 And then the other thing that we're,
12 you know, trying to do is we're saying if we have
13 the encapsulated properties and we know which ones
14 we're doing in each Council District, that we take
15 those and, as Herb explained it, maybe put those
16 out as an RFP and then maybe we can do other
17 strategies to get people to pick up those
18 properties.

19 And we can kind of project, you know,
20 going forward at \$25,000, you know, per property,
21 if a developer comes forward, that represents just
22 the public subsidy.

23 But some of the programs don't lend
24 themselves easily to kind of breaking out a dollar
25 amount.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN TASC0: Now, are you
3 telling me that these 50 properties that are
4 designated in the 9th Councilmatic District are --

5 MS. SMITH: Was stabilization.

6 COUNCILWOMAN TASC0: They've already
7 been identified by some developer?

8 MS. SMITH: No, no, no. That's what
9 we're, you know, putting as the budget numbers. So
10 if we stabilize 50 properties, we want to show that
11 50 properties will be -- we want to have enough
12 money to acquire them, and we would want to make
13 sure we have resources, that someone comes forward
14 with a moderate rehab program, but we still need
15 somebody to come forward and say, "We're willing to
16 rehab this program under HRP."

17 COUNCILWOMAN TASC0: Okay. I recently,
18 a few months ago, gave a memo to Joyce as well as
19 to, I think we may have sent you a copy, as well as
20 to the Mayor of an assessment of what we see the
21 needs are in the 9th Councilmatic District. Have
22 you seen that?

23 MS. SMITH: Yes, I have, and I don't
24 think I have it with me so I don't quite recall all
25 of the details. I do remember there were some

1 5/29/02 FINANCE - BILL 020275, RES. 020285
2 issues around the Logan Triangle and the urban
3 renewal area.

4 COUNCILWOMAN TASC0: Yes.

5 MS. SMITH: Yeah, okay.

6 COUNCILWOMAN TASC0: I guess my
7 question is -- and it's very little money, when you
8 look at the overall amount of money that you will
9 have. How can I look at your program and a
10 community development block grant and find out if
11 any of that stuff is going to get done?

12 MS. SMITH: I think probably the best
13 way is for us to sit down and look at it and say,
14 These are the needs, these are the resources there,
15 and make sure that they hook up. I think that
16 would be one way we could go about that.

17 And I don't remember -- other than that
18 one issue, I don't remember all the details.

19 COUNCILWOMAN TASC0: It's not a lot.

20 MS. SMITH: I'll take your word for it.

21 COUNCILWOMAN TASC0: And I do think
22 that we were asked by the City Planning department
23 to come up with a planning area, a targeted area.

24 MS. SMITH: Some suggested planning
25 areas, candidate planning areas.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN TASC0: Right, right,
3 right. But that doesn't mean that we have to
4 commit all of our resources to that area.

5 MS. SMITH: No, no. As we talked about
6 on a number of occasions, that the planning area is
7 not the only place where resources from the City
8 will be spent. What it is saying is that this is
9 the area we're going to focus in on and try to do
10 comprehensive written plans; and if there's
11 existing plans, taking a new look at them, updating
12 them, coming up with some action items out of them.

13 But there's other, you know, ongoing
14 things that happen, you know, outside of those
15 planning areas. And then these aren't the only
16 ones forever; these were the suggested ones, you
17 know, the starting-year one. Did we want to, you
18 know, have conversations saying, Where do we go
19 next and where do we go next for each year?

20 But there's this commitment to, you
21 know, doing community-based planning throughout the
22 City, either supporting and facilitating the work
23 of current plans or helping, you know, create new
24 ones.

25 COUNCILWOMAN TASC0: I think I only

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 have one more question 'cause Michael asked all of
3 them.

4 On Page 3, I believe, of this OHCD, the
5 program book, you talk about a -- this was my
6 question yesterday, and I had to leave and I don't
7 know if it's in here.

8 Someplace, you have a acquisition zone.
9 Is that you or NTI?

10 MS. SMITH: There was NTI under land
11 bank. It's under land assembly, land acquisitions.
12 That's probably on Page 17.

13 COUNCILWOMAN TASC0: 17?

14 MS. SMITH: Yeah.

15 COUNCILWOMAN TASC0: I'm not sure.
16 That was my question yesterday. I'm not sure that
17 it's this page. I have Page 3. Where is Page 3?

18 MS. SMITH: Oh, okay.

19 COUNCILWOMAN TASC0: Okay, it is on
20 Page 3.

21 MS. SMITH: Okay, on Page 3.

22 COUNCILWOMAN TASC0: At the bottom, you
23 say you say, Acquire an additional 5 million in
24 land within delineated acquisition zones.

25 MS. SMITH: Right.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN TASC0: And Logan is in
3 that acquisition loan. Would you explain that to
4 me?

5 MS. SMITH: Yes. One of things, as a
6 result of, you know, the urban renewal area, the
7 reason why we're creating that urban renewal area
8 is that we also want to fund and begin to
9 consolidate and aggregate title in that lower part
10 of the triangle, so that means that this will --
11 and the reason is, there's already cleared land,
12 and we understand that there's development interest
13 in that area, and the thing that has held us back
14 in the past is not having enough resources to
15 consolidate title so that you can begin to market
16 or review development proposals.

17 So that's an example of an acquisition
18 zone where we want to try to take in a lot. We
19 already have lots of vacant properties in areas
20 east of Broad, and most of it's cleared, you know,
21 and maybe some of it still has some vacant houses.
22 Can we start looking at areas where we can get some
23 economy of scale.

24 So that was cited as an example of what
25 we would consider an acquisition zone.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 COUNCILWOMAN TASC0: Okay, I think I'm
3 finished, I don't know.

4 I do think the CLIP Program -- I know
5 it's not under your jurisdiction, but I think the
6 CLIP Program could also fit into areas such as the
7 lower part of the Northeast.

8 MS. SMITH: Yes, yes.

9 COUNCILWOMAN TASC0: The Lawncrest and
10 Olney area. So we'll be talking about that.

11 MS. SMITH: Yes, very much so. And out
12 of the planning process, that may be a priority
13 activity for areas, 'cause I think that's one of
14 the planning areas that people might say makes
15 sense.

16 COUNCILWOMAN TASC0: Okay, I'm
17 finished.

18 COUNCILWOMAN BLACKWELL: Councilwoman,
19 is that it all your questions?

20 COUNCILWOMAN TASC0: Yes.

21 COUNCILWOMAN BLACKWELL: We're trying
22 to schedule a date certain. We're checking with
23 the Chief Clerk's Office. So can we just sit here
24 a few minutes until we get a date certain for a
25 hearing next week.

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 Councilwoman, just for clarification,
3 in order to respond to the issues raised by some of
4 the Councilmembers, we want to continue this
5 hearing, but we need to do it to a date certain so
6 that we maintain our guidelines.

7 So we're just asking everybody to give
8 us a few minutes more to schedule this hearing to a
9 date certain next week so that -- 'cause you know
10 our time is short since we need to report these
11 out. So we're just asking if everybody can give us
12 a few minutes more.

13 (Break taken.)

14 (Proceedings resume.)

15 - - -

16 COUNCILWOMAN BLACKWELL: We can resume
17 on the 4th at 11, or if it appears to be a long
18 process, we can schedule them on the 6th. I will
19 ask, what is your pleasure? We already have PGW
20 and some other finance bills that we have to report
21 out on the 4th. Is that all right?

22 The 4th is a Tuesday, Tuesday at 11
23 o'clock? Then we will continue this finance
24 hearing until June 4th at 11 o'clock at an
25 already-scheduled finance hearing. Is that okay

1 5/29/02 FINANCE - BILL 020275, RES. 020285

2 with the members of the Administration?

3 Thank you. Then we'll see everybody at
4 a continuation on Tuesday the 4th, at 11.

5 Thank you, everyone, for your patience
6 and thank you for attending.

7 (Committee proceedings end at
8 3:05 p.m.)

9 - - -

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1

2

CERTIFICATE

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I HEREBY CERTIFY that the foregoing

proceedings of the Council of the City of

Philadelphia's meeting of the Committee on Finance

of Wednesday, May 29, 2002, are contained fully and

accurately in the stenographic notes taken by me,

and that this is a true and correct transcript of

same.

_____,
Josephine Cardillo

Registered Professional Reporter
and Notary Public

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