COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, May 14, 2012
1:45 p.m.

PRESENT:
COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILLS 120164, 120165, 120166, 120173, 120174, 120175, 120230, 120338, 120339, 120340 and 120341
RESOLUTION 120167

- - -

COUNCIL PRESIDENT CLARKE: Good afternoon. The Committee of the Whole will now come to order. This is a continued public hearing of the Committee of the Whole regarding Bills No. 120164, 120165, 120166, 120173, 120174, 120175, 120230, 120338, 120339, 120340, 120341 and Resolution No. 120167.

Ms. Lewis, please read the titles of the bills.

MS. LEWIS: Bill No. 120164, an ordinance to adopt a Capital Program for the six Fiscal Years 2013 to 2018 inclusive.

Bill No. 120165, an ordinance to adopt a Fiscal 2013 Capital Budget.

Bill No. 120166, an ordinance adopting the Operating Budget for Fiscal Year 2013.

Resolution No. 120167, a resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal

Years 2013 through 2017, and incorporating proposed changes with respect to Fiscal Year 2012, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3rd, 1992 (Bill No. 1563-A), by and between the City and the Authority.

Bill No. 120173, amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on the use or occupancy of real estate within the School District of Philadelphia, under certain terms and conditions.

Bill No. 120174, amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by

5/14/12 - WHOLE - BILL 120164, etc.

repealing Section 19-1508, entitled "Refunds and Forgiveness for Poverty Income."

Bill No. 120175, authorizing real estate taxes for the City of Philadelphia and the School District of Philadelphia for Fiscal Year 2013 and thereafter, by amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," to provide for a tax and tax rate on real property, for exclusions, and for an established pre-determined ratio; and by amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia, and providing for a tax rate and for exclusions; all under certain terms and conditions.

Bill No. 120230 authorizing real estate taxes for the City of Philadelphia and the School District of

5/14/12 - WHOLE - BILL 120164, etc.

Philadelphia for Fiscal Year 2013 and thereafter, by amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," to provide for a tax and tax rate on real property; and by amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia, and providing for a tax rate; all under certain terms and conditions.

Bill No. 120338, an ordinance amending Section 19-1307 of The Philadelphia Code, entitled "Deferrals of Real Estate Tax," by further providing for certain deferrals of payment of a certain portion of Real Estate Taxes due the City of Philadelphia or the Philadelphia School District, all under certain terms and conditions.

Bill No. 120339, an ordinance amending Title 19 of The Philadelphia

Code, by adding a new Chapter 19-2900A, entitled "Special Real Estate Tax Provisions for Low Income Taxpayers," providing for credits against real estate tax for certain low income taxpayers, under certain terms and conditions.

Bill No. 120340, an ordinance enacting a new Chapter 19-3800 of The Philadelphia Code, authorizing the granting of tax exemptions to longtime owner-occupants of certain properties in the city of Philadelphia.

Bill No. 120341, an ordinance amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by further providing for installment payments of real estate taxes, all under certain terms and conditions.

COUNCIL PRESIDENT CLARKE:
Thank you.

This afternoon we'll consider the bills that were introduced on May the 3rd, 2012, which are Bills No. 120338, 120339, 120340, 120341. These particular bills were introduced as a part of the ongoing conversation around being in a position to provide support for individuals who receive what could conceivably be or possibly be significant spikes in their real estate tax bill.

The purpose of these is to hopefully -- given the current authorization by the state, unfortunately we have significant restrictions on our flexibility to position these bills to be in a position to actually assist those individuals. There are currently two measures that have been offered by the Administration. One is the homestead provision and the other is a proposal for a three-year smoothing period. We've already heard testimony on those bills, and I anticipate before the day is over, there will be additional testimony on those bills. So today we want to focus on these.

I understand, Councilman Green,

you would like to offer amendments, not relating to these bills but for the general budget discussion at some point during today's hearing.

COUNCILMAN GREEN: I just would like to -- I don't know whether I have to introduce them at the hearing or the meeting once we're in the meeting, but yes.

COUNCIL PRESIDENT CLARKE: All right.

COUNCILMAN GREEN: Whenever it is convenient for you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you. I just want to set the parameter.

Right now I would like to hear testimony from the Administration. So if you can please come forward.

(Witnesses approached witness table.)

COUNCIL PRESIDENT CLARKE: Good morning -- good afternoon.

MR. DUBOW: Good afternoon.

Should we start.

COUNCIL PRESIDENT CLARKE: Please proceed.

MR. DUBOW: Good afternoon, Council President Clarke and members of Council. My name is Rob Dubow. I'm here today with Rebecca Rhynhart, the City's Budget Director, and Keith Richardson, the Revenue Commissioner, to testify regarding Bills 120338, 339, 340 and 341.

On behalf of the Mayor, I would like to thank the Council President for introducing these measures and opening a dialogue with the Administration on further ways to try to ameliorate the financial impact that the move to a fair assessment process may have on low-income homeowners in Philadelphia. As soon as we became aware of these proposals, we began developing a policy position and began to consider how one or more of these proposals would best work in that regard.

I would like to start with a

brief description of the bills and then address the principles that we would like to work with as we move forward in this dialogue.

Bill 120338 would amend an existing Code provision that authorizes the Department of Revenue to grant deferrals of an increase in real estate taxes that is greater than 15 percent and due to an increase in assessed value, after considering the applicant's household income, household expenses and available liquid assets. The amendment would reduce the interest rate on the deferred payment -- I'm sorry; would reduce the rate from 6 percent to the lower yield on one-year treasury or 4 percent.

Bill 120339 would authorize a property tax credit for unmarried property owners with income not exceeding $8,750 and married property owners with joint income not exceeding $15,250. These thresholds are increased by $9,500 for each dependent of the record owner. The term "income" is defined very narrowly in the bill and does not include retirement benefits or Social Security payments and other specified types of income. The bill, as introduced, does not specify the amount of the tax credit, which would have to be determined and would potentially vary depending upon income levels below the thresholds. The bill would not limit the credit to those whose bills would increase during the transition to AVI, but would simply apply to all low-income homeowners.

Bill No. 120340 would authorize the City to grant tax exemptions to longtime owner-occupants of a portion of any increase in their property tax obligations due to changes in the characteristics of the area surrounding their properties, whether it's through the renovation or new construction of area properties. "Longtime" is generally defined as ten continuous years or more.

This exemption wouldn't be income based and, therefore, would be available to all longtime homeowners regardless of ability to pay.

Under the bill, any increase of more than 10 percent of the market value of a residential property is presumed under the bill to be based on changes like the characteristics of surrounding properties. I note that this presumption would likely apply to virtually all longtime owner-occupied properties in the City; therefore, qualifying all such owner-occupiers to the credit.

The percentage of increase in tax bills that long-term homeowners would have to pay due this exemption from payment is not set forth in the bill and would need to be determined.

Bill No. 120441 would allow payment of real estate tax bills in four equal installments through the year, without interest charged if the bill is paid in full within the year. The Code now authorizes the Department of Revenue to accept payment of real estate taxes in four equal installments, but substantial interest is due on those installments.

Now turning to our view of the bills, we want to set forth some basic principles with which to approach this effort. Now, low-income property owners are entitled to make interest-free installment payments of property taxes. Very low-income seniors are entitled to a freeze in increases in property tax bills under a program already in the Code. We are also seeking homestead relief, which would benefit all those who live in a home they own. That relief would more greatly benefit those living in less valuable properties.

We do agree, however, that the impact of AVI may be significant to many homeowners and some sort of additional relief is warranted for low-income homeowners, particularly those living in properties that have significantly increased in value over time.

We have to be mindful, however, that any form of such relief would have to be paid for in some way. We recommend that the cost of any such relief be offset in the tax rate applied to all other property owners, which, if relief is limited to low-income owners, would include commercial property owners, residential landlords and moderate- and high-income landowners. Otherwise, we would simply be reducing the revenue that will be produced by the tax formula that is adopted, and neither the City nor the District is in a position to absorb any significant reduction in revenues. So we must be careful to temper our desire to provide relief for those who will see increases in bills with recognition of the cost to others.

Accordingly, we'd like to see special relief provided only to truly low-income residents.

Additionally, it's important to

remind ourselves that many, many Philadelphia homeowners, including many low-income residents, will see their tax bills go down as a result of the shift to AVI. In our view, only those whose bills will go up as a result of the shift to AVI should be provided special relief. Additionally, those whose bills will go down will see smaller reductions if rates have to be increased significantly to account for benefits provided for those whose bills will go up.

Second, notwithstanding potential short-term difficulties in making property tax payments because of the move to a fair assessment system, those whose properties have significantly increased in value over time will, in the long term, see a financial benefit from those increased values. Our view is that special relief bills should be focused on deferring payment of taxes rather than excusing payment altogether.

Third, in our view, it is

important that Council set forth explicit standards for qualifications for whatever relief is provided and not leave for subjective assessment by the Administration determination of the reasons why properties in a specific area have experienced upswings in value. Determinations about what the cause of increases in value will be extremely difficult for the Administration to make. We would like to see bright-line rules regarding income levels and increases in property values that allow us to make simple determinations as to who qualifies and who does not.

Fourth, it is important to ensure that any proposed special relief bill will have a strong chance of withstanding legal challenge. We know that Council President has been mindful of that issue in preparing these proposals.

Lastly, although this year is unlike recent years and our budget choices do not require us on the City side to make painful decisions about budget cuts or revenue increases, our bottom lines are not nearly as healthy as we'd like them to be. We must be careful about how these bills might affect our cash flow. Moreover, the cash position of the District is even more challenging than that of the City. As a result, we're very concerned about the possibility of allowing taxpayers generally to spread payment of real estate taxes over time without interest, as doing so could have very significant impact on both the City and the District's cash flow situations.

Those are the principles upon which we believe these proposals should be considered. We are, of course, open to ongoing discussion about all the proposals on the table. Pursuant to these principles, however, in our view, we think the most productive course likely would be to establish some specific criteria that would apply to the deferral of payments option for low-income homeowners. We have made significant progress in developing amendments to Bill 120338 and hope to be able to share them with you soon.

We look forward to continued dialogue to see if we can come up with any means to provide relief to those most significantly impacted by the move to AVI who are needed the most assistance.

Thank you again for the introduction of these measures, and we'd be happy to answer any questions you have.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you, Mr. Dubow. A couple of quick questions.

Mr. Dubow, you reference in your testimony that -- let me start off with this question. In understanding early on that there could potentially be some problems for individuals' ability to pay, not only just low income, because I think you understand that there could conceivably be, in particular areas where there are dramatic increases based on new housing starts and construction, an understanding that and in your testimony referencing that we should only -- we should be focused solely on or primarily -- I'm going to give you that -- on individuals who are low income, when you went to Harrisburg, the Administration, and lobbied for relief as it relates to homestead exemptions, why would you not ask for a homestead exemption that gave you flexibility to support only those low-income individuals and not deal with other individuals who will receive significant spikes?

MR. DUBOW: So you're asking why we didn't look for some income based --

COUNCIL PRESIDENT CLARKE: Correct. Because homestead -- will homestead provide assistance potentially to individuals who, like Darrell Clarke, who might be able to pay the increase in his real estate taxes?

MR. DUBOW: So homestead will particularly provide relief to people with lower value homes. To compensate for the lost value of those assessments, rates will go up. So there's a kind of flip point at which -- above which you'll see homestead actually increase the amount that you have to pay if the value of your home is high enough. So homestead, depending on -- I think the last thing that the Council staff showed pointed around $175,000 to $200,000, saying homestead will provide relief to people with homes who have values up to that amount and then will add costs above that.

COUNCIL PRESIDENT CLARKE: Does that have any relationship to the individuals' income?

MR. DUBOW: It does not.

COUNCIL PRESIDENT CLARKE: So my question, because you referenced the fact that we should focus only on low-income individuals, when the Administration went to Harrisburg, did you submit a request for legislation that focused on an income-based process that would not have put revenues or assistance to individuals of higher income value?

MR. DUBOW: We did not because we didn't think we could do that under the state uniformity clause.

COUNCIL PRESIDENT CLARKE: Well, traditionally when you go to Harrisburg, you ask for enabling legislation. So are you telling me that no cities in the second or third class will be allowed to introduce other categories such as income, age, all of the other things associated with being able to target relief?

MR. DUBOW: I think Allegheny County has authorization to do that in a bill that they explicitly took out counties of the first class.

COUNCIL PRESIDENT CLARKE:

Right. So why wouldn't we ask for that in the county of the first class?

MR. DUBOW: Again, because we thought when we went up, that we weren't going to be able to do that under the uniformity clause.

COUNCIL PRESIDENT CLARKE: I don't understand. You just said Allegheny County has --

MR. DUBOW: You asked why we didn't, and I'm telling you at the time we went up, we thought we couldn't do that under the uniformity clause.

COUNCIL PRESIDENT CLARKE: Well, we know that. I mean, we knew that before we went up there. So the question is, if you're going to Harrisburg to ask for enabling legislation, why wouldn't you ask for what other counties have in terms of an expanded --

MR. DUBOW: I don't know how else to answer, other than tell you what we were thinking at the time.

COUNCIL PRESIDENT CLARKE: You

didn't think about it?

MR. DUBOW: We didn't think we could do it under the uniformity clause.

COUNCIL PRESIDENT CLARKE: For cities of the first class or just --

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: But my question is, why wouldn't you ask for what other counties, cities of the --

MR. DUBOW: I'm just telling you where we were. I don't have any other answer to give you.

COUNCIL PRESIDENT CLARKE: But if you're saying that -- I'm not clear if you're saying you didn't think about it or there was no ability to get enabling legislation from the state.

MR. DUBOW: We didn't think there was an ability to get enabling legislation.

COUNCIL PRESIDENT CLARKE: From the state?

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: So

you understood --

MR. DUBOW: We didn't think that -- right. We didn't think that we'd be able to get it, yes.

COUNCIL PRESIDENT CLARKE: Okay. Because I'm trying to understand. If you asked for it and they said no, that's one thing, but if you don't ask for it --

MR. DUBOW: Right. Right. We didn't bring it up there until late in the process and you guys were involved in discussions with them.

COUNCIL PRESIDENT CLARKE: All right. Okay. I'm just trying to --

MR. DUBOW: I understand now what you're asking.

COUNCIL PRESIDENT CLARKE: It's like --

MR. DUBOW: I got it.

COUNCIL PRESIDENT CLARKE: You wanted to focus on this, acknowledge that there could be problems with other things. So my question is -- and I'm not going to ask you the question again, because it seems like now you understand where I'm going.

MR. DUBOW: Yeah.

COUNCIL PRESIDENT CLARKE: That if we understood that there were some potential challenges with other income people and we did not want to give money to individuals who probably can pay their taxes, as referenced in your testimony on some of the measures we have, then we don't necessarily want to do that either, but the only way to help the lower-income people, similar to what you're proposing in homestead, you have to allow other people to get relief who probably don't need it. So it's somewhat inconsistent, your testimony, as to what you've actually done.

MR. DUBOW: Right. I understand what you're saying.

COUNCIL PRESIDENT CLARKE: All right. You talk about in your testimony we recommended that the cost of any such relief given to homeowners should be offset in the tax rate applied to all the property owners, which includes commercial property owners, residential landlords and moderate- and high-income homeowners. Can you explain how that shift would occur?

MR. DUBOW: Yeah. So to the extent we give relief, there will be some loss in revenue that we'd have to make up for by increasing the millage rate. So everyone who wasn't getting the relief would be paying more.

COUNCIL PRESIDENT CLARKE: Like --

MR. DUBOW: So, for example, if the total value of relief from one of the proposals was $50 million, we'd have to calculate how much we'd have to increase millage to generate $50 million, and then everyone's millage rate would go up by that amount.

COUNCIL PRESIDENT CLARKE: Okay. When you talk about on Page 4

Council set forth explicit standards for qualification for whatever relief is provided and not leave for subjective assessment by the Administration determination of the reason why properties in a specific area have experienced upswings in value, determinations about the cause of increases in value will be extremely difficult for the Administration to make.

So let me make sure I understand that question -- that statement. Does that mean that if we would like to implement a gentrification measure, your ability to determine what the qualified areas would be would be relatively difficult? So if we came up with what we believe to be a reasonable process that could establish the criteria for the, quote/unquote, gentrified neighborhood, that would be something that the Administration would be willing to entertain since you're saying that you can't establish that?

MR. DUBOW: What we would want is something that set clear criteria so it's easy for the Revenue Department to determine and the taxpayer to understand why they were or weren't given whatever the relief was. So if there's a way to do that that's very clear, yes, we'd be open to that.

COUNCIL PRESIDENT CLARKE: Okay. And what would that be? Give me an example. Because right now the Revenue Department under current provision that we're referencing today, a little different, the Revenue Commissioner determines whether or not a person can be qualified for a deferral.

MR. DUBOW: Right. And the current legislation says --

COUNCIL PRESIDENT CLARKE: What is that process?

COMMISSIONER RICHARDSON: We currently don't do that process, because no one has come to us for deferral requests.

5/14/12 - WHOLE - BILL 120164, etc.

COUNCIL PRESIDENT CLARKE: So is there a process established in the event -- somebody might come to you this time around.

COMMISSIONER RICHARDSON: If someone is going to come to us for a deferral request, we would like to make it a situation that's based off of income guidelines, not looking at someone's income, their liabilities and their assets.

COUNCIL PRESIDENT CLARKE: I'm just saying from a process perspective.

COMMISSIONER RICHARDSON: It would probably be based off of looking at their income level.

COUNCIL PRESIDENT CLARKE: All right. But do you have a process?

COMMISSIONER RICHARDSON: We do not, because, again, we haven't had -- no one has come to us for a deferral since that bill has been in place since 2002, but we would have something in place pretty soon.

5/14/12 - WHOLE - BILL 120164, etc.

COUNCIL PRESIDENT CLARKE: If somebody came to you, you would establish a process at that time?

COMMISSIONER RICHARDSON: Yes.

COUNCIL PRESIDENT CLARKE: So if somebody comes to you -- say we implement a gentrification bill -- would you then establish a process to respond to those individuals? I'm just trying to get a sense. There's a provision currently in place that says you, the Revenue Commissioner, has to determine the qualification of the applicant. And that's been in place for a little while now, and nobody for whatever reason has utilized that. I guess they don't want a lien on their property. But would you be responsible, if we enacted it -- I understand that the Administration at this point is not supporting that particular measure. Would the Revenue Department be responsible for --

COMMISSIONER RICHARDSON: Yes. When something was in place, we would be responsible for that and we would set some kind of requirements.

COUNCIL PRESIDENT CLARKE: So in working through this process -- because I'm kind of like laser-like focused on the gentrification bill, because it is a bill that gives us an opportunity, at a minimum, to target -- not necessarily target incomes, but I'm specifically concerned about neighborhoods that I do know about that I happen to represent where the only reason that the values in those neighborhoods have increased dramatically is because of new housing starts, new construction, all the other things that drive values up that can be clearly defined. So I don't think it would be as difficult. Of course, somebody who doesn't necessarily live in one of those areas would obviously want to take advantage, but you do have to at some point establish guidelines for a particular provision regardless of what it is and that's it.

And somebody is always not going to qualify for something. So I just don't -- in my mind, I don't think it's that difficult.

MR. DUBOW: We are open to talking about it and see if we can come up with things that make sense.

COUNCIL PRESIDENT CLARKE: Would you be willing to work with us?

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: Because this is the challenge, and let me cut to the chase. City Council, in spite of a lot of people's belief, we have a very limited number of staff members. I know a lot of people, they say Council this and Administration this. And we got like -- what do we have, like 180 people, and the Administration has more than 20,000 people. So from a resource perspective, we are extremely limited in terms of our ability. So when something as complicated as this comes to the table, our ability to work on it is very limited and probably to some degree not achievable without working with the Administration, because -- it's not your fault. You didn't draw up the Charter and all the other things associated with the way government was established, but if we work together on something and we deal with what I genuinely believe is going to be a problem in some neighborhoods, particularly when you have these neighborhoods where these people get these ten-year tax abatements and they're ultimately responsible for the person that's been living there for ten years' taxes going up, we need to work with the Administration and all of the resources that you have.

MR. DUBOW: We would like to keep working with you on these issues.

COUNCIL PRESIDENT CLARKE: Because to say we would look at it --

MR. DUBOW: No, no. We want to work -- we've been working with your staff and we'd like to keep working with your staff.

COUNCIL PRESIDENT CLARKE: Because I've been around long enough and interacted with you guys long enough to know when you say, We'll look at it, I know what that means versus, We will work with you.

MR. DUBOW: We will work with you. We'll continue to work with you.

COUNCIL PRESIDENT CLARKE: All right. All right. Because I do that sometimes myself when I'm walking out in the neighborhood and somebody, Mr. Darrell. I say, Yeah, let me look at it. I clearly know what that is.

MR. DUBOW: This wasn't one of those.

COUNCIL PRESIDENT CLARKE: All right. I'm going to come back.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Good afternoon, Mr. Dubow.

5/14/12 - WHOLE - BILL 120164, etc.

MR. DUBOW: Good afternoon.

COUNCILMAN GOODE: Mr. Dubow, what is the median home value in Philadelphia?

MR. DUBOW: The census data we saw had the median home value at about $120,000.

COUNCILMAN GOODE: And what is the maximum homestead exemption that could be offered for that median home value?

MR. DUBOW: Sixty thousand -- the maximum homestead value can be 50 percent of eligible properties' values. So about $60,000.

COUNCILMAN GOODE: Okay. And what is currently the median residential property tax bill?

MR. DUBOW: The average is 1,358. I'm not sure the median.

COUNCILMAN GOODE: The median would be lower, though?

MR. DUBOW: Yes.

COUNCILMAN GOODE: So what

happens in that scenario if we offer the full homestead exemption?

MR. DUBOW: I'm sorry?

COUNCILMAN GOODE: What happens in that scenario if we offer the full homestead exemption of $60,000 to a $120,000 property?

MR. DUBOW: To a $120,000 property. So half of the value of that property isn't taxable. So instead of being taxed based on 120,000, the property would be taxed based on 60,000.

COUNCILMAN GOODE: So multiplied by the new rate, which would be 1.2 to 1.4, probably would rise to about 1.4, that property tax bill would be lower; would it not?

MR. DUBOW: Yes.

COUNCILMAN GOODE: So if we offer the full homestead exemption, then there is no doubt that the median value home will have a lower tax bill?

MR. DUBOW: I think that's correct, and then obviously properties at higher values would be paying more, but so there would be a shift.

COUNCILMAN GOODE: What level exemption do we have to offer just to lower the tax bill? We know if we offer the full exemption, it will be lower. What level of exemption do we have to offer to lower the tax bill on a home that's a median value?

MR. DUBOW: At 120,000? I'd have to look -- I don't have that off the top of my head. I'd have to go back.

COUNCILMAN GOODE: But if we offer the full exemption, in your estimation, does that mean that there would be a lower tax bill for a majority of homeowners?

MR. DUBOW: I think that that would be true, and I think there would be a substantial number of homeowners who would have no bill at all.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Mr. Chairman.

5/14/12 - WHOLE - BILL 120164, etc.

COUNCIL PRESIDENT CLARKE: I'm sorry, Councilman.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Mr. President.

Just with respect to the bills that were introduced today, do you know how many homeowners each of those would apply to?

MR. DUBOW: No, we don't. We're going through some analysis based on census data about income for some of them to try to figure that out, but we don't have that.

COUNCILMAN GREEN: Okay. And have you done an analysis of what happens when you combine smoothing with each of these exemptions as to how that's going to impact the tax rate?

MR. DUBOW: So some of them don't have numbers in them yet, so we don't have -- there's no -- based on where they are, we haven't done that yet.

It's something we're starting to look at, but we have not done that analysis yet.

COUNCILMAN GREEN: Given the numbers that are in some of the bills -- well, essentially I guess to make a long story short so I don't keep asking a bunch of questions, there is no --

MR. DUBOW: But we like that.

COUNCILMAN GREEN: -- there is no analysis of what each of these would cost, how it would affect the tax rates if we didn't have smoothing and how it would affect the tax rates and what the average residential or commercial property owner would pay if any of this --

MR. DUBOW: Right. Not yet. I mean, we would have to work through some of the details of them to figure that out.

COUNCILMAN GREEN: And just out of curiosity, what's a realistic timeframe to try to provide some parameters around that? Are we looking at a week, two weeks?

MR. DUBOW: We hope a week.

COUNCILMAN GREEN: A week?

MR. DUBOW: Hope. But I'm not the one doing the analysis, so it's easy for me to say that.

COUNCILMAN GREEN: So at least in a couple of weeks, we should be able to put some --

MR. DUBOW: Yes.

COUNCILMAN GREEN: -- magnitude of cost on each of these items and magnitude of impact on everybody else of implementing certain exemptions or credits or deferrals?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. And presumably you're not opposed to the policies being proposed by these in general?

MR. DUBOW: No. We're fully supportive of the policies. Like I said, we have certain principles we want to apply, and those are laid out in the testimony, but we are fully supportive of the policies.

COUNCILMAN GREEN: So when you look at the 40 GMAs, I guess, that you guys prepared data for Council for that demonstrate the current residential rates and the sales data which imply a new --

MR. DUBOW: The approximate.

COUNCILMAN GREEN: -- an approximate actual value for those 40 GMAs, how representative of that data is the City? How much can we take that assumption and expand it to an assumption that we can safely apply to --

MR. DUBOW: I wouldn't want to take those and say, Okay, this is what everything is going to look like. I do think that 40 is enough so that it's a fairly big sample so that it should give us a sense of where we'll wind up, but I wouldn't want to put any specificity based on those numbers.

COUNCILMAN GREEN: How many GMAs are there?

MR. DUBOW: I'd have to get back to you on that. I don't know.

COUNCILMAN GREEN: Does anybody know? Anyone?

Do you know what percentage of all properties that is in the City?

MR. DUBOW: I don't. We can find out.

COUNCILMAN GREEN: Okay. So that implied, based on our previous discussion, a three times multiple for residential property values?

MR. DUBOW: Right. For those GMAs we looked at, the sales price, the average sales price, was three times the market values that are currently in the system.

COUNCILMAN GREEN: And we've been provided with data which suggests that based on the -- that suggests perhaps it's three and a half times.

MR. DUBOW: I haven't seen that, so I don't know what that data is.

COUNCILMAN GREEN: What is your

degree -- within what percent of three do you think we should say residential values are a percentage of the actual aggregate value? Is it 20 percent of the three?

MR. DUBOW: Oh, you're asking for the band around it?

COUNCILMAN GREEN: Yeah.

MR. DUBOW: I can't really say.

COUNCILMAN GREEN: You can't say?

MR. DUBOW: No.

COUNCILMAN GREEN: With respect to commercial property, is there any estimate from the Administration as to what percent of aggregate value commercial property is?

MR. DUBOW: OPA is working on that now, but we don't have that ready yet.

COUNCILMAN GREEN: Is it fair to say that commercial property is much closer to actual value than residential property?

5/14/12 - WHOLE - BILL 120164, etc.

MR. DUBOW: I think that's been the assumption, but we haven't seen the data yet to either confirm or refute that.

COUNCILMAN GREEN: With respect the commercial property assessments, what is the process for beginning and completing those such that bills can go out by September 17th?

MR. DUBOW: So the first part of the process was sending out a questionnaire on income and expense and looking at that data to try to figure out how --

COUNCILMAN GREEN: And when is that sent out?

MR. DUBOW: That's been sent out.

COUNCILMAN GREEN: It has?

MR. DUBOW: Yeah. That's been sent out.

COUNCILMAN GREEN: And is that subject to return under penalty of law or is that voluntary?

MR. DUBOW: It's not. The OPA also can look at other data to try to kind of simulate that, but there's no penalty for not returning it.

COUNCILMAN GREEN: Okay. So what is the return rate for that property data so far?

MR. DUBOW: I don't know the number.

COUNCILMAN GREEN: So when did those forms go out?

MR. DUBOW: I think they went out earlier this month.

COUNCILMAN GREEN: So in May?

MR. DUBOW: Yeah.

COUNCILMAN GREEN: Okay. And they went out to how many properties? All commercial and industrial properties?

MR. DUBOW: All large commercial and industrial properties. There's small like corner store type things that might not have gotten them.

COUNCILMAN GREEN: Okay. And when do you have to -- if you don't get data back for a property, what is the process for determining a new actual value?

MR. DUBOW: There's other data that's available that OPA looks at to figure that out, so that they would go to that substitute data.

COUNCILMAN GREEN: You were able to provide us with a percentage of the number of homes where the data is actually complete in OPA's system.

MR. DUBOW: Where the characteristics were complete.

COUNCILMAN GREEN: Characteristics were complete, which was 50 percent.

MR. DUBOW: We're at 96 percent characteristics, where characteristics are complete.

COUNCILMAN GREEN: Ninety-six percent now for residential properties in the City?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Okay. So

where are you on commercial and industrial?

MR. DUBOW: I haven't asked Mr. McKeithen that question.

COUNCILMAN GREEN: Ninety-six percent collected, but it was only 50 percent in the system. Is it now 96 percent in the system?

MR. DUBOW: No. It's 96 percent collected.

COUNCILMAN GREEN: How much of that data is in the system?

MR. DUBOW: I don't know how many more have gotten over the 50 percent. I mean, they're probably a little higher than that.

COUNCILMAN GREEN: How about commercial and industrial?

MR. DUBOW: Commercial and industrial, I think they're still gathering the data, so I don't think they've been putting that in the system yet.

COUNCILMAN GREEN: So for how

many commercial and industrial properties are there? A hundred thousand?

MR. DUBOW: Right. Yes.

COUNCILMAN GREEN: So for a hundred thousand properties, there's no new data in the system?

MR. DUBOW: No. I think they're still taking that in.

COUNCILMAN GREEN: Okay. So could we end up with a situation where commercial and industrial don't really increase all that much in value at all because we don't have a lot of new data or information to adjust commercial and industrial to its actual value, but we actually move residences to their actual value?

MR. DUBOW: Well, we would be moving commercial and industrial to their actual value. We'll get information -- is that your question?

COUNCILMAN GREEN: Well, I mean, you have three months at this point to input data for a hundred thousand properties that is a process that has not started. Since it's a manual process --

MR. DUBOW: But this is the schedule they laid out. They're on the schedule that they've laid out, so they're not behind, in other words. They are still confident they'll get that done.

COUNCILMAN GREEN: Confident that they'll get it done and have the actual value?

MR. DUBOW: Yes. Yes.

COUNCILMAN GREEN: Not just data entered?

MR. DUBOW: Correct.

COUNCILMAN GREEN: All right. I have to accept that.

For commercial and industrial property owners and residential property owners to pay the same percentage of dollars collected by the City that they pay today, what would have to be true?

MR. DUBOW: So, for example, you gave the discussing analysis that said residential properties going up three and a half times from their current market value to their future market values. For the distribution to be the same, if that three and a half times were accurate, commercial and industrial would also have to go up three and a half times. So they'd have to go up the same.

COUNCILMAN GREEN: The same exact. So they'd have to both be valued at three and a half times below their actual value?

MR. DUBOW: Correct.

COUNCILMAN GREEN: And we don't believe that to be true?

MR. DUBOW: So --

COUNCILMAN GREEN: Does the Administration believe that to be true, commercial and industrial properties are valued three and a half times below their actual value?

MR. DUBOW: We don't believe that the change will be exact, but we don't know how that difference will

5/14/12 - WHOLE - BILL 120164, etc.

compare.

COUNCILMAN GREEN: Let's just say that it's 66 percent of value. How much tax would we shift from commercial and industrial property owners to residential property owners?

MR. DUBOW: So you're saying if it grew -- if it was like 130 percent increase rather than 250 percent increase? I'm not sure what your question was.

COUNCILMAN GREEN: Yes.

MR. DUBOW: So there would be a fairly substantial shift in that scenario.

COUNCILMAN GREEN: Could it be on the order of a couple hundred million dollars?

MR. DUBOW: I'd have to go back and look at the shift, but I don't know that that's where the shift will be. You know what I'm saying? I don't know that that's what will happen with commercial properties.

5/14/12 - WHOLE - BILL 120164, etc.

COUNCILMAN GREEN: Because you don't know the aggregate value?

MR. DUBOW: Right.

COUNCILMAN GREEN: But as a policy matter through this shift, do you think it makes sense to shift, if that's the case, a couple hundred million dollars of taxes that are currently being paid by commercial and industrial property owners to residential property owners?

MR. DUBOW: I don't think that would be a good policy.

COUNCILMAN GREEN: You don't think that would be a good policy?

MR. DUBOW: Right.

COUNCILMAN GREEN: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Good afternoon, guys.

5/14/12 - WHOLE - BILL 120164, etc.

MR. DUBOW: Good afternoon.

COUNCILMAN SQUILLA: I want to shift gears a little bit and just ask about how our process is faring in the state as far as the reduction -- the allowable to reduce the millage for the school side and also the homestead.

MR. DUBOW: So there are -- they're in separate bills. The homestead bill has been approved by the Senate, is now in the House, was approved by the House Urban Affairs Committee last week with a favorable recommendation, with amendments, and now I think it goes to House Appropriations, and then when it gets out of there, it would go to the full floor.

The bill that would allow us to reduce our rates is still in the Senate, was approved or given a favorable recommendation by the Senate Urban Affairs Committee and is now in Senate Appropriations.

COUNCILMAN SQUILLA: Has there

been any -- the amendments you mentioned to the homestead, would any amendments that were put into that bill affect the implementation of AVI?

MR. DUBOW: Yeah. So the amendment -- one of the amendments changed the time that someone has to apply for a homestead from 30 days to 60 days. We're trying to get that switched back to 30 days, because the 60 days would provide logistical problems for us in the first year. In future years, it would be 75 days, but with the timeframe we have, we want to do it in 30 days this year.

COUNCILMAN SQUILLA: So what we want to do is limit the timeframe that people have to apply for the homestead from when it's introduced to --

MR. DUBOW: We want it to have 30 days, and we want to make sure through the City campaign that they know it's available, that they know what they have to do, and we want to make the process very easy so that 30 days shouldn't be a problem for people.

COUNCILMAN SQUILLA: And how do you feel that's progressing? That would have to be amended back in the Senate?

MR. DUBOW: Well, it would have to be amended in the House and then go back to the Senate for concurrence.

COUNCILMAN SQUILLA: Okay. The reduction of the millage rate for the School District, it's still in the Senate, has yet to go through the House, hasn't come out of committee?

MR. DUBOW: It went out of Urban Affairs and is now in Appropriations.

COUNCILMAN SQUILLA: Is there any amendments?

MR. DUBOW: There have been a couple amendments discussed. They haven't been voted on yet, and the amounts would limit -- would require that any increase in revenue have a separate vote from the actual value vote, not only this year but in future years.

COUNCILMAN SQUILLA: It would be a separate vote so that each increase -- as long as it was increased in value, a separate vote would have to be initiated?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: And then so every year, we would be back in front --

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: -- to see if we could do that or not?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: Is that something that would hurt the actual implementation of AVI?

MR. DUBOW: It would require that Council take two votes.

COUNCILMAN SQUILLA: Okay. So they're the two that we need in order to push forward with AVI this year?

MR. DUBOW: Correct.

COUNCILMAN SQUILLA: If for

some reason the amendments came back or another amendment was added to this that may be more difficult to pass with the AVI, we do have a fallback system in place, correct?

MR. DUBOW: Yes. We have a fail-safe rate in the legislation.

COUNCILMAN SQUILLA: And in that legislation, what is the fail-safe millage?

MR. DUBOW: It's two and a half percent.

COUNCILMAN SQUILLA: And are we still sticking by that?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: So if for some reason we don't get the reduction or there's amendments put in that maybe not enable us to do it, the first year tax millage rate would be 2.5 percent?

MR. DUBOW: Correct.

COUNCILMAN SQUILLA: And if that's the case, what would we collect depending on our estimated assessment value?

MR. DUBOW: Well, the two and a half percent -- we don't know what the total assessment would be, so I can't give you an exact number, but that two and a half percent assumes smoothing and a homestead, and then we assume that it would be relatively close to what we collect now. Without smoothing and homestead, then it would be a different rate. We'd have to revisit that.

COUNCILMAN SQUILLA: And that's the homestead at 15,000?

MR. DUBOW: Yes. That's correct.

COUNCILMAN SQUILLA: So if the homestead was more than 15,000, then the two and a half percent would not collect the same?

MR. DUBOW: That's right. Any change in the homestead, we'd have to go back and look at what the --

COUNCILMAN SQUILLA: So the fail-safe wouldn't work in that case?

MR. DUBOW: We'd have to go back and adjust the fail-safe, that's right, if we change the homestead.

COUNCILMAN SQUILLA: Would that need another vote by Council?

MR. DUBOW: Yeah. If you were changing the homestead amount, that would require an amendment to the bill, and then at the same time, we would want to amend the fail-safe to do it at the same time.

COUNCILMAN SQUILLA: Okay. Thank you. I'll go to the next round.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Any other questions for these witnesses?

Councilman Goode.

COUNCILMAN GOODE: If the homestead exemption is changed, it does not need to be changed on the state level. I thought they gave us the ability to set it on the local level?

MR. DUBOW: That's correct. So

once we got authorization of the state, we can set whatever level of homestead we want at the local level, so long as it's not more than 50 percent of the median.

COUNCILMAN GOODE: Okay.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Thank you very much. Could you kind of hang around, somebody. We have a number of community.

MS. LEWIS: James White, Montgomery Wilson and Stephanie Seldin.

(Witnesses approached witness table.)

MR. WHITE: Good afternoon and thank you for the opportunity to testify. My name is James White.

COUNCIL PRESIDENT CLARKE: Slow down, Mr. White. Slow down. Let me --

MR. WHITE: I'm sorry, Council President. How are you today?

COUNCIL PRESIDENT CLARKE: Just fine. That's good. I can tell you're a veteran. I just wanted to say good afternoon to you first. Good afternoon, and we're going to ask that everyone testify and then there'll be questions. Okay?

MR. WHITE: Yes, sir.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

MR. WHITE: By your lead.

Thank you for the opportunity to testify. My name is James White and I am the Policy Coordinator of the Philadelphia Association of Community Development Corporations. PACDC is a citywide association of 90 organizations, including 45 community development corporations, that have extensive experience working to revitalize Philadelphia's neighborhoods while addressing the needs of local residents. Today I would like to testify in support of tax relief measures that are critical to enabling residents to maintain and remain in their homes and communities as property values and assessments increase.

As the City continues to advance a citywide assessment based on actual property values, low-income and long-term homeowners, especially in neighborhoods where values have appreciated, could be significantly impacted. We applaud Council President Darrell Clarke and the other Councilmembers for taking the lead in introducing property tax relief measures to ensure a balanced approach to protecting homeowners and generating revenue through implementation of the City's Actual Value Initiative. PACDC has and will continue to advocate for circuit breaker measures that protect low-income and long-term homeowners that are at risk.

First, PACDC supports relief to offset increased property values and taxes. While our understanding is that the state authorization for a homestead exemption of the first 15,000 of property values is pending in Harrisburg and that the Administration will likely phase in the increase and allow seniors who are homeowners to defer increases over a certain amount, we don't think those measures are sufficient. Bill No. 120340 would authorize the Office of Property Assessment to grant tax exemptions to longtime owner-occupants for a portion of the increased property tax obligations in their neighborhoods where new investment has resulted in significant appreciation of home values.

Depending on the amount of the exemption, this legislation could be very valuable. Given today's market conditions have slowed considerably, we think it is important to examine home value appreciation over the past ten years, during which time values went up substantially in a number of neighborhoods. Going forward, it may make sense to tie the exemption to the actual citywide appreciation rates in some fashion rather than a simple flat percentage.

PACDC believes the City should grant exemptions to longtime homeowners who pay their taxes and choose to reside in Philadelphia and help stabilize their neighborhoods. They deserve relief from escalating taxes that will occur as AVI is implemented. Providing that relief is better than having lifelong Philadelphians leave their neighborhood or the City, as so many of their neighbors did in the previous decades. We don't want to see vulnerable low-income homeowners and multi-generational families displaced from their communities and social networks.

Two, make deferral of real estate tax a more attractive option by reducing interest charges. Now is the time for the City Council to authorize the Philadelphia Department of Revenue to grant deferrals of real estate taxes at a reasonable interest rate as proposed in Bill No. 120338. While some homeowners may be hesitant to participate in deferrals because of the reluctance to encumber their asset, speaking for myself as one, this legislation could make the difference to some property owners who otherwise would be priced out of their homes and communities due to increased property taxes.

Number three, PACDC supports a tax credit for low-income taxpayers. City Council should also pass Bill No. 120339, entitled "Special Real Estate Tax Provisions for Low Income Taxpayers," to provide credits against real estate tax for low-income taxpayers, including low-wage families not served by current protections.

Set up installment payments on real estate taxes to soften the impact. As proposed in Bill No. 120341, the City should permit a broader range of homeowners the opportunity to pay annual real estate taxes in four equal installments without having to pay interest, so long as each year's taxes are paid before the end of the year. This bill will make it easier for property owners, regardless of income, to pay their taxes, while still providing the City and the School District the revenues they need to sustain their budgets.

Finally, we believe it is critical that the City launch a significant public education campaign targeted to homeowners around the availability of these measures and to provide adequate time to take advantage of these measures before they are hit by new assessments.

If I may, in particular we do not agree with the Administration. We believe that in reality, it takes homeowners and more people time to respond, and 30 days just isn't adequate enough time, Council President and members of the Council, for homeowners and residents to respond, even if they were hit with ads every inning during the Phillies game.

We look forward to working with the City Council, the Mayor and his Administration to ensure that adequate protections for low-income and long-term homeowners are in place before AVI is implemented so that neighborhood revitalization can be advanced in an equitable way.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. WILSON: Thank you, Councilmembers. My name is Monty Wilson. I'm a senior attorney at Community Legal Services. I'm here today with my co-counsel, Stephanie Fleischer Seldin from VIP, and I think there's a couple points I want to hit, but mostly I want to try to put a human face on who is going to be affected if the AVI initiative goes into effect and the proposals that you have in front of you today and some others that I have in mind are not put into place. I would urge Council to put these bills in place, pass them and take further steps in order to mitigate the effect that it's going to have on low-income homeowners.

I've worked at CLS in their Consumer Unit, Housing Unit, for the last ten years, mostly focused on private mortgage foreclosures. However, in the last two or three years, we've seen a spike in the number of municipal mortgage foreclosures that have occurred across the City such that at CLS and Philadelphia Legal Assistance together, just in the last four months we have had over 340 individuals come into our office seeking advice about their delinquent taxes where they've received a demand notice or where they're facing a foreclosure action filed by the City or one of the City's agents to foreclose on their home for past due real estate taxes.

Based on data that we've gotten from the American Census Bureau, we estimate that there are 67,000 low-income homeowners in Philadelphia who are living at or below the federal poverty guidelines. That's $23,000 a year for a family of four, about $1,900 a month. Those are the people who are going to be affected by AVI. Those are the people who are going to see their bills double or triple, plus tens of thousands more who are just above that threshold, who are living in the area between 23,000 to 43,000, just 200 percent of the federal poverty income guidelines. They're also going to be hit. We would urge you to take these steps and pass these bills today to give those people the relief that they need.

I myself have represented many clients in tax foreclosure cases in increasing number, and I'd like to tell you about three of them in particular who I think exemplify what's needed, and we'll point out some of the steps that need to be taken beyond the bills today.

First, I want to talk to you about Mr. and Mrs. M. The M's came to me just a month ago facing a tax foreclosure. They were a working family. They were both working full time. They have three daughters. Mr. M became disabled in 2004 and lost his job. After they used up their savings, they're now living only on Mrs. M's salary of $1,500 a month to cover expenses for a family of five.

They have a mortgage on the property. They're able to pay that. Unfortunately, it's a subprime mortgage and they're not -- which does not escrow for taxes. So they've built up a tax bill of over $10,000 and they're now facing a tax foreclosure.

If AVI goes into effect, that will easily double or triple their tax liability. Based on comparable sales values available on the OPA website compared to what their property is currently valued at, their property would be worth approximately three times more. If that triples their tax bill, there's no way that family of five is going to be able to pay their income tax every year, and they'll be faced with either a mortgage foreclosure or a tax foreclosure.

The bills you're considering today will help them, but the tax credit, which I think will be the most important for low-income homeowners, unfortunately as it's currently written is too low to reach their income level. They're a family of five living on $23,000 a year. As the table that I just saw with the percentages this morning is laid out, they would not qualify for the 50 percent level of that tax credit. We need something else in place for folks like that who are still living below the poverty level.

That brings us to the exemption. I know there's been some talk today about having a straight exemption or an exemption for all homeowners or 100 percent exemption of some value. That's the kind of relief that the M's will need, along with some ability to get into a low-income payment plan on the back taxes they already owe.

Then I have Mr. K. Mr. K is my favorite client of all time. He's the hardest working man in Philadelphia. I've represented him in bankruptcy for the last five years. He and his brother inherited a house in North Philadelphia, along with $19,000 due on a mortgage and $12,000 in taxes. They didn't take out that mortgage, which was initially a $12,000 loan. They did not pay their taxes. They inherited it from their mother.

Mr. K and his brother got jobs. We filed a bankruptcy, and in the last five years, they have successfully paid off the entire mortgage balance, paying it off in full. They did that even after the recession hit and Mr. K's brother lost his job. They did that when Mr. K had to have surgery. They did that when he began to suffer with a disease that caused him to itch constantly and shed skin. He never quit his job. He never stopped working.

Right now they're living on $1,000 a month. They finished their bankruptcy. They just received their discharge order. That mortgage is paid in full, and last month they were sued for the delinquent real estate taxes. Mr. K, of course, came to me immediately, and I am representing him. We're trying to work out a payment plan. But what he needs is some kind of an exemption, and this credit, which, again, unfortunately he would not qualify because his income is not exempt, to allow him to both be able to pay an affordable amount on his taxes and some kind of provision that would allow him to get into an affordable payment on the back taxes that this house has accrued.

This isn't the kind of individual we want to put in the street. This is a man who just paid off a $12,000 mortgage that was now due for 19,000, paid it off entirely in five years. This is the kind of person we want to keep in Philadelphia.

Finally, there's Ms. G. Ms. G is 72 years old. She's raised three kids, has four grandchildren, and she's lived in Philadelphia since 1972. She's current on her taxes and her mortgage. Her husband died a few years ago and she lost about 40 percent of her income. Nonetheless, she's made those payments. But the tax bills in the last couple of years have gone up, causing her total payment to go up by about 20 percent, forcing her to spend about 40 percent of her income on her home expenses. She's right on the edge, and she came to us desperate for some kind of help. I'm working with her to work with the mortgage company. But if AVI goes into effect and doubles or triples her tax bill, that's it. There's no way she can afford to pay another $200 a month towards her taxes. And this 72-year-old woman, who has paid her taxes every year, will lose her home.

These are the folks who need these bills. So I would ask you today to pass these bills, to consider raising the credit level so that people like Mr. K and Ms. M and Ms. G will be able to be eligible for them.

I would also urge you to pass the tax collection ordinance that I know Councilman Green introduced one or two months ago, Bill, I believe it's, 120052, because this isn't just a question of what are we going to do going forward, it's what do we do with the delinquent taxes that are due now and, let's face it, if AVI goes into effect, the delinquent taxes that are quite likely to come due in the future.

We need a system that's clear, transparent and uniform across the City so that people can get into affordable payment plans.

Finally -- and I think my co-counsels would agree with me -- we need to have not just a public awareness campaign system, we need a system in place that refers homeowners and those who are delinquent on their taxes to housing counselors so that they can get the information they need about all the options, including the ones we're talking about today, that are out there to put them in place so that they can get into a plan. Right now in Philadelphia we have a Foreclosure Diversion Program that send people automatically. Lenders are required to send them a letter saying, Get yourself to a counselor, get yourself to CLS, get yourself to PLA and get into a plan.

I don't want just a public education --

COUNCIL PRESIDENT CLARKE: Sir.

MR. WILSON: Thirty seconds.

COUNCIL PRESIDENT CLARKE: You ignored the clock, but you got to kind of wrap it up.

MR. WILSON: I don't want just a public education seminar. I want a system that sends out a letter and puts public education in every subway to send people to a counselor so that they can get what they need.

COUNCIL PRESIDENT CLARKE: Thank you.

MS. SELDIN: Good afternoon, Mr. President and City Council. My name is Stephanie Fleischer Seldin and I'm with VIP. Philadelphia VIP is a sister agency to Community Legal Services. We provide free legal services to low-income Philadelphians to the tune of about 3,000 people a year through pro bono attorneys.

And my specialty and the reason I'm up here is because we deal with tangled titles very often. A tangled title is a situation where a homeowner believes they own the home, but it's really in a deceased relative's name or in even more complicated situations like Mr. K's, it's actually a fraudulent deed that has taken place and someone has actually stolen our client's home. So in addition to owing taxes, possibly have a mortgage, they also do not have title in their name. So our clients have an additional factor to deal with.

But I want to let everyone know that our clients want to pay. Like our friend of VIP, Frances Beckley from the Department of Revenue said, our clients are the folks with -- the little old ladies with $25 that they owe every month and they are coming in to pay that, and they want to pay that. But without these tax relief measures, they will not be able to be able to pay that any longer.

So I want also to concur with my fellow testifiers today. We need this tax relief bill. We need also Councilman Green's and Councilwoman Quinones-Sanchez's installment payment bill. They need to be consistently offered and consistently applied so that we don't have to continue to bother Councilpersons' staff, constantly asking that they go back to our friends at the City and say, you know, my constituent needs to get into a payment plan and they had to come to me to get that done instead of being able to go to the Municipal Services Building and get that done. So this bill will go a long way towards that. And we look forward to working with Council to make that bill even better, we hope.

So the City of Philadelphia is a city of homeowners, and if we don't pass these tax relief measures, we're going to have a city of more homeless. So we appreciate your support.

5/14/12 - WHOLE - BILL 120164, etc.

COUNCIL PRESIDENT CLARKE: Thank you so much for your testimony.

Any questions of these witnesses by members?

(No response.)

COUNCIL PRESIDENT CLARKE: Thank you so much for coming down and testifying.

MR. WILSON: Can we take your silence as agreement?

COUNCIL PRESIDENT CLARKE: Thank you.

MS. LEWIS: Darrell Zaslow.

(Witnesses approached witness table.)

MR. ZASLOW: Good afternoon, Mr. President. Darrell Zaslow, the Homeowners Association of Philadelphia. Mr. President, I appreciate the opportunity to speak with Council.

It is unfortunate, Mr. President, when taxpayers such as property owners that I represent feel overwhelmed by the expenditures of their government. The citizens understand the need to fund public services, and all of us recognize the present economic circumstances. Yet, when year after year the government promises this is it, give us more money, we'll run your government, and those promises of temporary tax increases and living within the budget reliably fail at every level, property owners are understandably displeased and dejected.

Mr. President, these failures, from our perspective, are not remotely the fault of this City Council. To the contrary, we see you working and scrambling for solutions, and your collective effort is appreciated. We can only ask that you continue to exercise the firmest legislative oversight to ensure that those who implement the work for you somehow maximize the results and minimize the cost.

So now we're faced with another massive shortfall, the sudden announcement that highly paid officials of the government say they made a miscalculation somewhere, they need another quarter billion dollars. And the solution is always the same. They come to you, Mr. President, to this legislative body, and tell you increase taxes, or else. Be assured that no one in the public is fooled by the claim that the Actual Value Initiative is not at its heart a tax increase. No matter how the initiative is presented, it's clear that it's going to result in a hefty tax increase for a great many families. When the pre-announced goal of the project is to collect $94 million in additional taxes, it's hard to approach the matter as anything more than taxes being raised.

Even so, Mr. President, the public recognizes that fairness and equality in property tax assessment is mandatory and appropriate. If and when the details are determined, the Actual Value concept certainly warrants consideration and may well deserve approval. But it is obviously the method of implementation of this concept which concerns your constituents and us in particular.

We are here on one narrow piece of the unfortunate puzzle that you are tasked with piecing together, and this is the exemption proposed in Bill 120340 for long-term owners.

Our concern is this: The quest to protect residents from losing the place they call home is commendable. Council's sensitivity to the issue is admirable, and the proposed legislative solution is on target. No one who has lived in a home for a long time should be forced to abandon that home because they can't pay the taxes.

But yet from our perspective, there is a significant flaw in the proposal as presented in the bill. The bill purports to be concerned about residents who have lived in a place for a long time, but the residents own their home. While utterly discriminating against a virtually identical citizen who lives in an identical neighborhood who lives in a virtually identical house for an identical period of time or longer, but that individual has made a life decision, or perhaps life has made the decision for them, that they decided to rent the place that they call home, why do the legislatively expressed declarations of policy in the bill not apply with identically equal force to those of your tenant constituents who are in equal danger of losing the homes where they live if taxes dramatically increase? When the bill recites a concern that some residents are particularly vulnerable to the process of neighborhood change known as gentrification, why are those citizens who rent their home, whose rent will of necessity be increased in an amount equal to the hefty new tax increase, why are these citizens not entitled to some form of equal protection from the bill? Why are they not perceived as equally at risk if indeed, Mr. President, the tenants are more vulnerable to the danger of losing their residences due to gentrification?

I understand we don't care here about landlords. I wouldn't begin to ask you to do anything for landlords with this tax bill, but it's actual axiomatic. When you lower the taxes for one group, it has to be raised for another group. The property owners who will pay more taxes because you're exempting various groups will pass the property tax increase onto the tenants. And, Mr. President, you expressed it exactly on target earlier when you questioned whether should there be an income issue here and not just giving, frankly, you or I some exemption from taxes, although we would like it, but that is going to have everyone else pay more.

I am privileged to know firsthand the sincerity of this Council and the people who are sitting here, and your favoring of long-term owner-occupants is not intended by you to harm long-term tenant occupants, but that, I suggest to you, is going to be the result.

So long-term owner-occupants face a real threat. Long-term tenant occupants face the identical threat. And, therefore, we must come before you and say we cannot ask you to do anything but oppose this bill as is presented, because you're going to shift the burden to property owners, shifting the burden to their tenants, who will now be paying more rent than they can afford.

We understand the difficulties of this entire puzzle. We wish you strength in resolving it. We hope you'll take into account this concern that exempting long-term owners really is going to be at the expense of long-term tenants.

Thank you, Mr. President.

I have sitting with me Robert Levin, a businessman and property owner. With your permission, he'll say a few words.

He says that you're very busy. He'll refrain from commenting further.

COUNCIL PRESIDENT CLARKE: Okay.

MR. ZASLOW: Thank you very much, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you.

Any questions of these witnesses by members of the Committee?

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you for your testimony. Just very quickly, your landlords, whether it's multi-family or individual properties, do they pay U&O?

MR. ZASLOW: They do have to get a U&O permit.

COUNCILMAN GREEN: Do they pay

use and occupancy tax, though?

MR. ZASLOW: They pay the business privilege tax.

COUNCILMAN GREEN: But they don't pay use and occupancy tax; that's only paid by commercial --

MR. ZASLOW: That's only for commercial.

COUNCILMAN GREEN: That's right. And so are you aware of the proposed move from commercial and industrial to residential taxpayers, which would apply to your industry and to all residents in general?

MR. ZASLOW: I'm not specifically aware of that Councilman, no.

COUNCILMAN GREEN: Okay. I'd ask you to take a look into it, because it's costing you -- it's going to cost all people who own residential properties a couple hundred million dollars in addition to the $94 million, because there will be a significant shift from commercial and industrial property taxes to residential taxpayers in terms of the dollars the City collects from each category, which will then be apportioned among property owners. So it's not a 9 percent overall increase on the residential side; it could be as high as 29 percent, with commercial and industrial going down.

MR. ZASLOW: Thank you, Councilman.

COUNCILMAN GREEN: So just be aware of that.

MR. ZASLOW: Thank you very much.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you.

Any other questions?

(No response.)

COUNCIL PRESIDENT CLARKE: Thank you, gentlemen.

Is there anyone else who wishes to testify on this bill today?

(No response.)

COUNCIL PRESIDENT CLARKE: There being none, I would ask for a three-minute break so we can reestablish a quorum.

(Brief recess.)

COUNCIL PRESIDENT CLARKE: We're going to reconvene the hearing now. We're going to start the hearing again, real briefly.

Can I have your attention, please.

Thank you. We're going to be moving from the public hearing and go into the public meeting to do a couple of things. One, we would like to offer amendments to Bill No. 120339 and we're going to offer an amendment to Bill No. 120340, and Councilman Green is going to offer amendments to --

COUNCILMAN GREEN: 173 and 175.

COUNCIL PRESIDENT CLARKE: -- 173 and 175. We will not be taking action on those amendments, but they will be a part of the conversation as we move forward on those bills, but we'll ask for an action on these two amendments, on 339 and 340.

Real quickly, if you heard earlier testimony with respect to the Administration referencing the fact that these measures -- two of these measures did not have specific language; i.e., numbers, we will be doing that today with the amendments. In 339, the amendment will specify the amount of the tax credit which will be determined and which would vary depending upon income level. And Bill No. 120340, the amendment will specify the amount of the exemption of the eligibility.

Real briefly, this is the gentrification legislation. For purposes of the amendment, it must reference the language that creates an exemption, but essentially that amendment will essentially be a cap. The state authorization is not quite clear on the language, so it does reference an exemption, but in all intents and purposes, it is probably a cap, and that will be approximately 20 percent. If your property values increase by 500 percent or more, you will be eligible for a 20 percent cap on your increase in that particular measure. So essentially a thousand dollars in taxes, it goes up another thousand dollars, then you'll be able to get a cap on that particular increase that will bring you around $200.

Okay. So right now we will go from the public hearing to the public meeting.

The Chair recognizes Councilman Jones on Bill No. 120339.

COUNCILMAN JONES: Both bills?

COUNCIL PRESIDENT CLARKE: You can do both, sir.

COUNCILMAN JONES: Thank you, Mr. President. I would like to offer some amendments to Bills No. 120339 and 120340 on your behalf and defer to you to make any other comments of substance on these amendments themselves before we actually go into a public meeting so that they may be voted on.

COUNCIL PRESIDENT CLARKE: Thank you.

The Chair recognizes -- you made the motion, Councilman?

(Duly seconded.)

COUNCIL PRESIDENT CLARKE: Been moved and properly seconded.

Those in favor?

(Aye.)

COUNCIL PRESIDENT CLARKE: Those opposed?

(No response.)

COUNCIL PRESIDENT CLARKE: The ayes have it. Bills No. 120339 and 120340 are amended.

The Chair now recognizes Councilman Green for a motion on -- actually, I'm sorry, just recognize Councilman Green for amendment.

COUNCILMAN GREEN: Thank you,

5/14/12 - WHOLE - BILL 120164, etc.

Mr. President. I'm not asking for action on these amendments today. I simply introduce one amendment on Bill No. 120173 and I have five amendments on Bill 120175. These amendments would keep the shift to actual value revenue neutral, which it sounds like is required by the State Senate anyway, and then it raises the additional $94 million for the School District by increasing the U&O tax rather than burdening residential property owners and creating a windfall for commercial and industrial property owners.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilman. Thank you very much, Councilman.

We will now go back into the hearing. Are there any other witnesses for the bills?

(No response.)

COUNCIL PRESIDENT CLARKE:

There being none, thank you very much.

5/14/12 - WHOLE - BILL 120164, etc.

We will recess until tomorrow at 1 o'clock. Thank you.

For the record, the School District will be in tomorrow at 1 o'clock for anyone interested in questioning the School District about their proposal. I'm sure there will be a number of individuals. One o'clock.

Thank you.

(Committee of the Whole recessed at 3:10 p.m.)

\- - -

CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on May 14, 2012, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-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.)