COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, June 4, 2012
2:15 p.m.

PRESENT:
COUNCILMAN BILL GREEN, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN DENNIS O'BRIEN
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 120054 - An ordinance amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by providing for installment payment agreements and requiring commencement of enforcement action...

BILL 120176 - An ordinance constituting the Twelfth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance...

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COUNCILMAN GREEN: We will now convene the public hearing of the Committee of Finance on Bills No. 120054 and 120176.

Will the Clerk please read the titles.

THE CLERK: Bill No. 120054, an ordinance amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by providing for installment payment agreements and requiring commencement of enforcement action, all under certain terms and conditions.

Bill No. 120176, an ordinance constituting the Twelfth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to issue and sell one or more series or subseries of tax-exempt or taxable airport revenue bonds or notes of the City of Philadelphia, some or all of which may be used for the

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implementation of a commercial paper program; setting forth the use of proceeds; determining the sufficiency of pledged Amounts Available for Debt Service; covenanting for the payment of interest and principal; authorizing the Bond Committee to take certain action with regard to the terms and conditions of the airport revenue bonds or notes and related agreements and the elections under the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Director of Finance to take certain actions with regard to the sale of such airport revenue bonds or notes, the investment of the proceeds thereof and the City's continuing disclosure obligation; amending the Amended and Restated General Airport Revenue Bond Ordinance; and specifying applicability of sections of The First Class City Revenue Bond Act and the Amended and Restated General Airport Revenue Bond Ordinance.

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COUNCILMAN GREEN: Thank you.

I note the presence of a quorum with Councilman O'Brien, Councilwoman Reynolds Brown, Councilman Greenlee, Councilwoman Blackwell and Councilman Goode.

Will Commissioner Richardson please come testify, and then we'll hear from -- we're not going to move this bill today. We're going to hear from all of the other people testifying and then we'll take any questions at that time.

(Witnesses approached witness table.)

COMMISSIONER RICHARDSON: Good afternoon, Councilman Green. Keith J. Richardson, Revenue Commissioner. Good afternoon, Councilman Green, members of the Committee of Finance. With me today is Frances Ruml Beckley, Chief Counsel for the Revenue Department, and we're here regarding testimony for Bill No. 120054.

The Revenue Department is not

insensitive to the shortcomings of the present real estate tax collection system, and over the past few years, we have taken steps to improve that system. To give just one example, last November, for the first time, we sent letters to first-time delinquent real estate taxpayers explaining that if they do not pay their 2011 real estate taxes by the end of the calendar year, the additions to their tax bill would be capitalized and their tax liability will be liened. Almost 4,000 of the roughly 13,000 taxpayers who got that letter paid before the end of the year. That not only increased collections, but also saved the City roughly $20,000 when the remaining first-time delinquents had to receive a certified letter this February.

Another improvement recently implemented by the Revenue has been increased cooperation with the Law Department in handling payment agreements. Most Law payment agreements are now entered into the Revenue system for automated billing and payment processing, which should improve customer service while reducing clerical work. Also, a joint committee of Law and Revenue employees have been meeting to work on coordinating the two departments' positions. Its first priority has been reviewing Interest and Penalty provisions, but the project should be concluded shortly, and reviewing payment agreement terms for consistency should be on the next agenda.

At the same time, we're improving our own collection. We're working more effectively with co-counsel to collect real estate taxes. We now have two co-counsel actively collecting real estate tax by contacting taxpayers and ultimately taking property to Sheriff sale. Co-counsel received for the first ten months of the fiscal year 32.8 million as compared to 18.3 million for that period in Fiscal '10 and 19.4

million for the period in Fiscal 2011. While co-counsel receipts are not segregated by tax type, we believe the bulk of that increase was real estate tax.

While we appreciate the good intentions behind Bill No. 120054, we are unable to support the bill in its present form. On the one hand, we believe that the bill is too lenient in requiring Revenue to offer payment agreements to all taxpayers without regard to how many payment agreements the taxpayer has breached in the past, without consideration of whether the taxpayer can afford to pay in full, and without any provisions to compensate the City for the time value of money. On the other hand, we believe that the bill is too harsh in requiring that all properties not in payment agreements be placed in foreclosure proceedings as soon as taxes are three months delinquent without regarding the taxpayers' circumstances.

However, I will not go into any details of our concerns with the bill because I understand that Councilman Green plans to hold meetings this summer to consider how we can make our payment agreements more consistent and more accessible and to discuss how we can further improve our enforcement efforts, including Sheriff sales.

As always, we welcome the opportunity to work with the Council, the legal services community and other interested parties to determine how we can better serve the City.

This concludes the testimony, and we'll be happy to answer any questions if you have any.

COUNCILMAN GREEN: Thank you.

Monty Wilson and Stefanie Seldin, please.

(Witnesses approached witness table.)

MR. WILSON: Councilman, if I may, I have two clients here today.

Could they speak before Stefanie and I do?

COUNCILMAN GREEN: Oh, sure. We will start with Cassandra Richardson and Robert Morrell.

(Witnesses approached witness table.)

COUNCILMAN GREEN: Please state your name for the record and proceed with your testimony, Ms. Richardson.

MS. RICHARDSON: Good afternoon. My name is Cassandra Richardson Dennis. I thank you for hearing me this afternoon.

I was born in Philadelphia at Temple University Hospital. I reside in West Oak Lane. Dwight Evans is my State Representative. I went to school in the public school system in West Oak Lane and I went to Rowen Elementary School, Wagner Junior High School, Parkway Delta and Community College of Philadelphia.

I worked for Shriners Hospital for crippled children in the Spinal Cord

Injury Care Unit. I worked for Friends Psychiatric Hospital as a psychiatric treatment technician. I worked for Friends Hospital for 12 years. Nine years after my employment there, I became disabled, but only partially disabled. I was diagnosed with reflex sympathetic dystrophy, which is a debilitating disorder. I had surgery and returned to work. I was able to work for three years in a modified capacity, but then I needed to come out on total disability.

At that time, I was offered a spinal cord stimulator implant or a morphine implant. I opted to have the electrical stimulator and not the morphine.

I purchased a property to supplement my disability income, and my daughter rented the property for me, but yet she did not pay the rent and I became delinquent in my taxes. I had to move in the property myself, and I spoke with Linebarger for the City and made payment arrangements for a payment agreement.

Three years into the agreement, I received a notice that they were going to foreclose my property. I continued with the agreement and I spoke with them, and they told me to disregard the foreclosure notice.

A year later I received another foreclosure notice, and I was told that I needed to reapply for a hardship agreement.

At that time, they denied the agreement, though my circumstances had not changed. And I asked them what I needed to do to stay in my home. They told me at that time that I would need to pay them $519 per month. The agreement that they had given me was for $69 a month.

At that time, I went to Community Legal Services for assistance so that I can stay in my house.

I never broke the agreement, and I continue to make my payments even now.

Thank you.

COUNCILMAN GREEN: Thank you.

Mr. Morrell.

MR. MORRELL: Good afternoon, Councilman Green and everybody. I want you to know, I'm a little bit nervous. I'm not as good as she is right now, but I'll do my best.

COUNCILMAN GREEN: Please state your name for the record.

MR. MORRELL: My first name is Robert, last name is Morrell. I'm 54, ex-military veteran. I have five daughters, along with my wife. We reside in Philadelphia as a homeowner since 1990.

In 1999, I was hurt in a work-related accident. I went back to work thereafter. In the year 2004, I was in an automobile accident where I was rear-ended and re-aggravated my condition.

Since 2004, I've had sporadic

work here and there, maybe two days, three days, and I would go back out again. I was under a doctor's care, going to physical therapy, medications. I had epidural injections done to see if it could relieve the pain, at no cost.

My wife being the only provider of the household and she makes about $1,500 a month, we had to push monies away and keep money aside for certain bills. Homeowners insurance was mandatory, along with our mortgage, which was $620 a month. We had to keep paying utility bills, of course, and it didn't allow us too much money after that. So we pushed -- I pushed the personal property taxes aside, thinking we can take care of that later.

My children were all going to Catholic school. That was at a cost of about $3,000 a year. We had to eliminate that and take them out of the Catholic school and put them into a public school setting. Also we had to drop Comcast cable, dropped telephone bills, stuff like that just so we can afford our means. All along, property taxes were building up.

I tried to get away -- get into a budget program, but they told me that I had to have -- well, the first time I had to have $5,900 up front to go on a budget program. When I went home from speaking to that person that day, I went home and made a phone call, thinking I'll call the Revenue Department again, maybe I'll get somebody else and they'll be able to tell me something different. After giving them my name and my address, they came back, they said that I had to pay 50 percent. I asked what 50 percent was, and they told me it was 5,900-some-odd dollars. And I said I can't afford that. If I can afford that, I wouldn't be in this position. They gave me an alternative, I think it was 15 days, before the house goes into foreclosure.

I made some phone calls and

heard about Monty. That's how I met Monty, and he's taken my case over for me and has helped us with this right now.

I don't want to not pay my taxes. Since 1990 up until the year 2004, we have paid our taxes every year. I don't want nobody else to pay my taxes for me. I don't want to lose my house. I want to pay my taxes, but I have to do it where it's going to be affordable for both myself and my family and the City Revenue Department. I am not trying to get out of paying my taxes, but I can't do it at the rate they're asking.

Other than that, nothing. Thank you for hearing me.

COUNCILMAN GREEN: Thank you.

Mr. Wilson and Ms. Seldin, would you like to proceed with your testimony, and then we'll take any questions that we have.

Will you be explaining in your testimony what the bill actually does that would be providing relief or should

I give a brief explanation?

MR. WILSON: Why don't you give a brief outline.

COUNCILMAN GREEN: Okay. So what we propose here is allowing people, based on the percentage they are from poverty, to enter into a payment agreement that is pre-determined. What that would mean is that if you're within, I think, 125 percent of poverty, you would be able to pay between 5 and 7 percent of your monthly income as your payment to the City, and if you're within 125 percent of poverty and you keep up your payments, that 5 to 7 percent, the City will never be able to take your home into foreclosure, and when you finish paying under those circumstances, you will be excused from all penalty and interest.

And so this is intended to provide a simple, clear rule about the ability to enter into payment agreements without negotiations and different people getting different results based on the different information they provide. There's other exceptions and other criteria for people above 125 percent of poverty to the point where you can avoid up to 50 percent of your penalty and interest by entering into payment agreements, but it creates a simple, clear rule that will be available to every Philadelphia residential property owner.

Thank you. Please proceed with your testimony, whatever order you wish.

MS. SELDIN: Great. Good afternoon, Councilman Green and members of the Committee. My name is Stefanie Seldin and I am Managing Attorney of Philadelphia VIP, which is an agency that provides free legal services to low-income Philadelphians through volunteer attorneys. Thank you for allowing me to be here today.

Our agency has particular expertise with tangled titles, which means simply that our clients think that their names are on deeds, but they're really not, either because of a fraudulent deed transfer or because the name is actually in a deceased record owner's name.

In 2008, Philadelphia VIP commissioned a study with the Cartographic Modeling Lab of the University of Pennsylvania, and they compared the record on those names with the Social Security Death Index and found that there are actually 14,000 record owners who are deceased in the City of Philadelphia. So this is a huge problem in the City.

So what we are dealing with is, our clients go in to the various collection agencies and they're told that because the deed is not on their -- their name is not on the deed, that they're out of luck.

Guidelines that were worked out by my colleague, Monty Wilson, years ago made it clear that at least with the collection agents, that this was not supposed to be the case, that with at least Linebarger and GRB, clients such as ours who do not have title in their name but are equitable owners should be allowed to enter payment agreements. And, in fact, by operation of law, they should be considered owners, because under Pennsylvania law, when a parent dies, that children are automatically considered heirs and equitable owners of that property.

So we are here to support this bill because we believe that many of the provisions, with a little bit of tweaking, can help our clients be able to get into payment agreements like Monty's clients who are here today, who have slightly different situations. We work very closely with many of the staff at the City of Philadelphia and the Law Department, and they -- Frances Beckley and Jim Zwolak in particular have been helpful. Linebarger Goggan, not so much.

The time that we are wasting working with their staff to try and enter these arrangements, which by guideline are to be of right, is astronomical and would be better spent working with our clients or finding volunteers to work with these clients.

So we're very much looking forward to working with the Committee and working with the Councilman's staff and working with the Commissioner, Commissioner Richardson, but we really believe that we need this ordinance, that there will be another Commissioner down the road and Administrations change, and we really believe that the only way to make sure that this is consistent and effective is if there's an ordinance, and we're willing to certainly work with everyone to get something that will, we hope, be passed by the Committee and by Council.

Thank you.

COUNCILMAN GREEN: Thank you. Please proceed, Mr. Wilson.

MR. WILSON: Thank you, Councilman. Can you hear me?

Just an update before I say good morning, Councilman. And, by the way, thank you for hearing me today. I am Monty Wilson. I'm a Senior Attorney at Community Legal Services where I've been doing mortgage foreclosure defense work for about ten years. About six years ago, I started seeing a sharp increase in the number of tax foreclosure cases that were coming into our office, and over time we began to develop a small sub-practice in that area, and as Stefanie said, there's been a long history in Philadelphia of letting the taxes slide. You heard Mr. Morrell's story. He knew he could do that. I think we all have to start with the premise of there's been a long history of if you can't pay your taxes, let it slide, there won't be a problem.

I actually commend the City for saying that's over, and I actually commend Council and the Mayor for saying that needs to change. We need the revenue and we need the money. I want to get us to a place where we have people who are delinquent one or two years and where we can solve that problem quickly and easily. The problem is, we're not there yet, and we have, as a result of that backlog, people with really substantial delinquencies who need some flexibility and room to pay back.

Just to finish up Ms. Richardson's sorry, as of today, I got her into a final payment decree, which we will enter in court, setting her up with a payment plan that she can afford. The real issue there -- and Stefanie mentioned this briefly -- was that she had been eligible for a hardship plan, been in it for three years, not breached, been up for reconsideration. They looked at her other properties and said, You need to liquidate those before we will let you continue to be in a hardship payment plan.

She said, Wait. How can I liquidate those? One of them is my mother's, not mine, and the other one is already in foreclosure with the bank. It's long gone.

What they didn't do was tell her you can appeal this. You have a right to have someone review the problem and give you an opinion about whether we can move forward here. As a result, she was sued, because she didn't know what else to do, and I ended up representing her.

As soon as I filed the letter of appeal to the Solicitor's Office explaining the facts that I just told you, there was no big fight. Everyone agreed, Oh, if those two houses have no value, then there's no reason that she can't be in a low-income payment plan, and the matter was settled and we just entered the decree.

Why did this have to go through an entire legal process and get to Legal Services? It should have been possible to get to that without having the lawyer involved, and it has to work when the lawyers aren't in the room. And that's why we need this bill, so that there's a system in place so that when people need a payment plan, there are clear guidelines that I would think would be helpful to Revenue about what is and isn't possible, and there also is a clear system in place to allow people to say, Can I get into a payment plan, what are my options. And that system needs to be well publicized.

There are, according to U.S. Census Bureau, there are about 67,000 homeowners in Philadelphia who are living below $22,000 a year. Not all of them are going to be at the poverty level, because some of them is just a single individual, but for a family of four, like Mr. Morrell, that is $1,900 a month. He's living on 1,500, so he's well below the federal poverty levels. He would qualify for this bill, and that would set him up with a payment plan.

Just so you know -- and I have Mr. Morrell's permission to tell you this -- he is prepared to pay more than that. Under this payment plan, he would probably have to pay something like $100 a month. He believes that he can pay, with his wife's help obviously, something like $200 a month, and their real plan is to use their federal income tax return each year for the next two or three years until the delinquency is paid in full.

But what they can't do is pay that lump sum, and that's what's keeping them and facing them with foreclosure right now. Right now I'm representing them again in a foreclosure case, with legal costs and expenses. Instead of that, all they need is a plan. The problem is, there's nothing in place

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right now for them to get into a plan. There's no formal system. We need that.

They unfortunately -- another problem with the system is, Mr. Morrell, his lien was handled by the Revenue Department. If he had been referred to Linebarger Goggan, many of you have probably heard about the Financial Hardship Guidelines, which is basically an agreement that the City has with the other lenders, GRB and Linebarger Goggan, if he had been -- his lien happened to have been handled by Linebarger Goggan, he would have been eligible for a low-income payment plan.

Now, again, whether there would have been the formality of anyone telling them that or he would have had to come to me, whether he would have been denied and informed that he had a right to appeal, that would still be a problem, but at least he would have had that right.

You have to admit, it's a very odd system in which, depending on who just happens to be handling the collection matter in your particular case, you may or may not have a right to appeal. You may or may not have a right to a low-income payment plan.

One of the major reasons that we need this bill is so that we have uniformity, so that no matter what department you go to, no matter which collection agency you're dealing with, you will get the same offer.

It is absolutely true that one of the things that this bill is going to do is give people some kind of end time so that we don't have the perpetual payment plans that go on for years and years - you breach, you get a new one, you breach, you get a new one. Maybe we're going to have a one-strike-and-you're-out rule. Personally, I favor a three-strike rule, but at some point, there's going to be finality.

One of the issues that needs to

be addressed, however, is how will people know when they're in danger of breaching. Will they get notice of a breach? Will they have a 30-day right to cure? Will they know that they can step up with the cure amount and catch themselves back up rather than being forced into foreclosure? Those are the issues that need to be addressed before we move ahead into a one-and-done kind of strike position, where you didn't make your payment, we're listing you for Sheriff sale.

I don't disagree necessarily that there needs to be some impetus for people to step up and pay their taxes. The tradition that we've had in this city for 30 years has to change, but the City needs the revenue, people need to step up and pay their taxes.

At the same time, we need to recognize that homeownership is different. We're not in the business, and neither is the Revenue Department --

and I won't put words in their mouths, but I don't think they would disagree that they're not interested in pushing people out of their homes, but they want to be paid. If we're going to do that, we need a system that's uniform. We need a system that's well publicized. And the last thing I'll mention, we need a system that puts it out there, where the notices and your options are clear and conspicuous in a letter that goes to every homeowner, where they're on the Internet and you can find the information.

And last, but not least, we need to be referring taxpayers to homeownership agencies. In Philadelphia, we have a nationally known homeowner alliance that refers people facing private foreclosures to different agencies in the City who help people who get into grievance to work it out, how to pay their delinquencies off with a private bank like Wells Fargo or Chase

Manhattan. Those are national banks. It's a mass of confusion. You can ask any of the counselors.

It seems to me obvious in a situation, where everyone's local, where we can sit down and standardize the payment options and the language in the agreements, that taxpayers should be referred to housing counselors. That will relieve the Revenue Department of much of the burden of gathering information. The forms will be filled out correctly, and we'll get people into payment plans. That, combined with this bill and taking these other steps, will make a huge difference in getting the City the revenue it needs and preserving people's homes.

COUNCILMAN GREEN: Thank you.

I have a couple questions and then I'll turn it over to other members of the Committee.

The first is that I guess it's recently been testified to in Council

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that the City is going to move to 600 foreclosures a month, and there currently is no set standard formal process for people to be able to enter into automatic payment agreements.

Could you describe the amount of time it takes to negotiate back and forth, enter into these agreements, both from the perspective of your individual resources as organizations and then also how much time it takes the individual property owner in terms of days and months doing this to enter into these agreements, and, finally, if anybody is prepared at the Law Department or Revenue for 600 such agreements a month, how long the process would take in that circumstance.

MR. WILSON: I think as to the last question, you may want to save that for the Revenue Department, but as to our experience -- or the Law Department. As to our experience with homeowners getting into agreements, I hate to say that the answer is, of course, complicated because I'm an attorney. Mostly it's complicated because, again, it's not a simple question of, Oh, you go to the Revenue Department and get into an agreement. In the eight years that I've been doing this, the first level of difficulty is, Okay, the person was -- you were in an agreement. Was it a written agreement? Can you show me what they gave you in writing? And I will -- in the Revenue Department's, to their credit, they increasingly are giving out written agreements, but for a long time, the standard has been, Well, they entered something into the computer, I'm not sure what, but they told me to send them $50 a month. So the first issue becomes are you even in an agreement, do we have any record of it.

Assuming you can get past that hurdle and the person is actually in an agreement or I'm trying to negotiate one, then it depends who you're dealing with.

Again, if I'm dealing with Linebarger Goggan, I have -- there's a set of guidelines that the City negotiated during the Street Administration that they're supposed to follow. You're supposed to submit proof of income. There's basically a table. You run that down, and they should be eligible for a payment plan. Typically that takes Linebarger Goggan two to three months to review, and if the payment is going to be longer than 24 months, that has to be referred to the Law Department for approval. That can take anywhere from three to four to six months. I think the real key there is, if anything goes wrong, if there's a question -- in one case involving Linebarger and the guidelines, I had exactly Ms. Richardson's situation again. The title to the property was in trust for the person. So the question was, Well, can we do a payment agreement with her? It took us 12 months to resolve that issue, so that the department -- and finally the Law Department said yes, we'll do a payment agreement. So last I heard, she had been approved -- well, that problem had been resolved. I was waiting for her approval to get the payment agreement. We still don't have it, and I'd say it's been about four months since we resolved the problem. That kind of -- once there's an issue problem, it can take months and months.

Title, most of my cases -- it's neither of these, but most of the actual tax foreclosure defense I do, the number one issue is I'm representing the heir of the deceased record owner. And Linebarger Goggan in the agreements, we agreed you don't have to be the record owner. If you can produce a will or letters of administration or a birth certificate, a death certificate to show that you are the legal heir, we'll enter into a payment agreement. Then we'll refer it to VIP to formally straighten out the title.

Linebarger has started to back off of that and take the position, no, if you're not the record owner, we don't do it. And the City's position used to be that if you can provide letters of administration, they would allow you to enter into a payment, but I understand that recently they've shifted that to, no, you must be the record owner.

So, again, I have two cases, both of which have been referred to VIP, where we've postponed the hearing at least six times in one case and we're starting on number four for the other one.

COUNCILMAN GREEN: So during that period, the two months with the first situation, then three to six months, then potentially 12 months if there's a tangled title, is the interest and penalty accruing --

MR. WILSON: Yes.

COUNCILMAN GREEN: -- during

that time?

And so it is not until you finally enter into a payment agreement, even though you've been trying for 12 months or 16 months, that you can suspend future penalty and interest; is that --

MR. WILSON: Well, I'm not even -- in the agreements, future penalties and interest are not necessarily suspended. So, yes, the penalties and interest are accruing while the whole thing is pending, but even once you're in the agreement, that doesn't mean that under the terms of the agreement, penalties and interest are necessarily suspended. That's one of the things I would like to see addressed.

COUNCILMAN GREEN: In how many agreements do you continue to build up penalties and interest at the very high rate compared to other jurisdictions versus -- in how many agreements do the penalty and interest go away if you meet your obligations, at least future penalty and interest, if you keep your payment agreement and you pay off your taxes?

MR. WILSON: In the agreements that I've finalized, such as the one we just did today for Ms. Richardson, they agreed that attorneys' fees would no longer accrue, although if the property did go forward to Sheriff sale, any costs would be added to the judgment, but that interest, which is 9 percent under state law, would continue to accrue during the pendency of her payoff.

COUNCILMAN GREEN: So she continues to pay interest at 9 percent?

MR. WILSON: Yes.

COUNCILMAN GREEN: And to what extent do you think the hearing today motivated the settlement? No; sorry.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

Good afternoon, Mr. Wilson. Let me preface my comments by saying that I am a co-sponsor of this legislation, so

I don't need you to sell me on it. The way you tried to sell us on it in your written testimony, I have some questions about.

You used the statistics or data that 67,000 owner-occupied homes have a household income below 22,000. Where does that come from?

MR. WILSON: That's from the ACS, the update of the U.S. Census Bureau from the year 2009. We got that data from The Reinvestment Fund. They had received that data about two months ago, so they were able to figure out what the data said was the number of households in Philadelphia with income below $22,000.

COUNCILMAN GOODE: And so what is the value of those households?

MR. WILSON: Excuse me?

COUNCILMAN GOODE: What's the value of those homes?

MR. WILSON: There is actually a chart. That would have complicated the presentation even further. There is actually a way to break down the number of homes per different values so that there is a bell curve for --

COUNCILMAN GOODE: The question is, for those 67,000 that you cited, do you know the value of those homes?

MR. WILSON: It varies. That's my point. The median value is about 111,000, I believe, but there are about 14,000 that are less than 10,000 and, believe it or not, there are 700 that are worth over a million. So it's not a question of they're all worth the same thing. There's actually a bell curve.

COUNCILMAN GOODE: That's exactly my point. So you don't know the value of the homes of those 67,000 people?

MR. WILSON: No. I can get you that information.

COUNCILMAN GOODE: So you don't know what -- I'm not sure you can get me that information. But you don't know what their current tax bill is?

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MR. WILSON: Individually? No.

COUNCILMAN GOODE: So you don't know what their future tax bill is?

MR. WILSON: Individually? No.

COUNCILMAN GOODE: But your testimony states their tax bill is going to go up.

MR. WILSON: The 67,000 people here who are below $22,000, most of those, I believe that their tax bills are going to go up.

This is not about AVI. Today is about collection.

COUNCILMAN GOODE: The question is, why you -- I understand what the hearing is about because I'm a co-sponsor of the bill. I'm questioning your testimony in the hearing, and if you realize that the testimony might not be accurate, you can just say that, but if you want to state why it's accurate, you can do that as well.

MR. WILSON: Well, I don't agree that it's not accurate.

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Sixty-seven thousand homeowners with income --

COUNCILMAN GOODE: Just explain to me how their tax bill is going to go up.

MR. WILSON: Well, we don't have the AVI numbers yet. So on that bell curve chart, for those homes whose values are currently at $10,000 --

COUNCILMAN GOODE: Are we talking about those homes that are at $10,000 or are we talking about these 67,000 people?

MR. WILSON: That's a portion of the 67,000 is that $10,000 homes.

COUNCILMAN GOODE: So of the 67,000, you don't even know what portion of those people's tax bills will go up, do you?

MR. WILSON: I can give you a fairly good estimate and I could figure that out.

COUNCILMAN GOODE: You can give me an estimate? Go ahead.

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MR. WILSON: The explanation -- I would have to go back to the TRF --

COUNCILMAN GOODE: You can give me an explanation; you can't give me an estimate?

MR. WILSON: Today? No.

COUNCILMAN GOODE: That's enough. You got my point.

MR. WILSON: Could the TRF give you that estimate? Yes, they could.

COUNCILMAN GOODE: I don't necessarily think they could either.

MR. WILSON: I do not agree with you, sir, that it is not possible to say --

COUNCILMAN GOODE: You don't have to agree with me. You have to substantiate your testimony. Okay?

COUNCILMAN GREEN: Thank you. I think the testimony is getting caught up in the AVI overall debate, and many --

MR. WILSON: I would be happy to --

COUNCILMAN GREEN: --

lower-valued homes will receive a tax break and many in that category, as you point out, will receive a large tax increase, and that's true in every home value category.

So Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

First, Mr. Wilson, you explain in answer to Councilman Green that the interest and penalty keeps increasing while you're waiting to try to work out that agreement. I assume also what is the case, that no money is being paid to the City until you wait for that agreement to be finalized; is that right?

MR. WILSON: I would say generally that's true. Some of these folks are currently, while something is pending, are in an agreement. I have one client who, even though he's not again in a written agreement, made a verbal arrangement with the Revenue Department and is paying them $91 a month. That used to be fairly normal. That's getting rarer and rarer.

Yes. I think most of the time these people are not in agreements while the litigation is pending. In the Law Department's defense, I've actually said to them several times, While we're working this out, how about we make some kind of arrangement for a good-faith payment, and Law has said, We're not able to do that, we're not able to arrange that. So they feel the same frustration.

COUNCILMAN GREENLEE: My other question, Mr. Chairman, really is for the Commissioner. I don't know if people want to finish with these or do you want people to keep coming back and forth?

COUNCILMAN GREEN: That's fine. Why don't we go to Councilwoman Reynolds Brown and then we'll have the Commissioner come back.

COUNCILMAN GREENLEE: Okay.

COUNCILWOMAN BROWN: Good afternoon, and thank you for your testimony. You spoke about the hurdles -- and I'm paraphrasing -- that you encountered with Linebarger. So how would you characterize those impediments? Are they there because of the nature of their process, or what?

MS. SELDIN: I think it's a combination of a lot of different factors. I think they're under increasing pressure to perform, and I think -- and rightfully so. Like Monty, I agree that taxes should be paid. I'm a City resident. I want my garbage picked up. I want the snow removed, et cetera. But I think part of it is just a lack of understanding of what needs to be -- our clients need to be done, and I think there's just a basic misunderstanding about whether or not our clients -- what they can't afford to do and what they want to be able to do and the willingness of that tax agent in particular to work with us. I don't think the will is there, to be perfectly honest.

COUNCILWOMAN BROWN: And is that assessment based on the lack of success you've had in helping them understand the very dire circumstance of your constituents or is that based on a sit-down, face-to-face, offline conversation about how they do business, how you do business and what the common goal is for these citizens?

MS. SELDIN: We've had -- I'm sorry, Councilwoman. We've had face-to-face discussions and we're still having a lot of problems.

COUNCILWOMAN BROWN: Okay.

MR. WILSON: Councilwoman, if I could just add one thing to that. I think Linebarger Goggan was quite willing to work with us, and I have to say the guidelines were a major step forward compared to where we were in 2004. I think the problem is that they are just that, guidelines. They're not enforceable, and sometimes it's a matter of almost having to say the magic words before you find out the guidelines can even apply to you.

One of the major reasons we need a bill like this is so that it is legally established that you can get into a low payment plan versus, Oh, the guidelines.

COUNCILWOMAN BROWN: And I would agree with you completely that in any new enterprise, effort, action, that the awareness of it becomes absolutely paramount, and it needs to happen across different sectors and layer it repetitively so that it gets through.

So fundamentally, what one, two or three activities or new actions would you offer, separate from what we would ask of City agencies, but what would you offer in terms of the awareness of this new help on behalf of citizens?

MR. WILSON: You mean in terms of publicizing?

COUNCILWOMAN BROWN: Yes.

MR. WILSON: I think we need a

notice similar to -- some of you may know about the Act 6 or Act 91 notice that typically goes out for private homeowners facing private foreclosures, that not just says you owe, but lays out, here are your options, here are the different things you can do.

I'm still continually surprised when I learn about a new option that's available for taxpayers. I didn't know until last month that there's a constitutional exemption for disabled veterans who are 100 percent disabled. I am not sure everyone in the City knows that.

We need a simple notice that lays out all the options, including some of the newer bills we just passed. I think that same notice needs to have a list of housing counseling agencies and those counselors need to be brought up to speed on all this stuff so that it's not just a question of going to Revenue. The housing counselor helps the person prepare what's needed for Revenue.

COUNCILWOMAN BROWN: Sure.

MR. WILSON: I think it would be a good idea to create an Office of the Taxpayer Advocate so that Revenue has someone whose dedicated purpose is to do taxpayer outreach, especially for seniors and the disabled. And I think we need all this stuff to be on the web somewhere that's clear and conspicuous where taxpayers can find it in one place.

MS. SELDIN: I would also look to the Mortgage Foreclosure Diversion Program. Their outreach efforts were extraordinary.

COUNCILWOMAN BROWN: They were.

MS. SELDIN: And I think that it's a model for what we could do with a new program, a new ordinance and a new program.

COUNCILWOMAN BROWN: What has been your interface with that office?

MS. SELDIN: With which office? I'm sorry.

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MR. WILSON: The Diversion Program?

COUNCILWOMAN BROWN: Thank you very much.

MS. SELDIN: Well, we have volunteers who are in court every Thursday at the Diversion Program in Room 676, and we're very actively engaged in providing resources to homeowners who are facing foreclosure to try and prevent them from -- to try and help them save their homes. So we work very closely with Judge Rizzo and the rest of the courts to make that happen.

COUNCILWOMAN BROWN: One reappearing feature about all of this is that there is no glue or string that ties all of these worlds together to better assist taxpayers, and this may indeed be an opportunity where departments and government, with CLS, with housing counseling agencies together collectively think through an action plan that looks at the publication of this, because you're right, when it comes to Act 91, it's real clear what that is and what to do. So this does indeed present -- that's the silver lining I think in this circumstance.

MR. WILSON: We also have a hotline for private foreclosure cases, the Save Your Home Philly Hotline. Taxpayers should be able to call that hotline and be referred to a counselor.

COUNCILWOMAN BROWN: Sure. Thanks again for your testimony.

Thank you, Mr. Chairman.

COUNCILMAN GREEN: Thank you.

If you would just scoot over, Commissioner Richardson is going to join you and answer a question from Councilman Greenlee.

Mr. Wilson, you can stay right there. This will just be one second.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: Thank you. Good afternoon again. I think the theme that came up in the testimony and also what Councilman Green said is the strength of this bill, main strength of this bill, is the consistency issue, that both Revenue and the co-counsels kind of operating on the same guidelines, and it sounds like from what we heard today and really what we've heard -- I've heard in my office and my guess is that other offices have heard -- that there isn't that sort of consistency. So I guess my question would be, are the co-counsels and the Revenue, do they work basically in the same guidelines or are they supposed to, I guess?

COMMISSIONER RICHARDSON: Well, first of all, your outside collection agencies have guidelines. They probably would be more stricter than our guidelines, because if you haven't paid us over the six months or so and we've submitted you to the counsel, they want the money just as much as we do. Again, our guidelines are posted on the website.

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They are informational for people when they get their real estate bills every year as well. Can you find them? Probably not that well on the website. Again, we are rearranging our website to make it more user-friendly for folks.

But, again, your outside collection agency is your enforcement. They want to get more money and faster. Again, they're getting paid a commission. That's why they're going to be doing things more faster and trying to get the revenue in faster for the City as well.

COUNCILMAN GREENLEE: But are they given guidelines?

COMMISSIONER RICHARDSON: They have their own guidelines, yes.

COUNCILMAN GREENLEE: And are they agreed to with the Law Department?

COMMISSIONER RICHARDSON: We have no problem with their guidelines.

MS. BECKLEY: In fact, Monty helped draft these. When was that? 2004?

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MR. WILSON: That was 2005 or 6.

MS. BECKLEY: 2005 or 6, okay.

And so that was done jointly with the legal services community. And I think there's a consensus that it makes sense to do that for people in less dire financial circumstances at this point. I mean, I think there's never been any hesitation on either Law or Revenue's part to a conversation.

And excuse me. I'm Chief Counsel, Frances Beckley, for the record.

COUNCILMAN GREENLEE: Let me just -- and I don't want to go through every individual problem here, but it just seems like Mr. Morrell was an example. It seemed like -- in Revenue right now, are you supposed to be offered the opportunity of a low-income agreement? Because I know when you come into the budget hearings, you said you work with people, and I have heard that you have, but in his case, it looks like he was told, You pay 50 percent and that's it.

COMMISSIONER RICHARDSON: See, again, if someone was offered to pay 50 percent, they may have broken one or two promises already. So not knowing all the intricacies of his situation, I can't say yay or nay. We don't go off for the very first person saying 50 percent down. We offer everybody 25 percent. That is well documented in our information package and even on the website as well.

COUNCILMAN GREENLEE: But you're also supposed to -- do they ask your income level?

COMMISSIONER RICHARDSON: Yes. We ask for the information. Even for applications for payment agreements, we'll ask for your information, for your income and things.

COUNCILMAN GREENLEE: Okay. All right. Thank you.

COUNCILMAN GREEN: With respect to -- anybody can take this. With respect to means testing, I'd just like to understand, taking a look at the guidelines of the City website, the IFA -- so basically the financial hardship agreements or individual financial hardship agreements -- don't appear to have means testing in them. I'm not sure I understand -- in other words, where someone has said, Well, you have other properties in your name. It's not relevant to us what your income level is. You have to sell your other assets before that.

Obviously that's a very recent controversy at the state level where people are requiring means testing before you can get certain benefits, and I just wonder what you think about the general policy of means testing as you're trying to get people to enter into payment agreements where they're agreeing to pay their taxes over time.

MR. WILSON: Well, first --

COUNCILMAN GREEN: In other

words, where you can't enter into it unless you sell this asset or you do something else.

MR. WILSON: I think, first, I just want to clarify, when you ask about the means testing and the guidelines, those are the guidelines for payment plans for Linebarger and GRB. They're not applied to Revenue. That's the ones that you're asking about, right?

COUNCILMAN GREEN: Right.

MR. WILSON: As to the means testing, I mean, I think one of the issues that will be crucial for this bill is a careful, thoughtful process of what do we mean if we're going to have some kind of income-based payment plan or means testing. Will it be --

COUNCILMAN GREEN: Well, the bill has no means testing.

MR. WILSON: Well, if you mean by means testing an asset-based test, it does not, and I would tend to agree that there is for your primary residence -- we might want to adopt other policies for other residences, but for your primary residence, you should be able, as long as you can pay whatever it is determined in the legislation is the affordable amount, you should be able to retain your primary home regardless of your other assets.

COUNCILMAN GREEN: And regardless of what the home is worth compared to what you may owe on a mortgage or something else.

MR. WILSON: Mm-hmm. I mean, with means testing, you may phase it out depending on the amount of income.

COUNCILMAN GREEN: Right. So in Mr. Morrell's case, if this bill were to pass, what would you be able to do for Mr. Morrell?

MR. WILSON: If the bill were to pass -- I don't recall the percentages in the bill.

COUNCILMAN GREEN: If he is within 30 percent of the median income, he would pay 5 percent. If he's within

30 to 50 percent, he would have to pay 8 percent of his monthly income. And obviously there's no limit on the ability to enter into an agreement paying more if you want to pay it down quicker, but we did set a reasonable floor based on what people need to eat and live.

MR. WILSON: Right. My experience with the Linebarger guidelines would be that someone like Mr. Morrell with five children would pay 10 percent of his monthly income towards the delinquency. So under these -- I believe under this ordinance, he would actually pay 8 percent. So that 8 percent would go towards the delinquency. His other obligation would be to remain current on his current year's taxes at the same time. There's not an idea here that you are paying the delinquency and then digging yourself back in the hole next year. You have to maintain your current taxes also. So that combined total tax bill, he could manage that on the $200,

$300 a month that he's talking about.

COUNCILMAN GREEN: And under this bill, the penalties and interest, past penalties and interest, would be waived if he maintained that payment agreement. What is the case today?

MR. WILSON: Today when you -- it varies. In the judgments that I have agreed to, the person has continued to accrue penalties -- sorry; continued to accrue interest. The penalties have not accrued once judge is entered. And as for someone who is in a regular payment plan, those penalties and interest continue to accrue and there is no prospect of conditional forgiveness or some kind of if you pay 100 percent of the principal and 50 percent of the interest, we will suspend or forgive the rest upon completion of what you need to do. That simply isn't possible. So what we see a lot of is senior citizens in particular on fixed incomes.

Basically a lot of the City's

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default policy has been, Well, if we get you into a $50 a month payment plan for the rest of your life until you die, we'll call it a day and foreclose on the property at the end. I mean, there's no way a senior citizen is going to get out from under on $25 a month when they can pay their current taxes but they've got a $5,000 delinquency.

COUNCILMAN GREEN: And that's because penalties and interest continue to accrue and build and build and build.

MR. WILSON: It's a perpetual debt trap.

COUNCILWOMAN BROWN: Point of information, Mr. Chairman.

COUNCILMAN GREEN: Councilwoman Brown.

COUNCILWOMAN BROWN: Are you saying that that is a current practice?

MR. WILSON: It varies.

COUNCILWOMAN BROWN: Is that an option that is given to seniors?

MR. WILSON: It's not

exclusively seniors. The idea is that if you can get into a -- the idea is that you can get into a $25 a month payment plan. Well, if I'm a senior on a $25 a month payment plan, I still have to maintain my current taxes. That's non-negotiable, but if I'm paying $25 a month, then at the end of the year I have paid, let's see, $300. That may pay the principal, but interest and penalties on that year have continued to accrue. So at the end of the year, I haven't paid off the year. The following year, I haven't paid it off again. Five years later, I still have penalties and interest that are building up. I'm not going to get out of debt.

COUNCILWOMAN BROWN: Thank you, Mr. Chairman.

COUNCILMAN GREEN: Thank you.

Any further questions?

(No response.)

COUNCILMAN GREEN: There being none, we will move on to Bill -- thank

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you, everyone, for your testimony. Thank you, Ms. Richardson, Mr. Morrell. We very much appreciate you coming in.

We're going to hold this bill to the call of the Chair, work over the summer with advocates to try to make sure we have the appropriate thresholds for repayment, try to address any concerns the Revenue Department has, and then we will be moving a bill in September prior to the time the new tax bills will go out, as people will want to have the opportunity to enter into agreements with respect to their back taxes, I imagine, as they see their new tax bills arrive.

Thank you very much, everybody, for your testimony.

MR. WILSON: Thank you.

COUNCILMAN GREEN: The next bill is Bill No. 120176, and testifying will be Nancy Winkler and Mark Gale.

(Witnesses approached witness table.)

COUNCILMAN GREEN: Please state

your name and proceed with your testimony.

MR. WINKLER: Great. Thank you. Good afternoon, Councilman Green and members of the Committee on Finance. I am Nancy Winkler. I'm the City Treasurer for the City of Philadelphia. With me today are Mark Gale, Chief Executive Officer of the Philadelphia International Airport, and Chellie Cameron, Deputy Director of Aviation, Finance and Administration. We are all here today to testify on behalf of Bill No. 120176.

Bill No. 120176 would provide authorization to issue airport revenue bonds or notes (the "Notes") in an aggregate principal amount of up to $350 million, exclusive of costs of issuance and certain other items.

Proceeds from the sale of the bonds shall be used for authorized capital projects for the airport system, as well as to pay for costs of issuance

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and capitalized interest on the notes.

The Twelfth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance provides authorization to issue airport revenue notes up to an aggregate principal amount of $350 million, not including cost of issuance.

The planned issuance of commercial paper notes allows the Airport and the City to realize substantial cost savings on debt service for capital expenses during the initial construction period for the Airport's Capacity Enhancement Program versus traditional fixed-rate financings by issuing lost-cost, short-term commercial paper. A commercial paper program will also reduce the cost of capital over the coming months by allowing the Airport to ramp up its borrowing as invoices need to be paid.

We have presented two amendments to the bill consisting of the following:

Number one, the bill's language has been clarified to confirm our original intent that only the initial 350 million of projects, which I understand have already been approved by City Council, may be funded with the bonds. Any use of the existing program for additional capital needs will require subsequent Council approval.

The second amendment provides for provision authorizing -- providing -- removing the provision that authorized the refunding of the notes. The City will need to return to City Council to obtain approval to issue permanent long-term bonds to fund the retirement of these notes.

These amendments have been discussed with the City Council President, and we are comfortable with their form and intent.

The purpose of the ordinance is consistent with our policy, because it will result in low-cost borrowing for the Airport's near-term capital needs. The City's debt policy lists commercial paper as an acceptable type of short-term debt, and the CP has maturities of up to 270 days. It's commonly used to finance capital project construction. It can be issued incrementally as funds are needed and then refunded with a long-term financing once the project is completed to take advantage of short-term rates.

Thank you very much for the opportunity to present this ordinance today. I'm happy to answer any questions you may have at this time. I could answer questions now or turn it over to Mark, as you choose.

COUNCILMAN GREEN: Mr. Gale, if you would not mind or feel free to please summarize your testimony, basically say whether you're in favor of it or not, and the balance of your testimony will be submitted for the record.

MR. GALE: Will certainly do,

Mr. Chairman.

I would just say first, good afternoon, Chairman Green and members of the Committee on Finance. I'm very pleased to be here today with both the City Treasurer as well as my Deputy Director. And to summarize, yes, the Airport wholeheartedly supports the commercial paper program and what we believe it will do for the Airport moving forward.

If you have any questions regarding my testimony. Otherwise, I'll commit it and submit it for the record.

COUNCILMAN GREEN: Thank you.

Are there any questions for any of these witnesses?

(No response.)

COUNCILMAN GREEN: Seeing none, we will --

COUNCILWOMAN BROWN: One second, Mr. Chairman. I was just conferring with Councilman Goode.

(Brief pause.)

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COUNCILWOMAN BROWN: All right, then. Thank you, Mr. Chairman.

COUNCILMAN GREEN: Are there any questions on behalf of anyone on the Committee?

(No response.)

COUNCILMAN GREEN: Seeing none, we will adjourn the hearing on Bill No. 120176 and move into a meeting on Bill 120176.

Will Councilman Greenlee please offer the amendment.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman. I move the adoption of the amendments to Bill No. 120176.

(Duly seconded.)

COUNCILMAN GREEN: Having been properly moved and seconded, all in favor?

(Aye.)

COUNCILMAN GREEN: Any opposed?

(No response.)

COUNCILMAN GREEN: There are no opposed.

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Councilman Greenlee, please move the bill, with a suspension of the rules.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman. I move that Bill No. 120176, as amended, be reported out of this Committee with a favorable recommendation and move further that the rules of Council be suspended to allow for first reading at our next session of Council.

(Duly seconded.)

COUNCILMAN GREEN: It's been moved and seconded that we move Bill 120176 out of this Committee with a favorable recommendation and with a suspension of the rules.

All in favor?

(Aye.)

COUNCILMAN GREEN: Any opposed?

(No response.)

COUNCILMAN GREEN: The ayes have it, and this hearing is -- this meeting is adjourned.

Thank you.

MR. GALE: Thank you.

MS. WINKLER: Thank you very much.

(Committee on Finance concluded at 3:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on June 4, 2012, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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