COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, November 12, 2014
10:20 a.m.

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN MARK SQUILLA

BILLS 140209, 140638, and 140717
RESOLUTION 140500

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COUNCILWOMAN TASCO: Good morning. The Council's Committee on Finance will come to order, and we will note that Bill No. 140209 will be held. We will not be hearing that bill today. We will hear Bills No. 140638 and 140717 and Resolution 140500.

We are going to do the bills first, go into a public meeting, vote them out, and then come back for the resolution hearing on the tax collection. That will take about two minutes.

So now would we have the Clerk read the bill numbers that are to have our hearing now.

THE CLERK: Bill No. 140638, an ordinance amending Chapter 19-3900 of The Philadelphia Code, entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties," by amending the eligibility requirements to make eligible properties owned by certain individuals who received assistance in the acquisition of the property as part of a government or non-profit housing program, all under certain terms and conditions.

Bill No. 140717, an ordinance amending Chapter 19-3900 of The Philadelphia Code, entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties," by specifying certain circumstances sufficient to demonstrate equitable ownership of a property under the Longtime Owner Occupants Program, under certain terms and conditions.

Resolution No. 140500, resolution authorizing the Committee on Finance to conduct hearings concerning the collection of delinquent taxes owed to the City of Philadelphia and the use of third-party collection agencies.

COUNCILWOMAN TASCO: Thank you very much.

We will now call on those witnesses who are here to discuss Bill Nos. 140638 and 140717.

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(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good morning.

COMMISSIONER TOLSON: Good morning, Councilwoman.

COUNCILWOMAN TASCO: Would you state your name for the record and proceed with your testimony.

COMMISSIONER TOLSON: Good morning, Chairwoman Tasco and members of the Committee on Finance. My name is Clarena Tolson. I'm the Revenue Commissioner and the Chief Collections Officer for the City of Philadelphia. I'm here today to testify on Bill No. 717 introduced by Councilman Johnson.

Bill No. 140717 amends Chapter 19-3900 of The Philadelphia Code, entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties," which authorized the LOOP Real Estate Tax discount by expanding the definition of eligible owners to include owners of record who, despite not being the owner of record the entire ten-year period required to categorize them as a longtime owner, were family members of the owner of record, resided in the property for that entire time, and were responsible for utility, tax, and maintenance bills for the entire ten-year period.

We understand that the Councilman will be presenting amendments to the Committee that clarify how eligibility will be determined. With these changes, the Administration supports Bill No. 140717.

Thank you for the opportunity to testify today. I'm here to answer any questions that you may have.

COUNCILWOMAN TASCO: Why don't we discuss this first before we go to the next one.

Are there any questions on this?

The Chair recognizes Councilman

Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good morning. I thank the Administration for supporting this bill, and I want to recognize Councilman Johnson's efforts on this. I've had some experience with this myself in my neighborhood where people have lived in the house for a long time, maybe the parent died sometime a year or two ago, but they have been the one paying the bills for a long time. The property may not be in their name, but they really are, in the realistic sense, the owners.

So I think this is an important bill. I think it will help a lot of people particularly in the gentrifying area, because there's still a lot of people in those areas that are not high income, have not bought a property for four or five hundred thousand dollars and maybe lived in the property their whole life, although they may not have been the owner of record for those ten years.

So I think this is certainly a good bill, and I commend Councilman Johnson for his leadership in this.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Madam Chair.

Is this going to work similar? I know like we did with the homestead when you had the tangled title situation where people lived in the houses, yet their parents' or grandparents' name were still on them. So, I mean, it sort of makes sense that if we have proof that they are paying the bills and everything along the way, that we do this.

If we prove that there's a tangled title or a title that hasn't been transferred properly for some sort, would that give us the leeway in order to approve a LOOP applicant?

COMMISSIONER TOLSON: In order to prove a LOOP applicant?

COUNCILMAN SQUILLA: To approve.

COMMISSIONER TOLSON: Councilman, just give me one second. I don't want to say the wrong thing on record.

COUNCILMAN SQUILLA: No problem. I'm not tricking anybody.

COMMISSIONER TOLSON: Councilman, we certainly can work on the tangled title issue for the homestead, and we have been.

COUNCILWOMAN TASCO: Could you speak up, please. We can't hear you.

COMMISSIONER TOLSON: We have been working on the tangled title issue for homestead and making allowances for people in that situation.

COUNCILWOMAN TASCO: Is the mic on?

Speak into the mic. We can't hear you.

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COMMISSIONER TOLSON: Just in case one is not working.

We have been making allowances for tangled titles with regard to the homestead program, and now we'll be more clear for the LOOP program as well as a result of this ordinance. So for homestead, we have been working with that.

COUNCILMAN SQUILLA: Right. I know. You have been. You've been great in helping a lot of residents that way because of the issue. So it's almost parlaying that onto the LOOP application; therefore, allowing them to be eligible for the LOOP when we had that same situation.

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: Thank you. Thank you so much.

COMMISSIONER TOLSON: Thank you.

COUNCILWOMAN TASCO: Councilwoman Brown.

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COUNCILWOMAN BROWN: Yes. Good morning. I too want to go on the record to acknowledge Councilman Kenyatta Johnson's acknowledgment of this flaw in the system, some might call it, and the remedy to reconcile in a way to protect citizens who want to continue to do the right thing while they protect their families.

So we have a sense of who the winners are, who might be potential losers in this initiative, if any?

COMMISSIONER TOLSON: Saving for -- assuming that there's nothing that is unscrupulous that's being done, I'm not sure that there's a potential loser. It does protect the asset. It gives a benefit to the asset. It doesn't necessarily change the title to the property. So if there was some family dispute, it does not reconcile that issue.

COUNCILWOMAN BROWN: Repeat your last statement.

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COMMISSIONER TOLSON: It does not reconcile any ownership issues. So if there's any conflict in the family or confusion, that remains. This only deals with addressing the LOOP benefit.

COUNCILWOMAN BROWN: Okay. Let me reflect on a part of your answer and circle back.

Thank you, Madam Chairwoman.

COMMISSIONER TOLSON: Thank you.

COUNCILWOMAN TASCO: Before we go to the next question, let me establish that we do have a quorum in the presence of Councilman Henon, Councilwoman Brown, Councilwoman Blackwell, Councilman Greenlee, Councilman Kenyatta Johnson, Councilman Goode, and Councilman Squilla.

All right. Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Madam Chair.

The LOOP applicants that we have, we had a lot of budget for gentrification. What was that total amount that was allotted? Do we have that?

COMMISSIONER TOLSON: Twenty million dollars.

COUNCILMAN SQUILLA: Twenty million. When the applicants were completed, what was the final total of applicants that was received?

COMMISSIONER TOLSON: The benefit so far is $16 million.

COUNCILMAN SQUILLA: Sixteen million?

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: So even with the extension of these additional people, we still have money that we would not go over the budget?

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Johnson.

COUNCILMAN JOHNSON: No questions.

COUNCILWOMAN TASCO: Thank you

very much. We're now prepared to hear your testimony regarding Bill 140638.

COMMISSIONER TOLSON: Good morning again. My name is Clarena Tolson, the Revenue Commissioner and Chief Collections Officer for the City of Philadelphia. I'm here today to testify on Bill No. 140638 introduced by Councilman Johnson.

This bill amends Chapter 19-3900 of The Philadelphia Code, entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties." Currently the LOOP program is not open to properties that have benefited from the City's ten-year tax abatement, which exempts new construction and improvements from taxation for ten years. Bill 140638 would allow many abated properties to receive the LOOP discount if acquired with government or non-profit assistance.

At present, the Administration cannot support Bill No. 140638, as it is not consistent with the original purpose of LOOP to provide relief to longtime owners who face increased property values and had not already been benefited from government subsidy for their property, such as the ten-year tax abatement. Additionally, there are programs already in place that keep annual tax payments affordable for those whose property values have increased.

We share the concern of Councilman Johnson and the co-sponsors about homeowners whose deeds restrict them from accessing the increase in equity of their homes and face increases in their tax burden due to the growth in their home value. We understand that while these homeowners will eventually see tremendous growth in their personal assets, right now they cannot, and we acknowledge that there is an imperative that we keep homeowners in their home.

To that end, we are committed to working with you to ensure that eligible constituents in that position can participate in the deferral program, which allows homeowners to delay payment until they can access their resources. In this program, homeowners with real estate tax increases due to a 15 percent or more increase in market value may defer the increase until the property is sold, paying off those amounts once the value in the property is available to them. This program allows participants to stay in their home with the same annual tax payment and repay the amount down the road when they receive the benefit of the appreciation in their home. We appreciate Council's continued support and outreach for the array of programs offered to help homeowners with their real estate tax bills.

We believe that limiting LOOP to properties that have not received the abatement remains appropriate and consistent with the original intention of this program. Allowing owners that have already benefited from the abatement to also benefit from LOOP shifts the tax burden to homeowners who have not received a tax abatement and reduces the funds available for schools and City services. On the other hand, the deferral program strikes the right balance, we believe, in at least three ways. First, where homeowners need to, they can keep their old lower tax bill until they sell. Secondly, City services and the School District do not suffer lost revenues. And, finally, it does not create pressure for other taxpayers to pay more.

Thank you again for the opportunity to testify today.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good morning again.

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Commissioner, in your testimony you say there are -- the idea was to not have people benefit from government subsidy for their property such as the ten-year tax abatement, but there are other government subsidies that are much smaller, correct?

COMMISSIONER TOLSON: That's correct.

COUNCILMAN GREENLEE: And I think -- I don't want to speak for Councilman Johnson, but I think that's what we're talking about here. So, I mean, would the Administration be open to having some kind of limit on the amount of government subsidy? I mean, a ten-year tax abatement, obviously you're talking about a large amount of money, but with some of these other programs, you could be talking a small amount and that person could still be a fairly low-income homeowner, and I think --

COUNCILMAN JOHNSON: With a deed restriction.

COUNCILMAN GREENLEE: Yeah, with a deed restriction, so they couldn't even sell the property.

COMMISSIONER TOLSON: We certainly will work with the Councilman and any others who would be interested in developing an amendment to that. We would be interested, yes.

COUNCILMAN GREENLEE: So you're open to some modification?

COMMISSIONER TOLSON: Absolutely.

COUNCILMAN GREENLEE: All right.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning, Commissioner.

COMMISSIONER TOLSON: Good morning.

COUNCILMAN GOODE: Just a matter for the record in terms of trying to distinguish between the two programs. Although we're here to talk about one program, which is the LOOP program, which is for longtime owner-occupied residents, the other program actually does not go to the occupant. Technically it goes to the property. So do you see the need for a distinction between an incentive that goes toward the property and one that goes to the actual occupant?

In other words, I believe the legislative intent of the LOOP program is to focus on the occupant and the fact that the occupant is a longtime owner. And so essentially because the other incentive is attached to a property, someone may actually become an occupant of that property nine years into an abatement. A developer could hold the abatement for years, then sell it to someone. That person could hold the property for nine years and then sell it to someone else, and someone could receive literally less than a year of an abatement, a month of an abatement, because it's actually attached to the property as opposed to being focused on the owner.

COMMISSIONER TOLSON: I agree with you, Councilman. I think that that's why we're open to the dialogue about putting a cap on the value. The LOOP program addressing people who have been longtime owner-occupants of a property being eligible for this as a kind of reflective assistance to the ten-year tax abatement, I believe that's how it came into place. So to instead unravel it a little bit to then allow those who have received abatements at any level could be problematic, which is why we're very open to what you're saying.

COUNCILMAN GOODE: But the question is, so the assumption -- there is not an assumption in your testimony that someone received a ten-year abatement or a nine-year abatement or an eight-year abatement. Someone could have in fact received only a one-year abatement.

COMMISSIONER TOLSON: That's correct.

COUNCILMAN GOODE: So is it fair that they would not be entitled to the LOOP program if they only received a one-year abatement?

COMMISSIONER TOLSON: That's correct. And as written, they would be allowed. So I think that we are open to the dialogue about creating maybe a cap on what type of abatement or how much of an abatement was received.

COUNCILMAN GOODE: And just lastly just to round this out, but the Administration is still in support of the ten-year abatement itself?

COMMISSIONER TOLSON: I believe that we have not come to testify on that piece of legislation. That is already in existence. It has been in practice now for two years.

Did you say the LOOP program or

did you say the ten-year tax abatement?

COUNCILMAN GOODE: The ten-year tax abatement.

COMMISSIONER TOLSON: The abatement. It's been in place now for over ten years.

COUNCILMAN GOODE: And that takes money from City services and schools as well; does it not?

COMMISSIONER TOLSON: I think at any point that you have any type of program that provides a benefit to some versus others, there is a cost to it, yes.

COUNCILMAN GOODE: Okay. But we have decided I think in the original legislative intent that we want to create incentives specifically for longtime owner-occupants.

COMMISSIONER TOLSON: Yes. That was the decision ten years ago, yes.

COUNCILMAN GOODE: And we decided that was appropriate. So I think that was the original legislative intent to deal with people who have made a long-term investment.

COMMISSIONER TOLSON: Correct, with the LOOP program.

COUNCILMAN GOODE: As opposed to dealing with incentives that were attached to properties.

COMMISSIONER TOLSON: I'm sorry. I couldn't hear you.

COUNCILMAN GOODE: As opposed to dealing with incentives that were simply attached to properties. We were trying to benefit long-term owner occupants. That was the original intent.

COMMISSIONER TOLSON: That's correct.

COUNCILMAN GOODE: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Kenyatta Johnson.

COUNCILMAN JOHNSON: How you doing, Ms. Tolson?

COMMISSIONER TOLSON: Good morning.

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COUNCILMAN JOHNSON: I just wanted to clarify just one aspect, that separate from -- and I know the legislative intent for the LOOP program and how we don't want individuals to benefit from the tax relief under tax abatements and the actual LOOP program. What distinguishes this legislation is, again, we're talking about government subsidized housing. So you have a situation where an individual who moves in a home based upon a certain income criteria and the reason why they moved into the home based on the certain income criteria is because they have a certain amount of income that will allow them to move into this home, and when they are faced with a situation where their property value has increased, which we're dealing with now as a result of AVI, taxes have spiked, but they're in a predicament where they can't sell their homes. That deed restriction says you have to stay in this home until whatever certain time limit is up. Are we assuming that once that time limit is up, the same individual who needed assistance in moving into a government subsidized type of housing will have a certain amount of income to begin paying the taxes once that restriction is over?

COMMISSIONER TOLSON: No. We're not assuming their income may change, but what we're also saying is that the property can be sold at great benefit, because in that same situation, you can receive some government assistance to purchase the home.

COUNCILMAN JOHNSON: What if they don't want to move?

COMMISSIONER TOLSON: Even if they want to stay, that's --

COUNCILMAN JOHNSON: I want to stay in my neighborhood that's totally developing around me.

COMMISSIONER TOLSON: That's why the deferment program is also in place.

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COUNCILMAN JOHNSON: So --

COMMISSIONER TOLSON: But that's why I suggest to you that placing a cap on the value of the abatement could address some of that.

COUNCILMAN JOHNSON: Okay.

COMMISSIONER TOLSON: I just think we have to find a middle ground. We're more than willing to work with you on it. We understand completely where you're coming from and what you're trying to protect.

COUNCILMAN JOHNSON: A typical individual -- and I don't want to say typical, but if you're not in a government subsidized home and you just purchased a market-rate house with no deed restriction, you have that option to say, You know what, I'm going to cash out tomorrow, I'm going to call one of my good development friends, maybe Allan Domb can come and purchase my home and then go ahead -- well, it's not a condo, but maybe I decide to move on. We're talking about individuals that I deal with on a regular basis that are part of my constituents that I represent that are saying, Look, we're stuck in the middle. And I don't think when this legislation was put together, I don't think that was -- it wasn't under your watch, but I don't think it was taken into consideration that these type individuals would be impacted. But we are willing to take a look at how do we work in the future.

COMMISSIONER TOLSON: We share your concern. Surely we do.

COUNCILWOMAN TASCO: The concern I have is that they've been there, one of these homeowners who got a government subsidy, and had their tax abatement because of the income level. Then because of the gentrification of the neighborhood, the house really increases in value, greater value, and then the tax, what they have to pay, is increased. And if they couldn't afford the tax that was there before they moved in, how are they going to afford taxes on a house that becomes maybe two or three hundred thousand dollars? So you have to think about that.

COMMISSIONER TOLSON: Yes. Yes indeed.

COUNCILWOMAN TASCO: I don't have that problem in my neighborhood, but I certainly understand it.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: Okay. We have some other witnesses.

Young lady, do you have any comments?

UNIDENTIFIED SPEAKER: No.

COUNCILWOMAN TASCO: Okay. Let's go to our other witnesses. The Chair calls Linda Evans, Elena Cooley.

Let me recognize Councilman O'Brien has joined us.

(Witness approached witness table.)

COUNCILWOMAN TASCO: You are Ms. Elena --

MS. COOLEY: I'm Elena Cooley. Good day, everybody.

COUNCILWOMAN TASCO: Good morning.

MS. COOLEY: Good morning. Shall I start?

COUNCILWOMAN TASCO: Sure. Go ahead.

MS. COOLEY: The home I am currently in now is a house that my mother grew up in. My grandparents bought the house back in the '40s. Not only have I had to put a lot of money into fixing up the house -- I mean, it's one thing after another, the roof, the termites, different things like that. Several years ago my mother took ill. So right now we're still trying to get -- the house is an estate property. So we're still trying to get everything legally in my name, because my mother no longer wants it. She lives with my father, but when she got sick, she moved in with me, and it was really, really a hardship just trying to pay the bills, in which we had been paying the taxes. We've been paying the bills.

Currently I have not applied for any of the programs because the year that my mother got sick, two years ago I was running around trying to get things together with her. Now, the situation I'm in now, my taxes have went from $500-and-some dollars to over $2,000. Again, not only am I --

COUNCILWOMAN TASCO: An increase of 2,000? Five hundred plus 2,000?

MS. COOLEY: It's gone up a lot. You know, like last year the house was maybe 500-and-some dollars taxes that I paid, the year before last, but now they're over 2,000 and I have not been able to pay them. And it's really a shame, because, first of all, it's important to keep the home up as far as the roof not falling down, water in the basement. It's all kinds of situations that you deal with when you have an older house.

I am one of the people that have been on the block as far as a family home for a long, long time. A lot of people on my block have been forced to move because of various situations not being able to, you know, keep up with things. I am doing my best, and it's really important that not only that I get the house in my name because I'm dealing with the estate thing, you have to have fees to get that right, but knowing that I have this hardship trying to keep the taxes paid, it's really rough, and I would appreciate if all of you would consider that.

I love where I live. I'm a part of the community. I'm active in the community, and I think it's very unfair for a lot of people to be forced out because of, you know, the tax issues.

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COUNCILWOMAN TASCO: Thank you very much.

Any questions or comments of this witness?

(No response.)

COUNCILWOMAN TASCO: Thank you very much for taking time to come down to testify. We appreciate it very much.

MS. COOLEY: You're welcome. It was important.

COUNCILWOMAN TASCO: Ms. Shibomba.

MS. SHIKOMBA: Shikomba.

COUNCILWOMAN TASCO: Forgive me.

MS. SHIKOMBA: That's okay.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Go ahead.

MS. SHIKOMBA: My name is Madeline Shikomba. I represent the North of Washington Avenue Coalition. We are a community group.

I'm here to speak on Bill No.

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140717 introduced by Councilman Johnson, which will allow certain homeowners with tangled title issues to enroll in the LOOP program. Many of these individuals otherwise qualify for the LOOP program, but the deed of their home is still in their parents' or grandparents' name. Passage of this bill will allow these individuals to establish ownership by providing proof that he or she has paid the utility bills, taxes, and repairs for the last ten years.

Many people have lived in these homes for years, taking care of loved ones, parents and/or grandparents. When that person passed away, they remained in the home. They did not change the name of the deed. I doubt if it occurred to them that it was necessary. They continued to pay their real estate taxes, utility bills, and the water and maintain that home. The sudden increase in real estate taxes has left them very vulnerable.

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For example, taking myself, in 2013 my taxes [sic] were $31,200. In 2014 it jumped to $316,000. My house was assessed higher than a brand new house on the same block down the street that was built from the ground up, which was assessed at $314,200. Now you tell me how my house still standing is worth more than the house that's newly built. I don't know.

This is clearly an attempt to me to gentrify me out of my home. The LOOP program has temporarily forestalled this. I am a senior citizen on a fixed income. The implementation of the LOOP established me to remain in my home, allowing me only pay taxes on -- instead of 31,000, gracious city, 93,600 for the next ten years. This still is expensive to me.

When I bought my home, I did not buy it as an investment to sell later at a profit. I bought it as the place where I planned to live and die and pass it on to the next generation. This is what these tangled deeds are about. These are properties that have been passed on to the next generation.

I'm going to divert for a few minutes, because I just heard recently that Mayor Nutter is opposing this. When AVI came through and before LOOP was passed, he expressed no sympathy for the thousands of people who would lose their homes because of AVI. He alluded to the fact that they were sitting on a, quote, gold mine, that if they couldn't pay the taxes, sell it. How insensitive can you get? In my view, Marie Antoinette who told the starving French people who didn't have bread, let them eat cake.

He's more interested in giveaways like the ten-year tax abatement in which people pay no taxes on the building for ten years than helping longtime owner-occupied owners stay in the City and hold on to their properties. These are the people that have been paying their taxes. They paid taxes on the property. If the taxes that have been kept -- it is these taxes that have kept the City alive. They do not receive ten-year tax abatements like the newbies who come into the City and other areas and buy $300,000, $500,000, even half million, million dollar homes and pay no taxes on the buildings for ten years. They are not paying -- these newbies are not paying their fair share to the City services that they reap.

Give us, give us breathing room like you're giving them.

Currently there's money available, I understand, in the LOOP program which will enable people with tangled deeds to participate in this program without difficulty. District 1 and 2 and I believe District 5 were the hardest hit by AVI when it was implemented.

The implementation of AVI has caused high concern and much uncertainty among low- and moderate-income families. They can't qualify for LOOP because of deeds that are in their parents' name and that of a deceased grandparent or parent. Let them qualify for LOOP, because this is truly unfair to all of us.

I missed the Revenue report, but I understand, because I read it, that they are crying about a few million dollars that the City would be losing. Look at us. We have paid you billions of dollars in taxes, and you mean to tell me you can't spare us a few million?

So I ask City Council to vote for this bill. Give the seniors, the low- and moderate-income people a chance to partake in this program. This is what the people desire. This is what we desire, and I thank you.

COUNCILWOMAN TASCO: Thank you very much.

Ms. Evans.

MS. EVANS: Good morning. I'm just going to read my letter that I had sent to Councilman Johnson.

I'm writing this letter in support of Bill 140638. Quite frankly, I need real estate tax relief.

Prior to AVI, my real estate taxes were 1,200, and now my real estate taxes are 4,000. I have applied and been denied twice for the Philadelphia Tax LOOP. In 1997, as a first-time home buyer, I bought an affordable house through SOSNA. The housing program was subsidized by RDA and the federal government. I own the property. I've lived there since settlement date August 1998, and praise be to God, to date my real estate taxes have been paid, folks. Okay?

Even though the neighborhood and the community at large has changed as well as drastic economic changes in this country, I still need the assistance of local government to maintain my affordable house.

In 1997, I purchased this house

because I could afford the mortgage, including the taxes. Now, like most Americans, I've had a decrease in income due to a reduction of government funding.

So in closing, I really hope the Finance Committee and all members of City Council will support this bill.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

Any questions of this witness?

(No response.)

COUNCILWOMAN TASCO: Thank you very much for taking time, all of you, to come down for this hearing. Thank you.

MS. SHIKOMBA: I'm sorry. Are you hearing two bills at the same time? Are you hearing on both bills at the same time? I thought we were just on Bill 140 --

COUNCILWOMAN TASCO: We did talk about 140638. You want to talk about that too?

MS. SHIKOMBA: Yeah, just a

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brief statement.

COUNCILWOMAN TASCO: Okay.

MS. SHIKOMBA: As the lady before me alluded to it, these are individuals in affordable housing who should be allowed to enroll in LOOP, even if they received a tax abatement. This was really a subsidy. It wasn't really a tax abatement. It's like a subsidy given to them so that they could afford to live in the houses that they otherwise would not be able to buy. I don't think you should compare that as an abatement comparing that to the ten-year tax abatement that you're giving other people. This is truly unfair to them. Okay? And if you allow them not to participate in the LOOP program, many of them will lose the houses that they fought so strongly and so hard to get.

So I'm asking you to consider them also for participation in the LOOP program. This was not a tax abatement. This was a subsidy. As it is, we are subsidizing ten-year tax abatement people as it is with our taxes, and you mean to tell me you can't afford to allow them to participate in this program? I really find that most difficult to swallow.

Thank you very much.

COUNCILWOMAN TASCO: Thank you. We appreciate your advocacy. Thank you very much.

Next we have Mr. Richard Gliniak and Alan Taylor and Kerreen Franklin.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: And is Ms. Alexia Daniels here? You can come up to this other chair. Well, we'll just wait until -- I called the other lady first, but we'll call you up once the other ones...

All right.

MR. GLINIAK: Would you like the lady to go first?

COUNCILWOMAN TASCO: It's up to

you.

MR. GLINIAK: Yeah.

COUNCILWOMAN TASCO: Thank you.

MS. FRANKLIN: Good morning, Council. My name is Kerreen Franklin and I am a long-term resident of South Philadelphia. I live at 1029 South Bouvier Street, which is a three-generation home. I've been there 30-something years, and the past 18 years I have been financially responsible for the home solely. I'm here in support of Bill 140717 as it relates to equitable ownership.

My taxes last year were $595. This year it's over $2,100. The ten-year tax abatements that are given to new homeowners is causing undue hardship on me and my family.

I have applied for the LOOP three times and have been denied, and it's still in the appeal process. I feel that the point of this legislation was to not cause undue hardship on people who had already lived in the neighborhood, and it has affected not only me but people that I have looked up to growing up in my community who had to leave their homes due to financial hardship.

This gentrification is not nothing new, as we know, but it continues to affect primarily minorities and low income, which I am both. So I plead and I beg you to not only consider but to support the bill that Councilman Kenyatta Johnson's office has presented to you.

Thank you.

COUNCILWOMAN TASCO: Thank you. Thank you for coming down to testify. We appreciate your testimony.

Mr. Gliniak -- all right. Go ahead, sir, Mr. Taylor.

MR. TAYLOR: Good morning. My name is Alan Taylor, lifelong resident of South Philadelphia. I'm a veteran in the Marine Corps and I'm a retired Philadelphia Gas Work employee after 30 years. I'm here today on behalf of my neighbors, myself from the 1900 block of Carpenter Street to urge --

COUNCILWOMAN TASCO: Could you speak into the mic, please.

MR. TAYLOR: -- to urge the Philadelphia City Council Finance Committee to support Councilman Johnson's bill.

I, along with my neighbors, purchased our properties through the Philadelphia Housing Development Corporation, which assists low- and moderate-income families, on the 1900 block of Carpenter Street between the years of 2000 and 2003. We moved to Carpenter Street. When we moved there, it was a neighborhood with a notorious reputation with age-old problems of poverty, inferior schools, drugs, and violence. The corner of 20th and Carpenter Street, a half a block away from my residence, fell under Mayor John Street's Safe Streets program, an initiative to curb long histories of crimes in neighborhoods. It was programs like Safe Streets and an intrinsic belief that we could help change our neighborhoods that compelled us to purchase properties in spite of the reputation.

The change of the neighborhood has been slow and at times very difficult. In recent years, we have had two children perish on our block in separate instances of fire.

There has been no shortage of research done and articles written about the impact of gentrification on targeted communities. In an article written by Timothy Williams in a New York Times article, it highlights the efforts of the City of Philadelphia, Boston, New York, Detroit, and other cities across the nation to help citizens threatened by gentrification.

In a one-year span, my property taxes have quadrupled, from 1,200 to $4,300. My neighbors and I would like to stay in our homes, be part of the neighborhood. We're still low-income, moderate-income families. We cannot afford a 400 percent tax increase.

In the same article by Mr. Williams of the New York Times, City Council President Darrell Clarke said that those that toughed it out should be rewarded. My neighbors and I have toughed it out. We need relief from surging property taxes. It is incumbent upon government to first protect its citizens. You can do this by supporting Councilman Johnson's bill.

The other thing I want to say is, I was listening to the lady from the City of Philadelphia, the Administration, and I just wrote a couple of things down that she said. She used the word "balance," "value of the assessment," "pressure on the taxpayer." I have an article here. It's real short. I'd like to read it. It's talking about a family that moved from Villanova into the City of Philadelphia. He's a doctor, a surgeon at the Pennsylvania Hospital, and I'm just going to read this part. It says, The program, which started with residential conversions in 1997 -- and when they're talking about the ten-year tax abatement -- but expanded to new construction in 2000, holds the tax assessment at a property's pre-development level for ten years.

The name of the family was the Bars, and it says, For instance, they paid 1,200 a year on property taxes rather than the 12,000 they would pay without the abatement on their $1.1 million property, 2,600-square-foot, three-bedroom, three-bath condo designed by SHoP Architects of New York City.

One of the words that she said was pressure on taxpayers. So I think you get my point.

Thank you.

COUNCILWOMAN TASCO: Thank you very much. I appreciate your testimony.

I used to live down there at 19th and Montrose. So I know that neighborhood very well, and I believe the program which both of you brought your houses --

MR. TAYLOR: Can I just say one thing, ma'am? We all purchased under PHDC. I think it's five neighbors on our block, and it's called Philadelphia Housing Development Corporation. You're aware of that. And one of the things that I couldn't understand was why it wasn't some kind of communication between the City of Philadelphia and Philadelphia Housing Corporation to say, Hey, you know, you got people that came in the neighborhood, tried to make the neighborhood better, stabilize.

I went to Philadelphia Housing Corporation on several occasions just for a letter supporting these families on my block. I was basically told you're on your own. I'm quoting the lady, Ms. Gaskins, from PHDC. She told me you're on your own. You're going to make a nice profit when you sell.

It's not the reason I bought the house. I mean, when we purchased these houses, we didn't purchase them to sell them and make profits. Like the lady just said, you know, you expect to die in your house. We're all first-time home buyers. I'm just looking for some balance here. That's one of the words she said. And it seems that people -- the Mayor's Administration has no problem giving tax breaks to Comcast, University of Pennsylvania, building $50 million skating rinks, things like that. I mean, we're just poor people that want -- we're not saying we don't want to pay. We just don't want to be killed.

The paper here from the City Administration says that I received a tax abatement for five years. I didn't even receive a ten-year abatement when I bought the --

COUNCILWOMAN TASCO: When you bought the house.

MR. TAYLOR: Yeah. When I bought the property, it was worth 25,000. I paid 37,000 for it, and like I said, it was assessed at 343, I think, .5, 343.5, which is more than new construction on my block.

I'm looking for fairness, and I appreciate you listening to my testimony.

Thank you.

COUNCILWOMAN TASCO: We thank you for coming down, and as we remember, those of us who have been here for a number of years, the program was set up to maintain neighborhoods and help people buy properties where no one was coming in to buy those properties and to rebuild the community, because, like you said, there were problems going on, and you wanted to stay in that neighborhood, and so that was the reason of the program. Once you change Administrations, you get different philosophy. So that's why you have a Councilman that you have to count on to make sure that we justify and right these wrongs.

Thank you.

MR. TAYLOR: Yes.

COUNCILWOMAN TASCO: Gentleman, sir, am I saying your name correctly?

MR. GLINIAK: Gliniak.

COUNCILWOMAN TASCO: Gliniak, I'm sorry.

MR. GLINIAK: I have trouble with it too.

Good morning, Chair Tasco, Vice Chair Blackwell, and members of the Committee of Finance. You have a copy of the letter, but I'll go ahead and --

COUNCILWOMAN TASCO: Speak into the mic.

MR. GLINIAK: Good morning.

COUNCILWOMAN TASCO: Can you pull it over a little more, pull the cord out.

MR. GLINIAK: You have a copy of the letter, but I'm going to go ahead and read it anyway.

I'm a low/moderate-income

homeowner as well on the 1900 block of Carpenter Street on a fixed income living in the Graduate Hospital Southwest Center City area. I'm also a homeowner who was denied LOOP because I got a so-called abatement.

In 2002, I purchased my subsidized affordable home from the Philadelphia Housing Development Corporation, an arm of the Office of Housing and Community Development that Alan just mentioned. This HUD-funded affordable housing program called the Home Start program was for first-time homeowners in the low- to moderate-income categories. Under guidelines set by the City, soft liens were placed on each Home Start home, which prohibits selling, renting or refinancing for 15 years from the date of purchase. My home has this soft lien until January 2017. In this program, my home also received a small property tax reduction, or abatement as it's being called now, by exempting

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$4,744 assessed improvement from my $25,000 market value. The resulting $450 per year property tax reduction helped in maintaining homeownership for these first few years.

Today, however, under the City's new AVI system, my 2014 property taxes have increased from $782 to $4,119, even with the homestead exemption. On my fixed Social Security income, I simply cannot afford this 427 percent increase. And because my property is classified as having received an abatement, I have been denied LOOP. Moreover, and not because I would want to, I am not allowed to sell, rent or refinance for approximately another two and a half years because of the imposed soft lien from this Home Start program.

I ask for your support and passage of Ordinance 140638 extending LOOP to abated low/moderate-income subsidized affordable homes purchased from the City or any other non-profit agency. Passage of this bill would allow me and others to remain in my home where I have lived for the past 12 and a half years without the threat of tax delinquency or foreclosure.

I thank you for the opportunity to speak today. And, again, as, Chair Tasco, you said, this program was created in the Office of Housing and Community Development to stabilize neighborhoods because nobody else at that time -- and no disrespect to the people that have lived there for decades -- to stabilize and also improve the neighborhood. And we did -- yes, we might have taken -- we might have the benefit of one day selling and making money, but that is not why we moved there. We moved there because we needed a home to live in and we believed in the idea of homeownership, and to now say, Okay, well, you did your part, that neighborhood is great now, we're done with you, you'll have to move, I just don't feel that that was the intent when they created HUD and they created the funding for these type of programs. And that's why I ask the Administration to change their mind from opposing this bill to supporting this bill.

Thank you very much for the opportunity to speak.

COUNCILWOMAN TASCO: Thank you very much.

Any questions of these witnesses?

Councilman Greenlee.

COUNCILMAN GREENLEE: Just a very quick comment. I think all the witnesses that have come up have kind of said it well, and I would respectfully ask -- and I understand when Commissioner Tolson came up she said about the ability of the homeowners to sell this and make a profit. As some have said, some can't even do it now, but even if they want to, and I know in area nearby where I live in Francisville, these people don't want to sell. They want to stay where they are.

They put up maybe sometimes with some tough times and now they want to stay where they are, and I think we really have to take the statement that they could make money if they sell out of the whole discussion, because that's not what this is about and it shouldn't be what it's about.

So I appreciate it, and I appreciate everybody's comments on this.

Thank you.

COUNCILWOMAN BLACKWELL: Councilwoman?

COUNCILWOMAN TASCO: Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you. I certainly agree with those comments made. These awful stories are not those we want to hear. Government is supposed to serve, not take away, not hurt people, and we're on the side of the people. And it's really unconscionable that we're going through these times. The economy got worse and then people are somehow supposed to, like Madeline Shikomba said, let them eat cake, the same thought process. But we agree. Thank you all for taking time out of your schedule.

(Thank you.)

COUNCILWOMAN TASCO: Most properties in most neighborhoods increase in value through the years. I moved on Temple Road in 1969, paid $13,000 for my little house. When I sold it, I paid my taxes based on the value that was evaluated there, but when I sold it, I made a profit. So, I mean, that's the nature of the real estate business. So that argument is not necessarily an argument. But I know most people who moved in those properties, as Mr. Gliniak said, bought those properties in neighborhoods that were not stabilized and they were trying to stabilize those properties. And a lot of them I know want to stay in that community and live there and raise their families. So I think their argument is kind of weak.

Thank you. We have a couple more.

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: I'm compelled to add my voice to this dialogue and discussion, because when we think about the minimum most of us want as citizens is the piece of the American dream, and the American dream equals homeownership irrespective of our station in life. So it's troubling for me that we have citizens here who are doing the right thing, who do want to stay, and have to reckon with some of the -- some might them irregularities, other will call them inequities, some might say unfairness that our government, rightly or wrongly, the hurdles that you have to overcome.

But to echo Councilmembers Blackwell and Greenlee, Councilman Kenyatta Johnson is about figuring it out, and the good news is that too many of us on this side of the table get it, understand it, empathize with it from just a humanitarian level and applaud you for showing up and registering what you live and breathe every day. It's our responsibility to figure it out. So know that we are about that.

Thank you very much for your testimony.

(Thank you.)

COUNCILWOMAN TASCO: Thank you.

Alexia Daniels.

Is there anyone else here to testify on this bill? You may come up too.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good morning. Would you please state your name for the record and proceed with your testimony.

MS. DANIELS: Good afternoon. My name is Alexia Daniels.

COUNCILWOMAN TASCO: Speak into

the microphone, please.

MS. DANIELS: Certainly. I purchased my home through the Philadelphia Housing Development Corporation. When I made that decision, it was based on being deemed eligible for the property and based on my income. Over the years -- initially -- I would like to consider my neighbors pioneers of that community, because when we initially purchased our homes, the neighborhood was plagued with violence and abandonment. Over the years, the neighborhood has changed significantly.

My home was vandalized initially as well as I can recall an incident where my family, we had to run from gunshots. Over the years, the neighborhood has significantly changed. And I'm also -- I can say that I was unemployed for two years. I've recently regained employment a little over a year. I'm still recovering from that and now I'm being faced with the obstacle of

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paying property tax which is four times as much. My income remains the same. I'm still low income. I'm a single parent, and I'm also in the process of adopting my nephew.

Now that the community has significantly changed, my children are able -- there's a playground, a workable playground in the neighborhood, a park where my children are able to play during the day, but at night I'm up, unable to sleep, trying to figure out how am I going to be able to pay these property taxes.

Currently I'm in a deficit right now. I received a bill the beginning of the year for the property taxes. I'm in a deficit right now trying to make ends meet to pay the property taxes. I think we all know how the story goes. You don't pay your property taxes, the bank takes over your property. Eventually you are forced out of your home. I don't see any other option. I don't have any family or friends that can help assist me with a property that I purchased based on my qualifications, my hard work. I would hate to see the ending result of me and my children being forced out of our home into a shelter with no other options. I urge City Council today to review this bill and please pass it.

Thank you for your time.

COUNCILWOMAN TASCO: Thank you for your time coming down to testify.

Sir, would you state your name for the record, please.

MR. MAJOR: Yes. My name is Charles Major and I'm a longtime resident of the South Philadelphia neighborhood. I'd just like to make a few points.

I'm here in support of Bill 140717, and I'd like to thank the Councilman, Councilman Kenyatta, my Councilman, for introducing that bill. I just have to say that I am a recipient of the LOOP program, and my property taxes would have went from $800 to $4,400 on a block around the corner from the naval home, which I owned and purchased in 1986 for like $10,000, and my property taxes would have been the highest property taxes around there, although everybody else has improved and built higher and deeper and everything there.

But the reason I'm here is, I've been a committee person for over 12 years in the 30th Ward, 17th Division democratic, and it's always people that's coming up to me that need support. For example, I do do my own investing over the years. I've just been fortunate. But I was at a BRT hearing for a couple properties last week and I've seen in the BRT hearings people -- one lady from 21st and Saint Alban, their family has been there since my family has been on 21st and Catharine, since 1958, and at that hearing, they took this lady apart, trying to lower her assessment, where actually she qualified for LOOP, and the only reason they took her apart and they didn't let her get into the LOOP program is because of a deed that was made out in 1958 and family member after family member after family member, like my property on 21st and Catharine, it was entangled. Family member, 1958, my grandparents bought it, and my mother owned it. We lived in it. We still own it, and the property was just transferred in the last few years, but that property doesn't qualify for LOOP.

But what I'm saying is, I seen that lady. I seen a lady at 23rd and Fitzwater on the corner who was there, and these are young people who don't know which way to go, but they do qualify for the LOOP because the house has never been transferred. They're taking care of the property. They pay the taxes on the property. They can show that they've been maintaining the property for all those years or sometimes in many cases, like my mother on 21st and Catharine, I took care of her and paid the property taxes, although, once again, that property doesn't qualify for LOOP.

So I'm here on the behalf of people like that. And I just want to say one thing, because I was going to call the Councilman. During the recess during the BRT hearing when they go back and to come back with your results, it wasn't a lot of people in the room left, and one of the guys from the AVI who sits down here said something to the other guy in earshot of me that if they can't afford it, they should sell it. They can't afford the taxes, they should sell it. And I said to the guy, because I'm not bashful, Do you see me sitting here? Do you really see me sitting here? I mean, do you really feel that's something to say about people? We are here because we live here. We are not here to sell properties. We're not interested in selling properties. I know I'm not interested in selling my parents' properties, but this is the kind of sensitivity that we get from that and this is the kind of fight that we have to go against. And, once again, Councilman, thank you for introducing the bill.

COUNCILWOMAN TASCO: Thank you very much for your testimony. I appreciate it.

Young lady.

MS. JOHNSON: Thank you. Good afternoon to you all. I just wanted to say a few things. Number one, I purchased --

COUNCILWOMAN TASCO: Tell me who you are first, please.

MS. JOHNSON: I'm so sorry. I forgot. I jumped all over top of that. Laverne Johnson. I live at 22nd and Montrose, been in the neighborhood all of my life, 59 years. I can just go so many directions. I'm just trying to get lined up and get focused.

I purchased my house back in the '90s, extremely proud to have done that on my own and, you know, hard work, that type of thing, low/moderate income, whatever. I just want to say, in all due respect, that the American dream is now becoming an American nightmare. It really, really has. And I'm not saying that with any negativity or whatever, but that's just what it feels like to me when I heard different stories from different people, because I also represent a non-profit organization, PENTA, and we tried to help the neighbors. They came to us. They still coming to us about the hearings, the assessments. They do not understand what in the world has been going on. They're in a whirlwind. They really, really are.

As simple as -- I got on the City website yesterday and they took time word for word and explained what real property meant. That was the first time I really heard that, but it was real property. They explained what that was. But people are confused. They still are.

They don't know what to do. They're scared to death and don't know what to do, and I hear it repeatedly and constantly and over and over.

So I would like just to implore you to look deep in your hearts and support this bill. Help these people. These people need help, including ourself.

I am disabled. I don't look like it, but I am legally disabled and I can't go back to work, so my income is where it is. My taxes has gone from, what, 700-some dollars to $2,300 now. I've never ever, ever had to make an arrangement to pay my taxes, but the way it seems, I might have to be making some arrangements to pay my taxes so that I can keep my house.

So I really implore you just to look deep down in there and understand that our Councilman is trying to bring some help, and we need the rest of you 16 to get on board with him and help him pass this bill. We need it so very much, so very much.

Thank you so much.

COUNCILWOMAN TASCO: Thank you very much.

Any comments or questions?

Councilman Johnson.

COUNCILMAN JOHNSON: I just want to thank all the individuals who came to testify in support of this bill, and I will continue to advocate aggressively to make sure that those who are longtime residents -- and we support development, but at the end of the day, we want to make sure it's not at the expense of individuals who live in the communities all their lives, individuals who have a major stake in the communities that I represent throughout the 2nd Councilmanic District.

What makes this advocacy personal for me is the majority of people who I am helping, the majority of people who I do run into who are having issues are people I grew up with. So it's like life going 360 for me. I'm probably one of the few individuals who grew up in the neighborhood, who became the State Representative of the neighborhood in which I grew up in, who became the Councilperson in the area in which I grew up in. And so a lot of these issues are very personal, because at the end of the day, I know the people are being significantly impacted, and we'll continue to advocate.

I want to ask for my colleagues to be supportive of both bills. On the one that deals with -- and I like Madam Shikomba's terminology, subsidy versus an abatement, because it totally puts the conversation in a totally different context. Not talking about a person with a market-rate home with an abatement. Talking about a subsidized housing program which an individual may not have received a ten-year subsidy, but some in this case received a five-year. And so we will have that further discussion with the Administration, but we're moving forward on both bills today as is.

(Thank you.)

COUNCILWOMAN TASCO: Thank you all very much.

Is there anyone else here to testify on these bills, 140638 and 140717?

(No response.)

COUNCILWOMAN TASCO: There being no further witnesses, we will adjourn the public hearing and go into the public meeting.

The Chair recognizes Councilman Kenyatta Johnson regarding Bill 140638.

COUNCILMAN JOHNSON: Thank you, Madam Chair. I'd like to make a motion that Bill 140638 be moved out of Committee with a favorable recommendation and the rules of Council be suspended so that it will be read at Council's next session.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded that Bill 140638 be moved out of Committee with a favorable recommendation and that the rules of Council be suspended so this bill can be heard at Council's next session.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Is there any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none, this motion is carried.

Now, we have an amendment to Bill 140717. The amendment has been circulated. I call on Councilman Kenyatta Johnson to move the amendment.

COUNCILMAN JOHNSON: I'd like to make a motion that the amendment to Bill 140717 be adopted.

(Duly seconded.)

COUNCILWOMAN TASCO: Thank you.

All in favor of adopting the

amendment will say aye.

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none, the amendment is adopted.

The Chair calls on Councilman Kenyatta Johnson to move Bill 140717, as amended, out of Committee.

COUNCILMAN JOHNSON: I make a motion that Bill 140717, as amended, be moved out of Committee with a favorable recommendation to be read at the next Council session and the rules of Council be suspended.

(Duly seconded.)

COUNCILMAN JOHNSON: All those in favor?

(Aye.)

COUNCILWOMAN TASCO: So be it. Bill 140717, as amended, will be moved out of Council as proposed.

All in favor?

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(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none, the motion is carried.

Okay. Now we're done with that. We'll go back into the public hearing and now we're ready to hear testimony on Resolution 140500. This is a resolution. There will be no vote on this resolution, but is a discussion of a proposal.

So the Committee now calls on Commissioner Clarena Tolson or someone from Revenue.

(Witnesses approached witness table.)

COMMISSIONER TOLSON: I'm sorry, Councilwoman.

COUNCILWOMAN TASCO: Good afternoon.

COMMISSIONER TOLSON: Good afternoon.

COUNCILWOMAN TASCO: Would you state your name for the record, please.

COMMISSIONER TOLSON: Good morning, Chairwoman Tasco and members of the Committee on Finance. My name is Clarena Tolson. I am Chief Collection Officer for the City of Philadelphia. With me is Deputy Commissioner Frank Breslin, the head of our Tax Bureau, and also Mr. Frank Paiva, P-A-I-V-A, who is our chief counsel and head of the Law Bureau.

I am here to testify on Resolution 140500 regarding the collection of delinquent taxes owed to the City of Philadelphia and the use of third-party collection agencies, introduced by Councilman Squilla. We've made tremendous progress in Fiscal 2014 in collecting past due taxes, bringing in more than $100 million in past due real estate taxes, the first time that number has exceeded that level. In Fiscal Year 2014, we collected $909 million for the

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School District, $16 million more than had been budgeted.

We are proud of that progress, having been made possible through legislative changes and budgetary allocations by this body, and we are continuing this momentum to ensure everyone pays their fair share for schools and City services.

The City of Philadelphia collected $4.3 billion in Fiscal Year 2014 in taxes, water and sewer charges and other fees. If we were a private company, this level of revenues would place us on the Fortune 500 list, ranking higher than Sunoco, Yahoo, and Tupperware.

Our employees strive to ensure that everyone pays their fair share. This means collecting from all who owe the City and making sure that those in need of financial assistance are getting it and keeping their bills manageable. We are creating a culture of compliance, sending strong messages that the City of Philadelphia cannot subsidize businesses and individuals at the expense of children and citizens.

We have made tremendous progress, and I will share with you how we've done that, but a significant challenge remains. This problem was not created in a year or even the past decade and cannot be solved overnight, but we are putting into place programs and tools that will change the revenue collections landscape for decades to come.

On behalf of the School District, we collected over $90 million in prior year taxes. This is more than a $25 million increase compared to the previous year. It is also 25 million more than what was collected when the City held a tax amnesty to encourage those that filed and pay to become compliant. With the right tools, staff, partners, and resources we can make a significant impact.

The story is similar with respect to the General Fund with real estate tax delinquent collections increasing from 35 million in Fiscal 2013 to 48 million in 2014 and wage, earnings, and net profits delinquent collections more than doubling the year before.

At the end of September 2014, there was $351 million in delinquent tax principal outstanding. Water customers owed 248 million in water and sewer charges, including interest and penalties and current month billings.

There are three key steps in collecting these delinquent debts. First, we must identify the debtor and make them aware of their obligations to the City and School District. Revenue staff and external partners use data analysis and investigations to find out who has filed their tax but underpaid or never paid at all, as well as uncovering who hasn't registered their business with the City. This year we used state and federal data to identify new school income tax filers and those underpaying their liquor tax. This analysis, coupled with collection activities, resulted in a $10 million increase in school income tax receipts, with delinquent collections jumping from $1.2 million in Fiscal 2013 to $7 million in Fiscal '14. We uncovered 50 accounts that had never registered with the City for liquor tax accounts but should have and 700 liquor taxpayers that had either failed to file or underreported their sales. They have been billed $9 million.

The second step in delinquent collection is to determine the amount due. This may be as easy as comparing what has been paid against the amount billed or reported by the taxpayer or as complex as visiting the taxpayer and reviewing their operation to determine what's due. This year we partnered with outside experts to better understand what parking tax revenues we should expect.

This involved teams in the field capturing parking lot capacity, occupancy, and rates to enable accurate assessments. We found that 90 percent of parking lots are properly registered and reporting their revenue and tax due accurately.

Finally, we must apply tactics that will most efficiently induce payment. Some accounts will pay as soon as they are aware of their debt. Others require more nudging. The goal is to obtain payment as quickly and efficiently as possible. To do this, we allocate debts to different enforcement paths.

Of the tax debts, close to 30 percent do not require enforcement because it is either in payment agreements, in bankruptcy, under appeal or has been established within the last 90 days. Of the remaining debt, we use a combination of internal staff, co-counsel, and outside collection agencies to pursue the delinquencies.

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Tools we use to collect taxes includes our commercial activity license revocation program, which allows us to close businesses that fail to meet their obligations, and the sequestration program where a court-appointed receiver collects rents from tenants and uses the funds to repay tax debts. These two programs, new in 2014, generated more than $30 million in collections. We have also increased the use of the Sheriff Sale process.

Our most recently added tool is the eCollect system for bounced checks. Historically when a person submits a check to the City that is denied for insufficient funds, it was re-presented to the bank without knowing whether the account had funds in it. Now with an outside vendor, checks are re-presented when funds are actually in the account. Although only piloted in the past two weeks, we are already seeing a higher percentage of bounced checks eventually clearing and in a much shorter period of time. This helps the City and taxpayers who will avoid multiple bounced check charges from their bank.

It is because of these new tools and tactics that the City has been able to reduce delinquency. Between the end of 2013 and 2014, tax delinquency declined by 23 million, from 397 million to 374 million. This progress is even more impressive when you account for the open real estate tax balances related to ongoing assessment appeals at that time. Property owners were permitted to pay the prior year's tax until the appeal is settled, and any difference between that amount and the 2014 bill is included in the 2014 ending delinquency figure of $374 million.

To sustain our momentum and build on the successes of Fiscal 2014, the Department of Revenue is making major technology investments to improve our ability to target the right enforcement strategy at the right account. We are in the final contract negotiations for a data warehouse and collections case management system. The data warehouse will contain tax and water debt information as well as other city, state, and federal data sets. It will enable matching and linkages amongst them. This will represent a quantum leap forward in identifying who owes the City and School District money and how best to target them. As we build up a history of debt and payment information, the system will be able to score accounts, predicting the likelihood of payment and the most effective enforcement tool to use.

The case management system will allow tremendously improved tracking of collection efforts on an account-level basis. It will automate certain tasks such as triggering of a letter to a debtor or moving a case to the most appropriate enforcement path.

Not only do we expect these

systems to start producing results as quickly as 90 days after project start, but the $7.5 million cost will only be paid to the vendor if and when collections increase above a certain baseline level.

Even before the data warehouse and case management systems come online, we will be doing more. We will be doing more matches against IRS data to identify non-filer and underreporting taxpayers. We have recently signed on to the Federation of Tax Administrators data exchange agreement, allowing us to access the Revenue Department data of cities and states around the nation, which will improve the efficiency and accuracy of our audits. Last week we began a study with university researchers to determine if different types of messages on delinquent bills lead to different payment patterns. We will also look to prevent delinquency before it happens and help people to get back on track that have fallen behind by increasing participation in our discount and payment plan options for low-income homeowners and water customers. We are working with elected officials, community partners, officers of the court and others to help people access programs to keep their tax and water bills affordable. A cross-departmental team with members of the Department of Revenue, the Office of Property Assessment, the Managing Director's Office, the Mayor's Office, OIT, and the Office of Community Empowerment and Opportunity applied for and was selected from a pool of competitor cities for technical assistance and support from the Living Cities grant to increasing enrollment in assistance programs.

With the right people, technology, and partners, the Department of Revenue will be able to continue to reduce all outstanding debts owed to the City and School District and ensure that everyone pays their fair share in the future. The Department of Revenue and everyone that relies upon City services and the School District appreciates Council's attention and support to these collection efforts.

I'd like to share with Council a few maps that may be helpful and a chart. Actually, we'll hold the maps right now. We'll share a few charts, if you would, Mr. Sergeant-At-Arms.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Do you want to explain these charts?

COMMISSIONER TOLSON: Yes. Yes. I'll just take one moment to do that. I know I went quickly through the testimony, but I just want to share some data that I think could be helpful. This gives a quick summary, in a sense, of what was presented.

On the second page, you'll get a sense from the pie chart at the top of how much money is collected, nearly $4.3 billion in Fiscal '14, and how it is allocated across water services, City services, and the School District. As was mentioned, $909 million was collected for the first time ever for the School District.

You also see from the bottom chart the -- as it says, despite the downturn in the economy in 2009, there's been a significant increase in our collections.

The next page, the chart at the top will show you that for General Fund collections, while we were budgeted at $2.78 billion, collection at $2.82 billion were the actuality for Fiscal '14, as well as giving you a breakout by tax type in the bottom chart.

I think even more interesting is the next page that talks about the School District. It's titled School District of Philadelphia Total Collections. You will remember that there was an additional $28 million that had been budgeted -- or not budgeted; had been added to the target for collections for the School District across '13 and '14. In actuality, we collected nearly $910 million for the School District, over the $894 million that had been budgeted and well past the $872 million that had been actually collected the year prior.

You will note the increases for all the SIT, liquor, and U&O taxes. These four taxes are the four taxes that are attributed to the School District.

The next page talks about delinquent collections for the School District. The first panel shows that total collections in '14 at a little over $91 million. You'll note something that I think is relevant that when we had the tax amnesty, which I believe was in May, started in May of 2010, there's a note here about where that started, that our activities and efforts produced much more in '14 than even the tax amnesty program. One of the problems and challenges with the tax amnesty program is that people pay one time, but then they oftentimes fall off, and this effort is something that won't be sustainable what we're going through right now.

The next chart looks at the General Fund prior year collections, again, over time looking at real estate in the green space and how that delinquency collection has fared and the dark blue space being the other big taxes, wage, earnings, and net profits.

And the last table is just simply showing where our overall outstanding debt, how it has declined over the last -- certainly over the last year, but over the last three years.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Chairwoman.

I really, really, really

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appreciate what has been done up to this point. It's an amazing fact that we see here of collections and how the increases have been attained through your efforts, and to me this is great for the City of Philadelphia, it's great for the School District, and it's great for the taxpayers.

Now that we have that, we have -- the current taxes seem to be really coming in at a high rate and the delinquent taxes that you collected. What is the percentage of taxes that are delinquent that are three years or more, older than three years, and less than three years? Do you have that figure?

COMMISSIONER TOLSON: Yes. Our three-year collection rate is over 95 percent.

COUNCILMAN SQUILLA: So you're collecting at over 95 percent of delinquent taxes that are three years or less?

COMMISSIONER TOLSON: Within

three years, yes.

COUNCILMAN SQUILLA: Within three years. And what is it after the ones that are older than three years?

COMMISSIONER TOLSON: One moment, sir. I'm getting the table out.

At four years, the number goes to 97.5 and at ten years 99.9.

COUNCILMAN SQUILLA: You collect 99 percent of all delinquent taxes that are ten years or older?

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: So that means we have none left?

COMMISSIONER TOLSON: No, absolutely not, sir.

COUNCILMAN SQUILLA: Oh, okay. What is our total delinquency at this point? I know we have a different set of numbers. Everybody throws out numbers, 500 million, 600 million, 300 million. What is our total delinquency?

COMMISSIONER TOLSON: One moment, sir.

I assume you're talking about real estate? Our delinquency for real estate, our total principal for all years is $194 million.

COUNCILMAN SQUILLA: A hundred and ninety-four million. And I know -- the interest and penalty there is not part of this calculation, correct?

COMMISSIONER TOLSON: That's correct.

COUNCILMAN SQUILLA: Now, are we actually going after the interest and penalty also or is that where you sort of make your --

COMMISSIONER TOLSON: Well, I've defined it here as the principal only because the interest and penalty is sometimes a negotiated item. So I have not included it in the total that I've given you.

COUNCILMAN SQUILLA: Now, when you include the water liens, gas liens, what does that number go to?

COMMISSIONER TOLSON: We don't

have gas liens, but our water delinquency, I'll tell you that in one moment, sir.

I have the number. I just want to pull up the right one and not give you the incorrect information.

I'm sorry. I mixed up something. I'm sorry. I just gave you the real estate number. It was actually the water number.

COUNCILMAN SQUILLA: A hundred and ninety-four million dollars is water?

COMMISSIONER TOLSON: Is water. I apologize for that.

COUNCILMAN SQUILLA: That sounded awful low. I was kind of excited there.

COMMISSIONER TOLSON: It threw me as well, but I just wanted to get clarification. One of the downsides to needing glasses and having lots of numbers, and sometimes you look quickly, and you need to take a moment.

For real estate, the total due

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for all years would be $240 million.

COUNCILMAN SQUILLA: That's for --

COMMISSIONER TOLSON: For all years.

COUNCILMAN SQUILLA: So combined that's less than 400 million. Well, 435.

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: If you were to include interest and penalties, does that number dramatically go up? Correct?

COMMISSIONER TOLSON: Yes. If you were to include interest and penalty for real estate taxes, the number would go to $284 million.

COUNCILMAN SQUILLA: An additional 284 million?

COMMISSIONER TOLSON: No. It would go to $284 million.

COUNCILMAN SQUILLA: So there's only 4 million in interest and penalties that's tacked on to that?

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COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: Those numbers seem awful low compared to -- where are these numbers coming from?

COMMISSIONER TOLSON: I'm sorry. Where do the numbers come from?

COUNCILMAN SQUILLA: Yes, compared to our previous numbers that we've had.

COMMISSIONER TOLSON: One second, sir. Let me just make sure I'm reading properly. Hold one second, please.

Councilman, the active list -- when I say "active," the ten years or less -- is 215 and the inactive is 68.

COUNCILMAN SQUILLA: Sixty-eight million is what's uncollectible?

COMMISSIONER TOLSON: Older than ten years.

COUNCILMAN SQUILLA: Over ten years is 68 million. And less than ten years was?

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COMMISSIONER TOLSON: Two fifteen.

COUNCILMAN SQUILLA: And right now do we write off any of this right now? I know we're not including some of the numbers, but do we write off anything after a certain time or is that something -- I know you said you were working on that when we had discussed this.

COMMISSIONER TOLSON: Yes. Various taxes require various treatments. With regard to real estate, which I think is the main point of discussion here, at times there may be a write-off due to settlements either through court or negotiated internally with our counsel.

COUNCILMAN SQUILLA: Would we be open to having a third-party person look at our numbers and our books to go over what can be gained from the money that's still outstanding and maybe which should be washed off the books?

COMMISSIONER TOLSON: I

certainly think that we're open to processes that would allow that. I should also add the other parts of what maybe use the term "written off" would be properties that have government owned which may have been charged -- assessed a tax in error and then we have to subsequently take it off until we get the classifications changed so they're probably labeled as exempt and then not taxed.

COUNCILMAN SQUILLA: Because I think part of this is the confusion based on what is really owed, how much money is out there. Every year, every hearing we hear different numbers and amounts, and it would be nice to have somebody just come in and say that -- not that their numbers are going to be any different or more accurate than ours, but just to have somebody come in there and say, This is what's on the books, they say we owe $450 million, really out of that $450 million there's only 200 million that can be collected or owed. Because, I mean, we have some non-profits that were taxed that supposedly aren't supposed to be taxed. We have some City-owned and government properties that when we go to sell and say how can we have a City-owned property that has liens against them. So we have to then clear all those off also. And I think it would be nice -- I mean, the job that you're doing is tremendous and what has been done is really a great service to the City, but I think at this point now that we reached that point, we may need additional help to getting to the final stage of cleaning everything up. And if we could get those numbers where people now know that every citizen is paying their fair share, I think it will do a lot of credit to us as the City of Philadelphia. I know myself and my office has known that you have actually been going after a lot of these folks, because we get calls from the people who didn't pay and now have to work with you and come up with a payment plan to make that happen. So it's a great credit to what you have accomplished. But knowing that you're able to or maybe consider working with another agency to actually come in and see how it's done, maybe best practices in other municipalities, what we could do to forward that.

I know there was some discussion -- and maybe we could ask some of the other people who are going to testify -- about the tax lien sale sort of that we had back under the Rendell era and how that would affect the tax sales or an arrangement if we do something different this time and what may be the difference in that.

COMMISSIONER TOLSON: Councilman, I would share that I think sometimes part of the confusion is the lack of understanding about what is included in the delinquency. And I think that I certainly have a team of experts around me. The folks who are sitting at the table with me as well as those behind me are very well versed, and I think that one of our challenges is to better articulate what's different. So when I share numbers today about delinquency, I am not including government-owned properties that we know should not be included in the assessment and they are not delinquent and they are not part of what we're going after. It does not include properties that are in active payment agreements. We're not -- there's no interest in taking those to Sheriff Sale or pursuing some other type of action on them in terms of being a delinquent. I guess technically someone could say that they are delinquent because they have not paid. However, when considering the appropriate action upon those properties, we believe that when people are actively paying towards their property in an agreement that the City has made with them, that we're not including those type of property in our

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delinquency, and those are very, very significant.

COUNCILMAN SQUILLA: And I agree, and I think that's important too, because we do not want to -- the homeowner and the residential person who has made an agreement with the City and paying those taxes, we want to be able to work with them to do that. This more or less goes after -- and hopefully the people who are multiple homeowners or own properties throughout the City of Philadelphia who decide for whatever reason that they could skirt or skate us. And I think what you've done is commendable and always looking for better opportunities to come. And I think the clarification of putting the total owed to the City of Philadelphia, how much is in payment plans, how much is not collected, how much is in government, because that should be zero. If it's a government-owned building, it shouldn't be accruing tax delinquency. So we need some help there to go through that. That's a lot of work.

COMMISSIONER TOLSON: That's what we're doing. Actually, that's Mr. Paiva's number one project, outside of his other number one projects. Right now he's in the process of cleaning up all of the government accounts. It's something that we recognize is a problem and we are working to address it.

There's a lot that has to go on administratively programming-wise to support doing exactly what you're saying, and we recognize that and we are doing it right now. It just takes time to handle all the processes to make it happen. But that's why we can get down to some numbers that in addition to better working with our enforcement, but to better also reflect or more properly reflect what it is -- where we need to place our resources and where we need to pursue collection efforts.

COUNCILMAN SQUILLA: And do we

currently now have any outside agencies or firms helping us with those numbers?

COMMISSIONER TOLSON: Yes. We have a significant amount of outside support. We have outside collection agencies that assist us and we also have what we call co-counsel. There are law firms that are working with us to collect on our real estate.

We could not do our jobs without the support of outside counsel given the largesse and the complexity of the problem. So for some time now, we have been working with support.

COUNCILMAN SQUILLA: Okay. Great. Thank you.

COUNCILWOMAN BLACKWELL: Are there other questions?

Councilman Henon.

COUNCILMAN HENON: Thank you, Madam Chair.

I don't know if it's morning or afternoon, but hello.

COMMISSIONER TOLSON: Good day

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to you as well.

COUNCILMAN HENON: So it seems like -- and I think the focus and priority has been with the new leadership of City Council here and its members have been focusing in on tax delinquencies, especially when we're -- we moved towards AVI and the full implementation of real assessment of our properties, and we're still, as you witnessed today, we're still trying to work out some of the protections for our citizens, and rightfully so. So I think our Council and this body has done an incredible job in making sure that fairness throughout the City is in proper place. And I'm happy to hear and see over the last several years that we are prioritizing our tax delinquencies, because it is about fairness. And I just want to rehash maybe some of our last couple budget seasons.

How much did we allocate for a new system over in the Revenue Department

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for tax delinquencies? Was it like $50 million?

COMMISSIONER TOLSON: For all the new systems --

COUNCILMAN HENON: Forty million dollars over the Five Year Plan?

COMMISSIONER TOLSON: It's approximately 40. I can get the number for you to be exact, because it's a combination of Capital and General Fund dollars.

COUNCILMAN HENON: And where are we with that, with those allocations as far as making our process more efficient and better? Because it seems like we're heading in the right direction. We have a new call center online. Do we have -- is the office data warehouse, is that up and running or is that still in the design phase? What are some of those timelines?

COMMISSIONER TOLSON: Surely. The cashiering system should be live come January of this year. We're expecting

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great things from that. It will bring us right into contemporary and in the most innovative processes available for processing payments.

Our data warehouse system, although we have not technically finalized the contracts, not technically, we've been working with the vendor without a technical contract for a few months now, and we're expecting to have some benefits from -- having some benefits from an improved case management and data warehousing effort probably within six months. And additionally, we have greatly changed our relationship with the State of Pennsylvania. Secretary Meuser has been an outstanding partner with us. So we're now regularly sharing data and information in gross and account-level basis to improve both of our systems. Our collaboration has been wonderful.

COUNCILMAN HENON: In your testimony you were stating -- and I'm sure it's true -- that we've increased the delinquency on our collections with our real property and our real estate.

COMMISSIONER TOLSON: Yes.

COUNCILMAN HENON: Is that on principal or with principal and interest? Are they less accounts? So are the numbers in your collection -- because the dollars have increased from 35 million to 48 million. Is that due to the principal and interest added on to that or is that because of the amount of delinquencies being collected? We collected more?

COMMISSIONER TOLSON: Yes. We are collecting more, yes. We are collecting more, more aggressively going after all of those properties, yes.

COUNCILMAN HENON: What --

COMMISSIONER TOLSON: There are no smoke and mirrors in this, Councilman. I know I wouldn't survive Council if I tried that. This is really about an increased effort getting more money in, trying to better define the problem and actually bringing the money into the School District and the City.

COUNCILMAN HENON: I'm glad to hear you talk about some of the governmental-owned properties. I mean, because we have a substantial surplus in the City of Philadelphia, which I find troubling, and as we move forward towards a Land Bank and we work out how that's all going to shape up, have you taken that into consideration when it comes to cleaning up some of the delinquencies out there and clearing our books?

COMMISSIONER TOLSON: Yes. That will be in consideration as well. We've been in discussions with the Administration of the Land Bank about how we will move forward. So that will be a collaborative effort. And the bottom line is about trying to make it clear what is the challenge, where do we have a problem with regard to delinquency, and then targeting resources to that as opposed to kind of shooting with a shotgun and hoping that you hit some of the right stuff. We want to be much more strategic in our efforts. And I should mention and I'd like to introduce, if I could, we have a new deputy in the Department whose sole job is collections. His name is Mr. Marco Muniz, and he's in the audience. If he could just stand up, you could see him. Some of you will remember him from having most recently worked in the Law Department handling a significant amount of work on water issues, but he has graciously accepted a different assignment to head up our collections effort and will be collaborating with all of the groups within the Department to assist them in getting more money in.

COUNCILMAN HENON: How does the outstanding delinquencies get separated to some of the third parties? Is that an internal administrative prerogative or policies that you have internally?

COMMISSIONER TOLSON: Yes. We

try to align if someone has a prior debt, making sure that the debt -- and if it's assigned to a collection agency -- I'm sorry; outside co-counsel, that it still goes to the same place so that you don't have one firm calling about one year's debt and another firm calling about a different year. If it's not yet delinquent but it's overdue, we assign them to some of our collection agencies to assist with getting it in before it becomes delinquent. But it is assigned internally.

COUNCILMAN HENON: The Sheriff Sales, if you don't have the numbers now, maybe we could catch offline and catch up. Have we made more of a priority to push some of our delinquencies to Sheriff Sales, and how do you decide that? Your department pushes it over to the Law Department and the Law Department pushes it to the courts; is that correct?

COMMISSIONER TOLSON: Well, the portion of the Law Department that handles the real estate and Sheriff Sales is now the Law Bureau within the Revenue Department. So, one, that level of communication and collaboration is critical to seeing proper execution on our delinquency and may have made a tremendous effort to get more properties through the Sheriff Sale process. I'll let Mr. Paiva speak to some of the numbers and progress that they've made.

MR. PAIVA: Within Fiscal Year '14, we put into the pipeline 15,000 properties between ourselves and the co-counsels. Those resulted in approximately 9,500 properties actually going for sale in that fiscal year. A lot of folks once we locate them obtaining a title search, they come into compliance. So not everything goes into the actual sale itself.

COUNCILMAN HENON: So you pushed 15 through the process?

MR. PAIVA: Right.

COUNCILMAN HENON: Fifteen

thousand. And 9,500 became in compliance?

MR. PAIVA: Yes. That's my recollection.

COUNCILMAN HENON: So what happens with the remaining Sheriff Sales? Do they go back for resale?

MR. PAIVA: Yes. If we're unable to get the properties sold, they'll go at least another time, if not another two times. Sometimes we do have properties that are just -- there's no market for them. And that is a problem and something we need to come up with a solution for, but right now it's a matter of quantifying those properties.

COUNCILMAN HENON: What kind of delinquencies would you find the majority of -- are they property? Are they other municipal liens? I mean, Sheriff Sales are all real estate property, right, and delinquencies?

MR. PAIVA: Right.

COUNCILMAN HENON: Do we push

any other kind of delinquencies over to the courts or are they just for the liens?

MR. PAIVA: Water and L&I have been pushed through in Fiscal Year '14. We have been -- we came up with an approach of basically taking all three property-based delinquencies and trying to quantify them and putting the sales based on the total of all three. That hasn't happened yet. We're gathering the information. There are issues with identifying the properties against all three different delinquencies because, surprisingly, some water accounts do not have the same address that we have for real estate and some of the L&I as well. So sometimes you come up with these great ideas and you say, Hey, let's do it that way, and then when you try to push it through, you find that there are difficulties in the various systems that prevent them from all linking together and makes it more challenging. So the result is, it hasn't yet happened, but it's something that we're committed to doing, because it's more efficient.

COUNCILMAN HENON: And your new system that you're in the design and ready to go out to bid and all that will help collaborate a lot of that information?

MR. PAIVA: But we can't just wait until that happens. That's the problem. And we need to move forward, and sometimes moving forward requires a lot of manual interventions to move the ball.

COUNCILMAN HENON: Has the Department ever thought of -- and I'm just throwing it out there, and I don't know what impact it would have on any market here in the City of Philadelphia, especially where you have a lot of good things going, and we really do. I think the City is poised to really make good recoveries with our delinquencies and in our information and how we share. So, I

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mean, that is a credit to what you're doing.

Has anybody ever thought of -- so there's two things here. One part of this resolution is talking about tax lien sales, whether it was -- I don't know if anybody was around back then or not in the mid '90s. Now circumstantially is the climate different where they have different results? So that's one. And, two, any conversation about bulk sales?

COMMISSIONER TOLSON: Councilman, I think both of those conversations have been occurring within our department, though we all have been told, at least I've been told, about what happened in the prior lien sales. There are some folks who were around then. We do now still see some of the challenges as a result of those lien sales that occurred previously and we certainly wouldn't want to reproduce what occurred in the past. However, we are open to hear about what other options there may be to improve our present lots. We're always open to try to understand how can we make things better, how can we bring in more dollars.

We have a complex system, and certainly we cannot gloss over some of the issues that may be at hand for the City in terms of some of the laws or regulations that may be in place, small P and big P, policies and politics, but we certainly would like to understand more about the system. So we are not opposed to trying to understand more and getting a better handle on what the options are.

COUNCILMAN HENON: I think that's -- I mean, you have mentioned that several times, how open you are to --

COMMISSIONER TOLSON: Absolutely.

COUNCILMAN HENON: -- suggestions and concerns and things that are specific to help tweak as we move forward.

The commercial activity

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licenses and recoveries for housing inspection licenses and other commercial activity licenses, what is the success in those delinquencies?

COMMISSIONER TOLSON: We've been highly successful. I'm going to return to Deputy Commissioner Breslin to address that, but it's been a great success with the program certainly with our certification process, people being required to have a tax clearance before being able to get various certificates, and he can speak to the progress for each of those.

DEPUTY COMMISSIONER BRESLIN: Our commercial activity license revocation program has been very successful. To date -- we put that in place in May of 2013 we started that program, and to date that's generated $22 million in collections, with an additional, I believe, $7 million in payment agreements. A lot of that was -- we started that program with a lot of emphasis on School District taxes. Liquor taxes is what we started with the program with. We've expanded it into other taxes, other industries. It's kind of an evolving program. I think it's getting better and even more efficient as we learn things through running the program.

In addition, we've done a tax clearance program, which has been effective as well. I don't have collection stats with me now. We've been running that program for several years. That continues to evolve. That program, basically anybody who wants to get any benefit from the City, whether it be employment with the City, licenses, various -- licenses, Zoning Board, if they go through an appeal there, they have to be in compliance. So that's a web-based system. A taxpayer needs to go online, get a tax clearance certificate in order to pursue any of those opportunities. If they're not in compliance, they contact our Tax Clearance Unit.

One of the concerns when we put that in place by this group was that we wouldn't be able to be responsive enough for people and we would delay the process for them to get licenses or whatever benefit they were trying to get from the City. So one of the things we did, we said that we would put a dedicated group together so that we could be responsive for those issues, and we've done that. We put a dedicated group, dedicated phone number together for tax clearance issues. That group basically guides -- if a taxpayer goes to our system and tries to get a tax clearance certificate and they can't, the system indicates that they're non-compliant, it directs them to a phone number, and there we have a staff that tries to walk the person through the compliance process. I mean, they don't -- it really expedites the process. They can take the tax returns. They can take payments. They can help get the person into a payment agreement, whatever is required. They can help clear the account if there was some kind of an issue with the account. So it's been a very successful program for us.

COUNCILMAN HENON: And I have heard that. I wanted to make sure that it was stated here publicly, because I think that's a very -- it's a critical stage, right at the gate when they're looking for some sort of benefit or assistance, support from the City and you're in the delinquency stage. Payment arrangements, fair advice, and guidance I think is critical.

Has there been an uptick in online delinquency payments?

DEPUTY COMMISSIONER BRESLIN: You know, I don't know the numbers to be able to tell you.

COMMISSIONER TOLSON: We can get the numbers back to you, but the amount of payments has increased greatly.

There's a certain amount that comes through the office directly. People typically mail it in. And relative to our online activities, people are engaging more. We've just developed a new -- have a new contract where it actually costs less to do it online than it costs to mail it.

DEPUTY COMMISSIONER BRESLIN:

So our electronic check, eCheck program, there still is a payment, a cost associated with that, but it's been coming down. It's down to 35 cents. So it's less expensive to do it electronically, which was a barrier before because it was a little expensive, but now at 35 cents it's cheaper to do an electronic payment than do a payment by check by mail, and we're hoping to -- we plan to market that heavily for this tax season and we're hoping to really see an uptick there.

We have some other initiatives that we're pursuing with our Office of

Information Technology that will also make it easier for taxpayers to file and to pay electronically. So we're looking for this year in particular a big uptick. And we also did an initiative this year for use and occupancy tax where we did -- with the new legislation that gave an exemption for use and occupancy tax, that took a lot of people off the rolls for use and occupancy tax, which was a good thing, and it also left some taxpayers where they had a small balance due. A taxpayer may have had a balance of $60 for the year, and since it's a monthly tax, they would have had to every month remit a payment and a return for $5 of tax. So something that we heard from taxpayers and we followed through on was that they would like the ability to be able to just file a single tax return for the year. So we implemented that in July of this year. So taxpayers were able to file a single return for the entire year, and it would do that -- it required that

that be done electronically and also it required electronic payment. So we had over 500 taxpayers take advantage of that, and that's kind of a win-win. Taxpayers wanted it, so we put it out there, and they liked it. We got really good feedback, and, of course, that brings the money in sooner. It saves us some efficiencies. We're not processing those 12 payments and those 12 tax returns during the year. So that was an electronic initiative that was very successful.

COUNCILMAN HENON: My last question. I'm looking at this handout that you gave, the charts, which I think are quite impressive, just to echo Councilman Squilla's observation of it. And one thing that is always in question is do tax amnesties actually work, and from your chart here, it seems to be kind of stale. There didn't seem to be a spike in the collections during the amnesty windows. Am I reading that correctly?

COMMISSIONER TOLSON: Yes, sir. What this does show is that with tax amnesty that -- it occurred over two years, two fiscal years, because it started in May and it didn't end until a few months later. It was not sustainable. People did not pay the taxes and then continue to pay their taxes or to have more people come into the rolls because they thought that they needed to pay. And instead in Fiscal '14, with an aggressive enforcement effort, engaging folks, that we instead have a lot more money coming in from it and additionally it is sustainable.

So we're trying to create a new culture internally and externally with regard to expectation that everybody should pay their fair share and that if you don't pay your fair share, that there are consequences and the consequences are predictable and everybody is treated the same way.

COUNCILMAN HENON: I have no further questions for now. Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Madam Chair.

Just for clarity, I think it would be great if we could in the future get that chart that you have of taxes owed citywide broken down with water, real estate and other taxes that you have, and then what is -- the government-owned ones shouldn't even be showing up. They shouldn't even be on the chart, but if we know that they are, maybe somehow show us how much dollars is owed on government-owned properties. And this way, I think the clarity and the communication-wise of these numbers makes more sense, because it seems like every hearing we have, our numbers are so different from the previous hearings and it's kind of confusing to everybody, and I think it's because we look at them different ways each time. So if we could actually clarify that and have that down and do maybe a spreadsheet or some type of chart like you did here with some of these, I think it would really make it easier for everybody to understand what is actually out there, what is collectible, what's not collectible.

COMMISSIONER TOLSON: Okay.

COUNCILMAN SQUILLA: Thank you. And hopefully you guys could stay a little bit and listen to maybe some of the other people testifying to see if there is some correlation between what their testimony is and how we could use best practices to even help increase it even more than what we have today.

COMMISSIONER TOLSON: Yes. Councilwoman, if we could, if you could give me permission to also share one other bit of information. I have some maps that I thought would be helpful for Council for this dialogue, if I may be able to share that. We have a wonderful policy and research group and they've prepared some maps of the City. There are three different maps. I just would like to kind of have -- to share them with you so you can have a different perspective, a geographic perspective, of where the City is and what's going on. And I'll describe it once all the Councilpeople have gotten their copies.

So this set of maps reflects the delinquency, real estate tax delinquency, across the City based upon how much principal is owed. It's color-coded based upon a census block group, which is larger than tracts but smaller than a census group, typically between 602,000 people. The size of the block group may vary obviously, because you may have some areas where people are more spread apart. The block group is larger. In some places where it's more dense, the block group is much smaller.

But we wanted to look across the City to understand where is the principal owed, and you have shades of yellow to red, dark orange which shows kind of like the intensity of what's owed where, and you'll see that there's not a section of the City, not a community in the City where there is not a delinquency, delinquency doesn't exist. Delinquency exists everywhere to different degrees. Where it is palest, you have smaller delinquency, but, again, as I said, everywhere has some. Where it is darkest, you have the greatest delinquency.

And in the chart in the bottom right-hand corner, you can see what is the delinquency level by Council district. We thought it wasn't logical to do it by census group, so we did that by Council district, which is a level that's probably easier to follow, and looks at the number of delinquent properties as well as the percentage of properties that are delinquent in the area, in addition to how much they owe.

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And if you look at the level of delinquency and compare that to -- and that's delinquency for all years -- compared to what is owed in that community, it gives you a percentage of the value against the 2014 tax level.
COUNCILWOMAN TASCO: Are most of these properties commercial properties?
COMMISSIONER TOLSON: No. Most are residential. There are some commercial, but most are residential properties.
COUNCILMAN SQUILLA: Most are residential. I mean, it looks like along the waterfront and by the airport and places like that are the darkest, which means over $500,000.
COMMISSIONER TOLSON: It will vary in some block groups versus others. Remember, I said that some block groups are larger because in order to capture some people, the block group becomes larger. So if you have an area that has

a large commercial space, it will then attach to neighboring communities in order to capture people in addition to --

COUNCILMAN SQUILLA: So if the businesses are in a residential area --

COMMISSIONER TOLSON: Well, not necessarily the residential area. The census will make the area larger because there aren't many people in the commercial area, but then it adds people into it. So they're reaching out to get to residential areas. So that's why you may get into some areas, I would say, South Philadelphia where the block group is very small, because it's also very dense. There's a lot more people who live there, so they can make it very small in order to capture the same 600 to 2,000 people.

COUNCILWOMAN TASCO: Do these numbers take into consideration vacancies or abandoned properties?

COMMISSIONER TOLSON: No. It just looks at delinquency.

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COUNCILWOMAN TASCO: Just the delinquency. It doesn't have --

COMMISSIONER TOLSON: It's not trying to capture everything. It's impossible to capture everything on one table or on one graph, but just trying to present some information. If there's more information that you'd like to know, we can certainly go back and get that for you.

COUNCILMAN SQUILLA: Has this scrubbed out the City-owned municipal properties?

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: And the ones on payment plans, or no?

COMMISSIONER TOLSON: Yes. Yes. Because, remember, I said for purposes of trying to figure out what do you do with delinquency, it doesn't make sense to us to try to include those.

If you go to the next table, that looks at the number of delinquent properties in each of these block groups.

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The chart on the bottom right is the same, but this allows you to see how many properties are in each of these -- this block group of 600 to 2,000 people on average, how many properties are delinquent. Again, you'll see across the City that there's delinquency existing.

COUNCILMAN SQUILLA: Something looks a little confusing to me. The number of properties, look down at Southeast Philadelphia. On the first page it's greater than $500,000, yet it's less than ten properties.

COMMISSIONER TOLSON: Right. So you could have a large commercial property in there and that would make it very, very large.

COUNCILMAN SQUILLA: Okay. Because on one sheet it's yellow; the next sheet it's red.

COMMISSIONER TOLSON: Yes. Remember, it's not just looking for a geographic area. It's kind of looking towards -- it includes people with it.

COUNCILMAN SQUILLA: Right. So less than ten properties are delinquent. So that sends a signal that maybe we should go after those large parcels to try to get those tax dollars first.

COMMISSIONER TOLSON: Yes. So this is how we have begun to evaluate our work and where we're doing our work, by looking at information kind of in a different way other than just straight the numbers, this one owes 5,000, this one owes 1,000, this one owes 500,000, kind of trying to understand how does this fit in the greater scheme of things. It's just another layer of information to add to what we already know to help make decisions.

COUNCILMAN SQUILLA: Okay. Great.

COMMISSIONER TOLSON: And then the last sheet looks at the age of the delinquency.

COUNCILWOMAN TASCO: Do you think those numbers might have some correlation to the AVI?

COMMISSIONER TOLSON: Well, with AVI, given it's only been in place for a year, they would not impact anything being older, the aging, and we have not included 2014 taxes that were due in March because they're not yet delinquent.

COUNCILWOMAN TASCO: We got to find out what's going on since most of them are just three years old.

COMMISSIONER TOLSON: Most of it is older than three years old. So we have about $26 million that is under three years.

COUNCILWOMAN TASCO: But if you look at the color of the map.

COMMISSIONER TOLSON: Yes. Most of it is under three years. That's correct.

COUNCILWOMAN TASCO: So there's got to be something --

COMMISSIONER TOLSON: Well, that's a good thing. That means that most people are paying.

COUNCILWOMAN TASCO: I think that's great.

COMMISSIONER TOLSON: That's a good thing. Most people are paying. Where it gets darker, that means that you have long-term problems. Some of it may be an abandoned property that has not gotten off of the tax rolls.

COUNCILMAN SQUILLA: Because here you have over 24,000 that are greater than ten years, right?

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: And close to $100 million in principal owed.

COMMISSIONER TOLSON: Yes.

COUNCILMAN SQUILLA: And that's even with the washed out information?

COMMISSIONER TOLSON: That should be. We'll confirm that. I want to confirm that one.

COUNCILMAN SQUILLA: That's good. I mean, we are getting -- we're going in the right direction. We need to do some more work obviously to collect these taxes, because that's only principal owed too. So I'm sure there's additional dollars that may be allocated into that, but I think all this information helps and I think that knowing that we've come a long way but still have a long way to go, I think it's great to have this collaboration and work with you to do that, and I really appreciate everything that's been done up to this point and hopefully we continue to improve. Thank you so much.

COMMISSIONER TOLSON: Yes indeed.

COUNCILWOMAN TASCO: Any other questions?

COUNCILMAN HENON: Just one quick question. The success of sequestration, I don't know -- I must have -- did we discuss that early on? I think we were supposed to pilot that to see how it was going, started off with commercial and then move into residential, because what's obvious -- and I'm glad to hear that when we make decisions, we're making it on the bigger picture and how it impacts the neighborhood. So you may have one commercial property which is obviously that it would be delinquent in a larger number, but how it affects the neighborhoods. And I have done some research within my own office where tax delinquencies lead to property maintenance violations, leads to other things, which destroys the quality of life of a neighborhood, which declines the property value in that neighborhood within an eight-block radius to 20 percent. So, I mean, I think that approach is necessary as we make decisions moving forward.

So back on the question of sequestration, how has it been so far with commercial and did we just touch on a little bit and are we going to move to -- again, it's a tool sort of like

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Sheriff Sale. We want 95 percent compliance once their real property -- because nobody wants their real property with property rights, nobody -- I mean, nobody wants their house or business taken from them. So the compliance I think once we start using these tools are better for us as a city in recouping our delinquencies.

COMMISSIONER TOLSON: Yes. I'll let Mr. Paiva address that. Thank you.

MR. PAIVA: The sequestration program focused primarily on commercial properties, and the residential properties that we have addressed are those where it's a rental property.

There's limitations with sequestration. If there's no rents being generated, it really doesn't lend itself to being placed in the program. So commercial it clearly is easy to do and apartment buildings, things like that, and that's where the focus has been.

Once you start getting into smaller properties, the costs of having to sequester comes to be disproportionate to the amount of tax that's due. So we've been taking steps to expand it, but there's certain limitations that we have to deal with.

COUNCILMAN HENON: Which I can understand. I mean, there are other, by code, as far as managing agent and other types of tools that we can actually work -- and I'd love to come in and discuss some of that kind of stuff just from an internal policy thing and just help move what we're all trying to accomplish, maybe in a different way. So thanks. Thank you for the update.

But to the commercial end, it's been successful?

MR. PAIVA: Yes.

COMMISSIONER TOLSON: Sequestration has been very successful.

COUNCILMAN HENON: Great. Thanks.

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COUNCILWOMAN TASCO: Thank you very much.

We're going to go to the next panel. We have a hearing here in 20 minutes. So we now call on Panel 2, Allan Domb, Brad Westover, and Douglas Gale.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good afternoon.

MR. DOMB: Good afternoon.

COUNCILWOMAN TASCO: You'll learn to come later.

Would you please state your name for the record.

MR. DOMB: Sure. Allan Domb.

MR. WESTOVER: Brad Westover.

MR. GALE: Douglas Gale.

COUNCILWOMAN TASCO: Would you like to proceed with your testimony.

MR. DOMB: Thank you, members of City Council. I'm going to be very brief. We have experts here. I'll let them speak, but I just want to address a few quick things.

One, it sounds like the total right now from the last testimony with real estate taxes being 215 million and the interest and penalties being 68 million and the, I believe it was, water and sewer was 194, it sounds like the total current outstanding is 477, not including gas. Last time we checked gas was about 120. So it could be a total of 600 million. That doesn't include the government-owned properties.

The one detail on government-owned properties we should check as a city is that we lease properties to third parties on a triple-net basis and are those tenants paying the taxes, such as maybe Suburban Station or other properties like that. We should just verify that piece.

The other piece we should look at is, the interest is very low in relationship to the principal. If 215 million is for properties that are four years or greater in delinquencies -- and I know from my real estate tax bill if I don't pay, it's 18 percent a year. Just doing the simple math on the first year of not paying is $38 million for one year. So I'm not sure if -- we should maybe look at the interest rate or charging for 68 million to have these types of properties not paying for many years seems very low. That should be checked.

So let me just get into what we're here for today. Brad Westover to my left is the Executive Director of the National Tax Lien Institute. New York City and 28 other states do tax lien sale collections. We had several meetings. Many of you are fully aware of them, and I kind of think the method used in New York City, which is collecting 96 to 97 percent of their taxes, is a very effective method. It's through securitization. They have two or three buyers. If there's a problem with one of the liens, they swap them out. They work with the city. But I believe -- and Brad will explain it -- the bottom line is that when you sell these old liens -- by the way, we feel that the City is doing a great job with the current collections. This is addressing the older collections. So I think -- and I can attest to it. I see what's going on and I think the Revenue Department under Chairman Tolson is doing a very good job. They're doing well. We're talking about the old stuff. And, by the way, according to Herb Wetzel, he tells me that most of the old stuff, 40 percent of the delinquencies are people who don't live in the City. So that's something you may want to look at.

But getting back to 28 states do tax lien sales. Less than two-tenths of one percent --

COUNCILWOMAN TASCO: Does that make it harder for us to collect because they don't live in the City?

MR. DOMB: No. No. And I'll let Brad address that, but I don't believe so. I'm going to let Brad address the details of this. He's the Executive Director of the National Tax Lien Institute and an expert on this and I'll let him speak to this issue.

Brad.

COUNCILWOMAN TASCO: Again, would you identify yourself for the record, please.

MR. WESTOVER: Sure. Brad Westover, Executive Director of the National Tax Lien Association, and thank you very much for your time. And I just want to, first of all, congratulate the Revenue Department. Obviously things are moving in the right direction, and that's fantastic for everybody.

I want to talk about basically kind of the scope of the issue and nationally some best practices. I mean, I go around the country speaking to local

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governments on best practices in collecting back taxes.

Every year in America about $14 to $17 billion go unpaid in property taxes, and that obviously becomes problematic if you don't have a solution to collecting those back taxes.

Annually certain cities have annual tax lien sales, and I just want to give you an idea of the scope of across the country. Indianapolis sells $57 million; Miami $233 million; Chicago $176 million; Phoenix $86 million; Nashville $30 million; Baltimore $73 million; Denver $18 million; and Washington, DC $100 million. Those are annual tax lien sales, and I want to explain that it's really not an event, a tax lien sale. All these basically have programs in place so that you don't get to the place where we're currently at, which is looking at a pretty significant back tax issue.

A little closer to home is, we

go across the bridge to Camden, New Jersey and in the '90s they had a collection that was the worst in the United States of 67 percent, and once they implemented some of the things which we recommend, the 67 percent was over $100 million in Camden. Their collections are currently, because of continuous efforts on this front, of the mid 90's. So they went from 67 percent to 95 percent over that time period.

Specifically about New York City, because I think there's a pretty good comparison to help you understand how the City works, the tax levy in New York City is $22 billion. That's real estate, that's water and sewer. So you got a $22 billion tax levy. There are 600 -- depending on the year, but there are $600 million to $1 billion in unpaid property taxes annually. Before the actual -- they issued tax anticipation notes, they issued bonds and the securitization that's secured by the real

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estate, 40 to 60 percent of those accounts pay before the day of the sale, and the reason why that's obviously significant is, in New York City you're delinquent in February and those liens are sold in May. So you have a 90-day period, and in those 90 days, you have 40 to 60 percent of the accounts that pay, that never get into the process. You say, Well, that's -- the kind of proof is in the pudding that this system works very well for the City. They couldn't be happier. They're trying to make sure that everybody pays their fair share. And ultimately what you're doing in a successful program is, you're lowering the taxes for everybody that does -- for current taxpayers, and that's what it affords.

So at the end of the day, New York City sells annually between $130 and $140 million. The other kind of by-product -- there's a couple by-products that are significant also.

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Number one is, New York City no longer is funding the in rem foreclosures that they once were doing, which was costing the City $500 million a year, and the second thing is -- and I think tremendously significant to the City of Philadelphia is if this is a process by which you clean up your records and we all -- with the size of that delinquency, we know there's government-owned property. We know there's sliver lots. We know there's landlocked properties. We know there's properties that burnt to the ground that had a tax liability of $50,000 that currently has a negative value on the real estate because it's a burned-out shell property and has a land value of $5,000. Some way, somehow you have to clear the account, and through this process, you can get that vacant property cleared, all the encumbrances. So it's not on the books you've got a $50,000 non-performing asset. Now it turns hands and now you've got a thousand dollar piece of land that has a new taxpayer in it. So it becomes a performing asset at a thousand dollars rather than a non-performing asset at $50,000.

The other thing is, Standard and Poor's when they do their rating on this transaction for New York City, they would rate it negatively if it was a one-time Band-Aid, and they rate it favorably and perhaps would improve the City's bond rating if this was a continual program like the rest of these large cities accomplish.

Some of the safeguards that we promote, some of the things we advocate as far as a successful program is, number one, is that there would be minimum thresholds, that you wouldn't sell tax liens on $50 whatever it is. Somehow there's a number in which it makes sense, but below that number of the delinquent amount it's not included in a sale.

Number two, we support payment

plans and offering payment plans to all delinquent taxpayers so that they can pay over time in an installment payment process.

Number three, that you'd have an ombudsman, a City employee that handles hardship cases. Now, mind you, hardship cases, in my experience over 20 years in this field, occurs on one-half of one percent of all the folks that go into this process. So it doesn't make any sense to preclude a whole segment of -- let's just say we're going to preclude any owner-occupied resident. And so we take 100 percent of that group out, and yet we're talking about one-half of one percent that actually go through and say, You know what, I have a hardship case. I'm a disabled veteran, I'm an elderly with low income, I'm -- name that group, and we support an ombudsman to hear those cases and provide solutions.

Now, what are some of the solutions that you could provide?

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Because you have a purchase and sell agreement, it's an agreement with the servicer of this process, you could lien swap, because these investors are not married to a single property in the City. So you say, You know, it's a $2,000 tax liability on a single-family home. We need this one back because it belongs to so-and-so, and the hardship case has gone through and you take it back and you get next year's lien. Or, alternatively, the City could buy back that delinquent account and protect -- keep the homeowner in the home, to cap the foreclosure fees, and to make sure in this foreclosure process that you're not unduly burdening the delinquent taxpayer by exorbitant legal fees in this process. So that's probably a wise practice.

The noticing requirements continue or are increased. The delinquent taxpayers have sufficient notification, and then ultimately there's protections for -- judicial protections that they would provide, guardian ad litems or things that would help those that need help.

So ultimately in order to create this win-win scenario, the City gets its cash up front and which it obviously needs in order to fund schools and to pay educators and to pay the fire and the police and to keep the lights on in City Hall and, more importantly, in our city streets of where -- that would add to the crime rates if we have dark streets. So the City gets an immediate infusion of cash. The delinquent taxpayer now has additional time and increased time to redeem or to pay and additional notifications. The current taxpayer now has a decreased future tax -- the decreased probability of future tax increases and hopefully a tax decrease if this revenue flows in and then reliability of government services and that everyone pays their fair share. And then, lastly, the investor receives the penalty and the interest in accordance with this, but also assumes the risk of non-payment.

So what went wrong? Looking back, I had the opportunity to speak with the servicer of the 1996 Rendell transaction. I asked him -- he's now in his 80's. He's long retired, has no reason to hold back, and he tells me -- I asked him what went wrong. He said, first of all, the political friends and family plan of what got pulled out of the cell was enormous, and it happened to be everything that was decent in the City. So what was left in the transaction was just the sludge, the sliver lots, the burnouts, the teardowns, just stuff that was really very, very difficult to collect and undesirable. That was the primary problem.

Number two is, the foreclosure process was -- the City just didn't want to act, and they really put them off and said it was over two years before we could act or whatever. And one irrefutable law of this business, of this industry is, tax liens never get better with time, ever. Houses don't paint themselves. Lawns don't mow themselves. Fences don't put themselves up. And so time is an enemy to collectability. So that ultimately you need to have a foreclosure mechanism and it's part of the process.

And then, lastly, the safeguards that I talked about previously, those were not implemented in 1996. And in '96, they didn't have the software and the systems and the capabilities that are currently available.

So that's a little bit about this process that I wanted to explain.

You mentioned previously a little bit about commercial that you asked the Revenue Director, Commissioner. In Atlantic City this week, they're selling two of their tax liens. They got two tax liens they're selling. One is $23 million. The other is $32 million, because two casinos -- I don't know whether they got together and said, Hey, this is pretty nice, we know this will never get reported to credit agencies, so we're not going to pay. That's 10 percent of Atlantic City's budget. If they didn't have a mechanism, that would be crippling. It would crush Atlantic City. But fortunately they will have the opportunity to sell a $23 million and $32 million tax lien and they also have an investor who says, I'll take that risk.

So that's a little bit about who we are and what we do, and I welcome -- congratulations again to the Revenue Commissioner, Ms. Tolson. She's, it sounds like, doing a fantastic job. I know through this process that we can help that back end and, additionally, get those numbers up to what the national average is, 96, 97, 98 percent collections every single year.

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Thank you.

MR. GALE: My name is --

COUNCILWOMAN TASCO: Would you state your name again for the record.

Thank you for your testimony, sir.

MR. GALE: My name is Douglas Gale. I'm with Municipal Tax Solutions. We're a sole-purpose entity designed and developed to help local taxing authorities navigate all these different choices. We have no specific product to sell, no one single solution. We just help you ascertain which solution is right for you, and there's a lot of solutions to the plethora of problems.

It's no small undertaking to deal with a delinquent tax issue. It can be systemic, the issue, all the way from assessment, which I think we've heard earlier that some assessments were jumping up very large amounts, and there are solutions to that. There's phase-in programs that some states use. Some

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states use a Save Our Homes down in Florida that helps burden the bump-up and appreciation.

And so we have experience in over 23 states, over 200-plus taxing authorities. We've seen the best and we've seen the worst around the country. We have collectively 80 years of experience and our sister firm has invested over 700 million in delinquent tax accounts for clients. I myself have been determined to be an expert in delinquent tax portfolio management by the U.S. federal courts.

It's a fine balance in tax collection between enforcement, compassion, and grace, and you have to accomplish it through a proper legislative structure, operation, policies, and procedures, the right financing structures, both in the short term and in the long term. So we hear about different opportunities to sell taxes and whether you sell current or you sell that backlog that you have. I heard earlier the testimony saying, Well, we're in the mid '90s on collections within three years. Well, through some processes or finance structures, you could be nearly 100 in one year, as Brad was alluding to, through either a tax sale or other financing mechanisms. There are other opportunities and other options.

And then execution. Execution comes down to how we're doing this on a daily basis and how it hits home for those people individually. And so it's always a balancing act in making the right fit work.

On the legislative front, laws need to be clear. They need to be succinct. They need to be properly balanced for the requirements, because some laws I've seen become overly burdensome to the tax administrators, so they can't actually implement what's been passed by law. And in some cases --

well, in Mississippi is a great example. They have this law that they believe is fantastic. However, whatever deeds come out of the end process are worthless. Nobody can execute on them because the courts have not backed up the law that was there, and the county administrators can't enforce the law that was put into place. They didn't give them the proper equal revenue streams. Like they asked the sheriff to go out and notice the people. Well, the sheriff gets $5 to go do that. It's not long before his budget is underwater, because he's getting $5 to go out and do hundreds of notices that cost him up to $50 a time to go do by the time he takes account of his gas and his employee, his car, the cost of the vehicle and everything else to get those notices. They don't get them on the first time. They obviously have to go out.

We want to make sure people get the notice, right? We always want to make sure and protect people's property rights and the right to due process, but there's got to be compensation to the Sheriff's Office to be able to do that.

And so in legislative -- and we've worked on a lot of legislative actions around the country. It's always making sure that everything is matched up and balanced throughout the process. And in policies and procedures, it's got to be easy to follow, easy to communicate.

We always like to make sure that policies and procedures that we're advocating for helping a community develop and a county taxing authority develop are easy to communicate to the owners. They have to understand it for them to follow it, and if it gets too complicated, there's too many separate programs and they could enter into very long application processes and things, they get lost in it. They'll get lost in it very quickly. We always want to make sure we're out there helping the people

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in need, getting them quickly assessed and have them easily understand the process and making sure it's communicated, informing all those people of the process and also quick turnaround on abandoned properties.

I heard a little bit of talk about abandoned properties, and in your process and procedures, a lot of places are quickly identifying early on an abandoned property and accelerating the process on those. That works a lot to help out blight, and there's a lot of ways and other procedures that we could help you implement to do that.

And financing, again, the financing being flexible. There's short-term options, there's long-term options. There's a lot of things you have to understand. There's also the implementation of it. Again, as Brad had pointed out, there was a problem with the past one because it wasn't well vetted and a thorough process of it and it got a little bit too political and not as much experience based around the country. There's a lot of experience around the country. A lot of people have tried a lot of different methods, and it's about getting to those best practices, what has worked, what has not worked, and how do we implement just that that has worked and avoid the pitfalls. We're all about helping communities that are taxing authorities avoid those pitfalls from what other people have gone through.

And then education and training of the people. It sounds like your Administration is doing a fantastic job of implementing some new procedures and things and training their people throughout, and that's awesome. That's great to hear that there's been a turnaround.

It's also true that any effort is going to have some early bumps because of kind of low-hanging fruit, the people that were willing to pay so long as they got the notice and stuff like that. And so there's always going to be that. Now you're going to be left with the harder stuff as it gets more in the old stuff that you're talking about. You're going to have some ten years plus kind of things. I mean, you're getting some really hard-to-collect stuff, and it gets very detailed in how you go about that to effect those collections. Even in three years plus, you're getting into it. You're getting into where the value of the taxes and the cost of the taxes and the cost of collection exceed the value of the property in some of these places, especially sliver properties and things like that, identifying those.

Councilman Squilla had mentioned earlier what are the real numbers and how does it break down. So a lot of what we like to go in and do is to say, Okay, what was your delinquency date?

A year and a half ago.

How much of that has moved into payment plans? How much of that has been collected? How much of that has gone through other ways and means? How much was identified as government properties? And perhaps -- it sounds like they have the data and they'll get that to you, but just constantly looking at that analysis. And part of the execution is all about data and tracking, right? Tracking performance by those individual things. Payment plans are a big thing to track because they're great on the start and then it's a question of how many people recycle through, how many defaults on that and then come back out, and is the payment plan enough to collect for current payments of taxes, including appreciation in the future and stuff. And by all means, I'm not saying that they don't have this in place. They may have all this in place, but these are just the things that we offer to help out and issues we've seen in other places.

So I mentioned some other financing structures. There are other financing structures. Tax sales are great. They're a great mechanism, and we're happy to help out in making sure that the best practices in those get put forth. There's also some off balance sheet loan programs you can use. There's tax anticipation notes, securitizations I heard mentioned as well, taxpayer loan systems and then, of course, the tax sales, do you go bulk, do you go negotiated sale, do you do individual liens. All these things are what we help navigate. You'll never get it all worked out in meetings like this. You could have 100 of them and it's just too much. So these are the kind of things that we like to work through and help out with.

There's a lot of great options, again many pitfalls, and a history of failures and successes, and we want to make sure that whatever you guys decide to implement, that it is on the history of successes, and that's what we're here for.

I got some other things I can talk about, but I know we're on a timeline, so I'll cut it there.

COUNCILMAN SQUILLA: Well, I appreciate that, and I'm the Chair of the next hearing coming up for Streets and Services, but I do have a couple questions. Commissioner Tolson has done a great job and she has even admitted to listening to everybody, so she's been great at that and willing to work with people for new ideas. But given -- and you sort of alluded to it. Given that there are liens outstanding from the last lien sale and they have a priority over the future liens, how would that affect a new lien sale?

MR. WESTOVER: Well, one of two things is going to have to happen. Either they're going to have to get carved out as a special exception -- I don't know the amount of them. I mean, I would think since '96 I think that the quantity is not that great. However, if not, then perhaps there's -- we've got to perhaps introduce some legislation or something, because this can't be -- this process doesn't hold properties hostage, and that's what you sound like you're describing. This has to be a clearinghouse. It's kind of the reverse effect.

So I'd have to take a look at that, but the reality is in New York City, it functions because it's a method to clear them, to wipe away, abate all the back taxes and get the thing back active on the tax rolls. So I'm certain there is a solution to take those previous liens that were in that sale and get them basically abated.

COUNCILMAN SQUILLA: That's something you would be able to work with the Administration on, to come up with a way or a procedure to do that?

MR. GALE: Absolutely. A lot

of times they say they have priority order over future liens, but it's usually in most states that's only effective if they were to foreclose on it, and to complete their foreclosure, they have priority over future liens. So if a subsequent lien forecloses on it first -- obviously you haven't taken action in ten years. They're somewhat stalemated. If you take a new action on it, then sometimes they'll wipe out the old. But to the extent that they don't, yes, there's legislative action and things that we can do to clear that out.

COUNCILMAN SQUILLA: All right. Maybe if you guys could have that dialogue with the Commissioner and the office to see how that would work.

But another question that you alluded to is that a lot of them -- the majority of our delinquencies now are greater than three years. Would that be something that would be more difficult to sell those liens or to purchase them?

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MR. GALE: Surely you're not going to get the same price you would as if they were one year old. It's all about price. So the pricing is going to be less on it and you may have less people interested in it. However, will it sell in today's marketplace? Absolutely. I think people are going to buy it and they're going to see it, and it's going to be about the quantity of the underlying real estate and it's relative to what we call LTV, or lien-to-value, loan-to-value, like in a mortgage. It's lien-to-value. So people are going to be looking at lien-to-value and the total lien-to-value of how many other outstanding assets they're sitting on against this thing.

MR. DOMB: On the old values from a year ago when we did the analysis, we had almost 870 million of delinquencies with real estate, water, sewer, gas against 8.2 billion of real estate. That was old. That was a year

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ago, which was about 11 percent. What these guys tell us is that 35 percent or less is very collectible. In simple explanation, if you have a property worth $100,000, we, the City, have a lien that's maybe 11 grand. That's very collectible.

MR. WESTOVER: If the City ever followed the New York City model, Standard and Poor's has rated tranches. They've got their buckets and they're specific. It's based on age, the land use classifications, residential, commercial, industrial, vacant land. So they tranche it out in different buckets and they price it accordingly.

COUNCILMAN SQUILLA: But you do think that that would be still sellable or somebody would be interested in the purchase of those liens that are three years or older?

MR. WESTOVER: Yeah. Age --

MR. GALE: In the current market, yes.

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MR. WESTOVER: Age is not as important as lien-to-value ratio certainly.

COUNCILMAN SQUILLA: And it seems our lien-to-value ratio is low.

MR. WESTOVER: It sounds like it.

MR. GALE: It sounds like it from the data we've heard, yeah. And as Brad said, they would tranche it out. Whether it's a loan that you get for it or a sale or a securitization, people take it in tranches.

COUNCILMAN SQUILLA: And if the City wants to take a delinquent property for another use, will the lieners need to be paid or can they swap or is there an opportunity to move parcels? Because that was some of the problems we had with the last tax lien.

MR. WESTOVER: Yeah. The last one didn't sound like it had provisions to work collectively both ways. It's pretty simple. In a purchase and sell agreement, you have provisions to allow lien swapping or a lien buyback. If you got a land bank interest or whatever, whatever the case may be, you're not locked in that it has to stay in that --

COUNCILMAN SQUILLA: In that purchase agreement.

MR. GALE: Right. This is again things we help you -- advise you on as far as the different restrictions and rules and things you put in place as far as being -- the option for you to be able to swap it out or to pay a reduced interest rate if it's an error. And also part of the whole process, as Brad had mentioned earlier, is a cleaning process. So you're going to have your agencies look through it and then there's several bidders, and they're all going to look through it, and they're going to advise you when they go to buy, like I don't think this one is collectible, this is owned by a government agency or this is a strip or land or something like that.

They'll let you know before they even buy. So you have the right to pull that out before the sale concludes. And we do that a lot with a lot of organizations, kind of doing almost like a self-auditing process of what's left, and some get outside auditors ahead of time to do that.

COUNCILMAN SQUILLA: But all this can be worked into an agreement ahead of time before it's processed or purchased?

MR. GALE: That's correct.

COUNCILMAN SQUILLA: And even the same then with the payment plan options, because we have a lot of residents that are on payment plans. That would also be taken under consideration as far as --

MR. WESTOVER: Basically folks that are in payment plans get opted out. If they're going to enter into a payment plan -- and it has to be reasonable. I've heard there's payment plans in the

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City here that are 25 years, $250 a year, something. I mean, that's really not -- that's counterproductive to have those kind of payment plan terms. But generally if someone enters into a payment plan before the sale date, they're opted out of that transaction.

COUNCILMAN SQUILLA: They're out altogether?

MR. WESTOVER: Correct.

MR. GALE: Yeah. You wouldn't sell the lien on that. You could finance it other ways, though. Again, there are other ways to finance it, but you wouldn't sell that.

Now, the question becomes what happens if you sell and then they want to enter into a payment plan. You can also put into the rules that the buyers have to accept a payment plan or it gets sold back to the City and the City funds -- however you want to do it. Again, these are all the options and things. There's a plethora of them for various situations.

COUNCILMAN SQUILLA: So whatever the City deems as a policy per se, if they do that, they either buy it back or then they get that property or swap out another one for that since that is now in the City's jurisdiction and they'll be on the payment plan. But if they're on a payment plan already, they would opt out of the sale or they would not be included.

MR. WESTOVER: Generally people opt out. It's not to say you couldn't basically have a sale exclusively with folks that are in payment plans, but they're obviously conditional upon what are the terms of their payment plan. You can't take that away from them. Yeah.

COUNCILMAN SQUILLA: Okay. Well, thank you.

COUNCILWOMAN TASCO: We have a 37 percent poverty rate here. A lot of people are struggling to pay these mortgages every month, so they get behind in their taxes, and that's my concern about some of this discussion. And I looked at some of the properties in my area and I have a lot of senior citizens. They've been there for years and maintained their properties, but now they're not working. They're on Social Security or whatever or some pension and their taxes have increased. And so I have a real concern about that.

MR. GALE: So the best way that we've seen around the country is identify them early, get them into programs, because once they get so far behind, it gets very hard to get them caught up. But if we can identify them early and put them in special programs and get them set up in the right structure, whether it's an assessment reduction because, again, some have Save Our Homes down in Florida which says your taxes can't increase more than -- or your assessment can't increase more than 3 percent a year or there's a phase-in in Maryland that takes several years. You know in advance when your taxes are going to increase and it's phased in over a three-year period. There's lots of different things that we can do to help them to get them on a proactive basis into these systems and into these different structures to help them on a long-term basis throughout their life, but it's definitely about getting to know who they are, what their situation is, and getting them into the right program early, because once -- if it's ten years back, you know, it takes a lottery to get them out of it. It becomes very difficult.

COUNCILWOMAN TASCO: Thank you very much.

Any other questions or --

COUNCILMAN SQUILLA: One last thing too.

Mr. Domb, do you want to say something?

MR. DOMB: I just wanted to say our goal would be to have City Council consider putting out a request for proposal to hire a consultant in order to analyze the old debt and make a suggestion for the best practices on how to move forward, whatever it may be.

COUNCILMAN SQUILLA: All right. Good. I mean, if we could work with Commissioner Tolson and the Revenue Department and maybe we could even set up a meeting with some of you folks and them to come up with what would be amenable to the Administration and Council to do something like that. I mean, I'm all in favor -- and also we'll leave this open to the call of the Chair to see after we meet together and maybe meet with the Commissioner's office to see what direction maybe we need to go, and maybe it would be something that the Administration might want to do on their own to put an RFP out.

So let's leave that up. Hopefully we could get together and maybe share information with the Commissioner's office and get on a good dialogue.

Thank you.

MR. GALE: I think all of us are supportive of trying to be a help. That's all we want to be, is a help to the process in any way we can.

COUNCILWOMAN TASCO: Thank you.

COUNCILMAN SQUILLA: That's great. We like help.

COUNCILWOMAN TASCO: Thank you very much.

Our next panel will include Sharon Humble, Linebarger Goggan Blair and Sampson, and Michael McCabe.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Sharon, if you could kind of briefly -- we know you, what you've done. Don't give us the whole cow. We know it's beef. We have another hearing scheduled. We don't mean to shortchange you, but --

MS. HUMBLE: Sure. I understand.

My name is Sharon Humble. I'm Managing Partner of Linebarger Goggan Blair and Sampson here in Philadelphia. I serve as the lead counsel for our contracts with the City and I've been an equity partner with my law firm for 14 years of the 24 years that I have been with the firm.

I am here today to testify on the collection of the delinquent taxes owed to the City of Philadelphia and the use of third-party collection agencies, and I want to attempt to explore the larger efforts by the City, and my testimony focuses on our work to maximize the revenue collections for the City and the School District, our work collecting the City's real estate tax claims that were sold in the 1997 Philadelphia tax lien securitization, and our experience and perspective with the sale of tax liens.

One thing I did want to be clear about is, I know we've spoken many times with all the different Councilmembers, different members of the Administration, working very hard to consider all the different options for increasing and improving tax collections and implementing what we can every time that we get the new good ideas and every time a new program comes in place. So we welcome all of the interests and all the opportunities to help, and I am thrilled to be participating in today's hearing.

Our firm's primary focus is maximizing the revenue collections for public-sector clients while delivering excellent customer service to the constituents. Linebarger is a national leader in the collection services for governments. We collect a variety of receivables for over 2,200 local, state, and federal government clients, including delinquent real estate taxes, delinquent business personal property taxes, fees, fines, service charges, tolls, and other miscellaneous receivables.

One thing I want to state is that in our other cities where we collect delinquent real estate taxes where the tax liens are not sold, we have 97, 98, 99 percent collection rate. So that is without selling the tax liens, and what that involved was the backlog was worked, and once it was worked, it brought everybody current and they've been able to stay mostly that way.

Linebarger represents clients in 21 states and serves our clients from 43 offices across the country, including in Philadelphia. We collect over one billion every year for our clients. We offer the City of Philadelphia three and a half decades of collection experience, including over 17 years in our Philadelphia office.

We developed collection programs customized to each client, and we've invested over $60 million in our technology advances over the years. We have technology and call center offices in Harrisburg, Chicago, Denver, San Antonio, Houston, and Dublin, Ohio.

We are also very proud of our ethical record, which is unfortunately all too rare in the collection industry. We've never had a judgment levied against us for violating collection laws or regulations. No client has ever terminated a contract with our firm due to inappropriate collection activities. And we credit our outstanding record to daily attorney oversight and involvement, rigorous ongoing training, and detailed recordkeeping and account management.

We have exceptional resources for successful management of the City's collection projects. Nationwide, we have over 1,200 employees, including 250 highly trained collection staff, 130 information technology professionals, and 100 attorneys. We are committed to hiring the best people and providing them with the best technology to generate higher liquidation rates for our clients.

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Locally, we employ 34 people in our Philadelphia office.

Our Philadelphia office has provided collection services in the City since 1997. Our work started with the Philadelphia Authority for Industrial Development's tax lien securitization in which 33,000 delinquent real estate tax claims comprised of 250,000 tax liens originally owing approximately $105 million in real estate taxes assessed by the City and School District of Philadelphia but discounted for sale to $75 million were sold into a trust for the bondholders investing in the bond issued. In the securitization, the City could receive some money up front for its tax liens while the actual collection work on the tax liens occurred over time. This Wall Street transaction was insured by Municipal Bond Insurance Agency, MBIA. However, because a large number of the accounts in the portfolio were secured by properties that were vacant, abandoned or whose tax liens exceeded their market values, it has required a great deal of foreclosure work to take almost half of the portfolio through foreclosure Sheriff's Sale in order to realize the revenues secured by the tax liens. In fact, we are still working through this portfolio taking properties to Sheriff's Sale and we are still administering payment plan agreements for low-income taxpayers whose accounts were included in the transaction. We are proud to be providing this service because this is the core of our legal practice. But we do not think that at the beginning of the transaction anyone - the City, the trustee, MBIA, the bond investors, the investment bankers, Wall Street - thought the collections would still be going on 17 years later. But we did, because these properties were very long delinquent and in many cases were occupied by people who could not afford to pay the taxes all at once. Moreover, the market for these properties at Sheriff's Sale, sold in greater volumes to bring the revenues in at a much more rapid pace, did not yet exist. As part of our work in the tax lien securitization, we spent significant resources to provide media support, publicity, and extensive advertising to spur awareness for the need to pay taxes and to create interest in the acquisition of these properties. We saw attendance at Sheriff's Sales go up approximately from 30 bidders in the small room each month to over 800 bidders in the ballroom each month. To date, we have filed over 13,200 civil tax actions, sold over 9,000 properties, and collected over $100 million for the tax lien securitization portfolio.

We have also represented the City directly in the collection of the delinquent real estate taxes since 2004. To date, we have collected over $238 million for the City and School District of Philadelphia. We have achieved these results through mass and specialized mailings of collection letters, telephone calling, in-person meetings, payment plan agreements, the filing and prosecution of foreclosure lawsuit filings, defending the City's tax claims at Tax Review Board hearings, handling appeals from the Tax Review Board and the Court of Common Pleas, tracking the status of properties sidelined from collections by bankruptcy filings, and taking properties through Sheriff's Sale.

Our office is located in the heart of Center City two blocks from City Hall. Our team provides personal attention to taxpayers and their representatives. We also maintain an Express Taxpayer Assistance Office conveniently located in the SEPTA Concourse for making payments or seeking help to resolve accounts. This was an innovation of ours, together with the Law Department, and it is now a national model for constituent service in urban environments.

The best way to understand this process is for us to lay out the steps that go into a typical collection case, although few cases are ever typical. We start by mailing letters to the delinquent taxpayers to notify them that we represent the City and School District of Philadelphia in the collection of delinquent taxes. The letter campaigns are accompanied by telephone calling campaigns. We seek to get the taxpayers to pay in full or enter into payment plan agreements. Our first mailings to the taxpayers and periodic mailings through the years include copies of our Taxpayer Assistance Brochures, which we developed for the use in Philadelphia and which we are proud are copied by our competitors, sometimes literally. A copy of our Taxpayer Assistance Brochure is provided to you with your packet.

All of our mailings include a

detailed delinquent tax statement showing the full amounts due, a payment coupon, and an envelope for mailing in the payment.

We keep the pressure on the taxpayers about their obligations, mailing and calling them on a regular basis to get them to start paying and to keep them making their payments when they are in long-term agreements and tempted to stop paying. We provide a great deal of taxpayer assistance in providing account research and helping taxpayers track and understand the application of their past payments to their accounts. Since 2008 in Philadelphia, we have mailed over 803,000 collection letters and made more than 207,562 telephone collection calls.

If we cannot find or locate taxpayers, such as when the mail sent to them is returned as undeliverable to us or if we cannot get a phone number for them, we conduct skip-tracing to try to locate updated addresses, new owners, and telephone numbers for the taxpayers. But not all record owners can be located. Approximately one-third of our portfolio of accounts owing over $62 million from the City is comprised of accounts for which there is no good address or phone number to reach the owner. This indicates that the properties are vacant or abandoned and no one could be found to pay the taxes. The only way to realize the tax revenues from these accounts is to sell them at Sheriff's Sale. In many cases, these accounts represent the vacant lots, dilapidated structures, and substandard buildings that are the target subjects for acquisition by the City's new Land Bank, the City's Redevelopment Authority, the blight remediation non-profits and for-profit companies, and the community garden activists.

In many cases the neighbors want to acquire the properties to use them for off-street parking or side yards, but they don't have to, because if the property is not easily developed, nobody is going to bid on it and they can continue to use it for free. In other cases, depending on the all-important factor of location, developers want the properties for their land assemblage goals. Because these properties do have substantial market-rate prospects, in our experience, the tax liens for these accounts are not the ones that the tax lien buyers or the tax lien sale advocates are pushing for the City to sell to them.

The real property taxes for properties in their first seven to ten years of delinquency, occupied residential properties, and rental properties, both commercial and residential, are almost always 100 percent collectible once legal enforcement action is timely referred to collection and undertaken, because their lien-to-value ratios usually have not yet grown to the point where the amounts of the liens exceed the values of the properties.

COUNCILWOMAN TASCO: Sharon?

MS. HUMBLE: Yes, ma'am.

COUNCILWOMAN TASCO: Are you going to take us through all these pages? Please, could you just please try and summarize what you think we might be able to do to increase our property taxes.

MS. HUMBLE: I think we're doing it. I think if the City were to invest some more money in opening up the capability for the courts and the Sheriff's Office to handle more foreclosures, that would work, but there are certain policies that necessarily limit what we can do. And the City has invested a great deal of time and expense already to provide these policy decisions, whether it's on the payment plan agreements or the recent City legislation aimed at providing the financial relief for the low-income taxpayers, the OOPPA agreements, for example, the Owner-Occupied Payment Plan Agreements.

COUNCILWOMAN TASCO: Well, this is a resolution to discuss and not to pass any legislation to change what we're doing right now or enhance it. So what I'd like to do is have your testimony, all of it will be part of the record. So if we get to that point where there's future discussion, then Councilman Squilla -- there is no bill now. There's no bill. This is just a discussion, like we would have had in the Caucus Room, but we made it a public discussion.

So we will have all of this information. I do have a hearing here and people are waiting, and since we're pretty much familiar with your process and it's not here to cast any dispersions or blame anybody for anything, it's just a discussion to see how maybe things can be enhanced. So once you read material that's come today, you hear from the

Commissioner, then we'll have further discussion on this.

MS. HUMBLE: That sounds good to us. I mean, there was a lot of discussion with the panel before us regarding the 1997 tax lien securitization. There's a lot of criticism of it but, quite frankly, I think in the room probably I'm the person who knows the most about what happened with that securitization, and I think some of the information provided was incorrect and at some point we would like the ability to --

COUNCILWOMAN TASCO: Well, what you'd like to do, if you want to read the testimony today and respond to it and correct, you have a right to send that to us.

MS. HUMBLE: Okay.

COUNCILMAN SQUILLA: And we plan to have another hearing --

COUNCILWOMAN TASCO: We'll have another hearing.

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COUNCILMAN SQUILLA: -- on this before anything is introduced.

I just have two quick questions. How many properties do you have left still from that?

MS. HUMBLE: I am not permitted to disclose that publicly because it's still confidential information, as goes the tax lien securitization. I can let you know as the City, but I can't disclose it publicly.

COUNCILMAN SQUILLA: Can you say how many you got?

MS. HUMBLE: Originally there was 33,000 accounts in the tax lien securitization and there were two other servicers hired. One went out of business within a year and a half, two years of the entire program. A tax lien buyer went out of business. And approximately a year after that the other one went out of business as well. So all of the remaining tax liens were transferred to our firm to continue handling the servicers.

COUNCILMAN SQUILLA: So what was the total number, all of those?

MS. HUMBLE: Thirty-three thousand.

COUNCILMAN SQUILLA: So you have less than that now.

MS. HUMBLE: We have less than that. We sold 9,000 of those at Sheriff's Sale. That will give you an indication of how many had to be sold.

COUNCILMAN SQUILLA: Okay. All right. And so there's still some more out there, obviously.

MS. HUMBLE: Yes. Yes.

COUNCILMAN SQUILLA: All right. Thank you.

COUNCILWOMAN TASCO: We appreciate you for your service and your hard work and what you've done so far.

Do you want to testify and summarize your testimony, sir? Do you want to testify?

MR. McCABE: Yes. I'll do my

best, Chairwoman Tasco.

COUNCILWOMAN TASCO: Excuse me. Councilwoman Blackwell has some comments to make.

COUNCILWOMAN BLACKWELL: I wanted to thank Ms. Humble, because we've been working with her for many, many years. And not only has she been always responsive when it comes to constituents and people problems, albeit it is her job to deal with this on the other side of the fence, but she's always been responsive, and even when we have issues with homeless people, she's been there, her organization has been there, and we want to say thank you.

MS. HUMBLE: Thank you. You're welcome.

COUNCILWOMAN TASCO: Thank you very much.

You want to proceed.

MR. McCABE: You're welcome. Thanks for the opportunity to testify today. My name is Michael McCabe. I'm a shareholder with GRB Law, a Pennsylvania law firm in existence for more than 100 years. Our Philadelphia office is located at 1425 Spruce Street. My wife and I, we also maintain a residence at 1425 Locust Street.

Mandy Scott, one of our shareholders, is here. George Baker is in the audience, who is our attorney in Philadelphia who manages our litigation side and tends and handle the Sheriff Sales each month, and our law firm partners, Denise Smyler and Wadud Ahmad are also here. Denise's firm helps us significantly in our civil tax action hearings, Tax Review Board hearings, and doing a lot of work behind the scenes to locate taxpayers and provide skip-tracing services for us.

GRB Law represents a significant number of public-sector clients in a variety of legal matters, including the collection of delinquent real estate taxes and municipal claims

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pursuant to the Pennsylvania Municipal Claim and Tax Lien Law, which is the same law that is followed by Philadelphia.

In 2003 and 2004, I was asked to draft legislation to permit municipalities, including Philadelphia, to be able to recover their attorney fees and costs of collection and expenses as part of their delinquent claim. These laws permit GRB Law to provide collection services to Philadelphia on a contingent fee basis. The delinquent taxpayer pays our fees. We advance all expenses. We are compensated only if we collect. Thus, our collection of delinquent taxes for Philadelphia is provided without any expense to the City.

We also assist our clients in collecting a variety of other municipal claims and taxes as well. We represent more than 150 municipalities and school districts in tax and municipal claim collection matters, including the four largest taxing bodies in Pennsylvania -

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Philadelphia, Allegheny County, Pittsburgh, and the Pittsburgh School District. We have handled tens of thousands of civil tax actions and Sheriff Sales. We have also advised Allegheny County in several tax lien sales, which the county did, as well as a more recent tax receivable transaction, which was a lot more creative and a lot less disruptive on the taxpayers.

GRB Law was selected to represent the City of Philadelphia in September 2009. Amnesty followed us right after we started. So for a period of time, the accounts were removed while amnesty was taking place, and then in April of 2011, the accounts were re-referred back to us. Since then, there has been significant meaningful changes in the manner in which outside counsel is used in the collection of delinquent real estate taxes.

Attached to the testimony I submitted, there are two charts. One of them deals with our delinquent collections by fiscal year and month and the other deals with the past due collections.

Earlier Commissioner Tolson testified as to the City's efforts to take first-year past due taxpayers before they become delinquent and made calls. So we also provide those services for the City in addition to the delinquent services we provide.

I refer you to the delinquent collection totals by month and by fiscal year. Our delinquent collections for the 2013-2014 fiscal year were approximately $34 million. That was $14 million more than the prior fiscal year. Already in this fiscal year we have collected more than $12,500,000 in delinquent real estate taxes. Presently, we're more than $2.5 million ahead for the same quarter of last fiscal year. So things continue to increase. Things continue to get better, which is certainly consistent

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with Commissioner Tolson's testimony as well.

On the past due collections, I have some statistics here. You can read them, but essentially we've collected tens of millions of dollars over the last three years. This program was started in 2012, and it shows that there's been certainly a lot of progress made in keeping past due taxpayers from becoming delinquent taxpayers. By staying in constant contact with taxpayers, these call campaigns have expedited revenue collection and reduced the number of single-year tax delinquents.

At the same time, our delinquent collection efforts have focused on both short term, those delinquencies that are within three years, but also a significant number of our efforts have been placed going after longer term delinquency properties against some of those long-term delinquent lien properties and getting them back on the tax rolls.

I will add too as far as analytics go, we just don't take things for chance. We do something called our due diligence process. We do look at lien-to-value ratios on properties. We do look at the value of properties in certain neighborhoods, what properties are selling for.

Recently, there was an article about gentrification. There were several articles that appeared in the paper, and it was interesting that Kevin Gillen had given some statistics in that article about some of the rental areas in Philadelphia where a lot of properties are renting and a lot of properties are being developed. We looked at every one of those ten zip codes, because that was the kind of thing that we do, to see how we're doing in those areas, because we had targeted most of those areas to collect. We had very few properties within those areas that we had not already pursued either by collection notices, letters, phone calls, and many Sheriff Sale actions which were started against some of those properties as well. So this ongoing due diligence is what we do to try to find the most collectible accounts, get properties back on the tax rolls. Some of them are easy. Some of them you look at and you say it's a several hundred thousand dollar property with a few thousand dollars worth of taxes. Some of them have 15 to 20 years of delinquency, but we find they're in an area that's developing, we can sell them and recover some of the taxes for the City.

Since July 2011, GRB collected $71 million in delinquent real estate taxes and $42.5 million in past due real estate taxes, resulting in total collections of $113,500,000. That number does not even include the Sheriff Sale proceeds due to the Sheriff or held by the Sheriff and awaiting collection. So

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we sell properties at sale. The bidder pays their money. A lot of times it takes the Sheriff through their processes several months to get the money out to the City. So there's another $3.5 million right now that should be coming over the next few months in collections that we've already made.

At the end of the 2013-2014 fiscal year, I was asked by the Law Department's tax chair, Dan Cantu-Hertzler, to explain reasons for the significant improvement in GRB Law collections on behalf of the City. In response, I included the following:

Number one, since the end of tax amnesty, we have had considerable time to ramp up collections and enforcement proceedings without interruption, which has gradually led to our current performance. You just can't start collecting on day one and have amazing results. It takes a significant amount of time not only getting the notices out, getting people on payment plans, making follow-up phone calls, bringing foreclosure actions where they're necessary, and after months and months of that, finally you start to gain momentum and the money starts to come in.

GRB and the City negotiated changes to our provider agreement to increase administrative and collection efficiencies for both the City and GRB. As a result, more staff time is devoted to collecting taxes. Invoices are being paid on a predictable regular basis, which put us in a position that we could increase staff, lease additional space, and advance considerable out-of-pocket expenses necessary to maintain the significant numbers of Sheriff Sale petitions we file each month.

Number three, we have added four full-time attorneys to our Philadelphia office. We have more than tripled our dedicated Philadelphia staff over the past three years, and we have leased 50 percent more contiguous office space in Philadelphia. Each of our Philadelphia attorneys has considerable experience representing Philadelphia in delinquent tax collection matters. All of our Pittsburgh attorneys supporting Philadelphia have years of dedicated experience in past due and delinquent tax and municipal claim collection in Pennsylvania. We have two separate call centers, delinquent and past due, dedicated to Philadelphia collections only.

COUNCILWOMAN TASCO: I think you're going to repeat some of the stuff that Sharon said. We do have your testimony, which will become part of the official record. And, again, this is just a discussion. It doesn't question anybody's performance.

MR. McCABE: No. Believe me, I do understand that.

COUNCILWOMAN TASCO: So we're going to have to terminate this hearing, because I do have other people waiting for the next hearing. But we do -- one of the things I do appreciate about your firm is the diversity of staff and your subcontractors, and we do appreciate that, because Philadelphia is very much concerned about diversity of participation in contracts that we have. And we appreciate that.

MS. HUMBLE: You're welcome.

MR. McCABE: Thank you very much. If you could please read the balance of the testimony if you'd like. I had some additional points. But I would add just one last point, is that there are a significant number of poor taxpayers in Philadelphia. We presently have over 5,400 active payment plans. Thirteen hundred plus are under the new Owner-Occupied Payment Plan Agreements. We do work with those taxpayers every day. It's a very daunting experience to have to deal with this to begin with, and through the compassion and help of our staff, we're able to get people that would never come forward onto these longer term Owner-Occupied Payment Plan Agreements, which is significant. I mean, it's saving a lot of people's properties.

And I would also say one last point is that we do talk about Sheriff Sales a lot. There are a significant number of taxpayers who don't respond to collection notices and don't respond to phone calls. So we're forced to have to bring a legal action against them, but what we found is, the Sheriff Sale process ends up being our best collection tool. We bring properties to sale in upwards of more than 500 new Sheriff Sale petitions a month, and an overwhelming majority of those individuals get on payment plans or pay in full far before the actual Sheriff Sale happens. So it's a great collection tool. But when you hear foreclosure, it doesn't always mean that we're selling a property or putting somebody out of their property.

So with that, I thank you for the opportunity.

COUNCILWOMAN TASCO: We thank you both for the opportunity.

Thank all of you who have come out today to participate in this hearing. I'm sorry that we are pressed for time, which sometimes we're pressed for time, not only today but for the ending of our Calendar. So our hearing schedule is pretty clogged. So something like this takes a while to discuss. The sponsor of this resolution will proceed to do whatever he --

COUNCILMAN SQUILLA: We're going to leave it to the call of the Chair for future hearings. And, again, I do appreciate both of you guys, knowing that what you do and communication with our staff is so necessary, and thank you for all of the work, and hopefully we work together, work with the Commissioner and the Revenue Department into making this even a bigger and better process for our tax collections.

Thank you.

MS. HUMBLE: Thank you.

COUNCILWOMAN BLACKWELL: I agree.

COUNCILWOMAN TASCO: Thank you very much.

This Committee is recessed to the call of the Chair. Thank you.

(Committee on Finance recessed at 1:40 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, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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