COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, November 1, 2017
10:20 a.m.

PRESENT:
COUNCILWOMAN JANNIE L. BLACKWELL, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILMAN ALLAN DOMB
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN DAVID OH
COUNCILWOMAN CHERELLE L. PARKER
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILLS 160111, 170717, and 170878

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COUNCILWOMAN BLACKWELL: Good morning. Let me thank everyone for coming. We'll call to order the Committee on Finance.

We had three bills. We were planning to hear Bill No. 170717, sustainable business with Councilwoman Sanchez, who we'll call on for remarks before we begin and the Revenue Commissioner. First Deputy Revenue Commissioner Marisa Waxman can sit at the table. And then Bill No. 170878, an amendment to the home loan program by Councilwoman Cherelle Parker and Council President Darrell Clarke.

Before we do those, many of you know we were due to hear today Bill No. 160111, which is my bill with regard to parking amnesty. Now, we tried to get word out. I understand there are many people. People who were here on that bill, would you stand.

(Audience members standing.)

COUNCILWOMAN BLACKWELL: Now,

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Committee, I want you to hear how much we need this bill. All these people came. I went on radio, sent notices out, told people, had the Mayor send notices out. They did not get it, and all of these people here -- and you see one of them is head of the Guardian Civic League. She promised me she'd be here. These are people who know we have real problems with our Parking Authority, and they need some help.

The majority of the people who are here, for those who cannot see it, who are home or in their offices, are people with regard to the parking bill.

Now, I called the Mayor's Office when they started coming to my office this morning, and I said you either send somebody up to have this -- to help all of these people with their issues or we'll be forced to after this have this hearing. We cannot disrespect people who already feel victimized. One of these people had traffic issues going

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back to 1996 in the amount of $10,000 and whose car was taken. We want this straightened out today. We want these issues straightened out today.

So we have asked the Mayor to send somebody here to help everybody here with traffic issues this day, and we are waiting for them to send somebody up to make sure all of you are satisfied with the answer.

Now, to members of the Committee, we're still having the hearing. I've been getting so many calls and so much information, even from the inside, that I said let me hold off the hearing and have all the information possible that's available to try to help everybody citywide. We have so much information coming in that I thought it would be better, because of course the Administration doesn't want to let it go. They use the schools, as they do for every, every, everything, and say how much it will be helpful when they know we haven't had this before. So they don't know what it hurts, and there's no information that I have in hand today, because this hasn't happened before. So they can't say who it hurts or anything like that.

But I'm saying again to the Administration, we need you to send somebody up to help all of these people who are here this morning. If you don't send somebody up then before we leave, we'll be forced to -- maybe we'll have this hearing anyway. We will begin it so that we force help for all the individuals here today who need help.

I've had people who tell me, I live in a certain neighborhood with my girlfriend, they don't come to my neighborhood, but when I hang out at West Philly, you know, close to 52nd and Market, I see them tow stickers all the time.

There's so many nightmares. I know I parked near Penns Landing for an affair this summer. Did not -- this is my City car. I had two signs in the window. Did not see a no parking here to corner, but got out and got those machines and got a ticket, put it in the window. I was only there about 15 minutes. When I came back, not only did I have a ticket on the car, which I understood because I wasn't supposed to be there, but they were getting ready -- I had a big orange tow sign, you know. I don't know any elected official -- I met with the State Rep today who said he was on -- the clock had just moved. He was one minute, and how he went and got a ticket.

I mean, people in our city feel harassed by the Parking Authority, and that's not right. You know, collecting money is one thing. Having the public feel harassed by the Parking Authority is another. And picking on certain neighborhoods and certain people is still another.

So we are serious about this. So, Administration, we are waiting for you to send someone up right now. And certainly let me know when you are here so that I know.

So these people, I'm going to call on you again. I'll start another hearing, another bill, and I'm going to call on you again to make sure that all of you are satisfied. Okay? And thank you so much, Guardian Civic League. We thank you.

MS. BILAL: May I?

COUNCILWOMAN BLACKWELL: Yes.

MS. BILAL: Thank y'all for coming.

(Witness approached witness table.)

COUNCILWOMAN BLACKWELL: And identify yourself so they all know who you are.

MS. BILAL: Rochelle Bilal, President of the Guardian Civic League.

I stood outside the Parking

Authority yesterday for two hours.

How many of y'all saw me out there?

(Audience members raised hands.)

MS. BILAL: They told me I couldn't stand out there. Then they came back and told me I couldn't give out paraphernalia. That's what the guard inside, he don't know the difference between paper and paraphernalia. That shows me a problem right there. Then they said I need to stand 25 feet away. I told them call the police, lock me up.

None of these people knew about this hearing today other than me giving out the paperwork for two hours, from 8:15 to 10:45 yesterday outside the Parking Authority. So whoever gave out information about this hearing, it did not get to the people of Germantown, North Philly, West Philly, Southwest Philly. It did not get to the people that need it. Your constituents did not

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get the information. I stood out there.

It's a problem with the Parking Authority.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Ms. Bilal. Thank you for being out there. We appreciate you being here, taking that time yesterday. We appreciate everybody who is here. People have to pay for parking. People have to pay for car fare. It's not easy -- it's not even easy to get around, and that lousy -- this Chestnut Street thing I agreed to do, that was a mistake. You can't even get down Chestnut Street, and that's an issue as well.

I'm going to call on Councilman Oh before we talk about who is here to speak to help them.

COUNCILMAN OH: I just wanted to agree with you, Councilwoman, and I also wanted to say that we had a Committee hearing about taking back the power and control of the Parking Authority, which is really a department

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of the City and has been taken over, I believe unconstitutionally and illegally, by the state, and every day the state gets more and more influence in our Parking Authority. And perhaps if there is not an adequate response to your call on our City government and the Parking Authority to respond to what appears to be selective enforcement in certain neighborhoods, we should revisit taking back that Parking Authority and having the people decide.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you. Thank you. Very important.

Yes, sir.

MR. WILLIAMS: Yes. I'm here this afternoon --

COUNCILWOMAN BLACKWELL: You have to pull the mic close and you have say your name.

MR. WILLIAMS: Can you hear me? How's that? Okay. I'm here because --

COUNCILWOMAN BLACKWELL: What's

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your name, sir?

MR. WILLIAMS: My name is Louis Williams. I have been picketing the Parking Authority down on 913 for four weeks now.

COUNCILWOMAN BLACKWELL: You said picketing?

MR. WILLIAMS: Yes. I had a sign that reads the Philadelphia Parking Authority is a disgrace to the business profession and it needs to change.

The reason I started picketing the Parking Authority is because I owned a 1992 Corvette that was not boot eligible, that the Parking Authority came in and towed my car and went back to the year of 1975, said I owed them $9,000, 42 years ago. So upon that, I went down to Traffic Court, and I went to Traffic Court and I told them, I said, Well, look, I'm on Social Security. I get about $600 a month, and that's my only income that I have right now. They gave me a payment plan of $5,000 down and $400

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a month. I went there twice.

So from there, I came to -- I called City Council and I said, Well, somebody got to be able to do something about this Parking Authority. So what happened when I called, I talked to a gentleman. He said -- I had another vehicle that had three tickets, because with three tickets you can get towed, so I was on a payment plan. So when I told the gentleman what happened to me, he said, Well, the only thing I can tell you, if you have another vehicle, you better get that out your name, because the Parking Authority can come and tow that as well.

So then I said, Well, I don't have $9,000, which the Corvette was a classic, and the Corvette was worth about $20,000.

To get to the meat of it, the Parking Authority charged me $35 a day for storage for a month, and they wind up selling my Corvette. So when I called them up, I said, Well, how much did you sell my Corvette for? The Corvette was -- I mean, that was my pet. They sold that car for $2,400, and there's no way in the world -- I have no legitimate, nothing to back this up. But there's nobody in their right mind is going to sell a Corvette in mint condition for $2,400. You understand?

And so I said the only recourse I could have was go down to the Parking Authority and picket them. So doing that, I managed -- I was getting signatures. I got about 200 signatures here. The people that was pulling in that Parking Authority -- and it's not a racial issue, but the majority of those people, 95 percent, the ones that I saw coming in, was people of color. Not only that, the women that I've seen, the people that was sitting down there was stressed out, crying, because the Parking Authority had booted their cars, sold their vehicle. They couldn't get to work. They couldn't take their babies to the babysitter.

It's a disgrace, man. And I'm not against -- pay your ticket. We're going back 42 years. One guy I even seen, he went to the bank because he had two cars. His wife have to go to work. The Parking Authority threatened to -- in other words, if you have anything under your name, they can tow it. Because they was threatening to take his car and his wife car, he went to the bank, took out a $10,000 loan -- I saw it -- and went in and gave the Parking Authority $6,000 cash and made a payment arrangement to pay them another 2,000.

Now, if you're going to make a payment plan, as they did me, how are you going to make me or give me a payment plan for $5,000 down and $400 a month on a $600 a month income? I said I couldn't pay that if you told me you was going to give me $200 a month, just $200 a month.

If you're going to give

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somebody a payment plan, a payment plan to me making $600 should be based on my income. But that was total extortion to take my vehicle that was not boot eligible and tell me -- going to go back 42 years to 1975 and tell me to give you $9,000 and you're going to sell my car, which they did. And everybody that came by -- I was there just taking these numbers, and let you know I'm here, but I'm here to represent about 250 other people that signed this petition that just feel as though, which it is, the Parking Authority, it's just wrong. It's just wrong. Something needs to be done for the people here in Philadelphia with that Parking Authority.

Thank you for hearing what I have to say.

COUNCILWOMAN BLACKWELL: Thank you very much.

(Applause.)

COUNCILWOMAN BLACKWELL: I'm going to ask you to let the

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Sergeant-of-Arms make a copy of your petition, if you would.

And I'm going to ask, Mr. Connors, would you come in so they can see you.

The Administration has sent up Mr. Jerry Connors, who is the Director of the Bureau of Administrative Adjudication at the Parking Authority. This gentleman will meet you across the hall in the Caucus Room and will try to work this out, including yours.

So I will come back. As soon as we hear these two bills, we'll come back.

So we're saying, Mayor's Office and Mr. Connors, that -- we want to make sure you hear us. Mr. Alexander, we want to make sure that these people have agreements asking somebody to put thousands of dollars down. I couldn't, and I earn a good salary.

So we are asking that people be treated fairly. Rochelle maybe can go over there and help us and listen in and make sure that these people -- and then they can come back if they're not satisfied.

What's your opinion?

MS. BILAL: Rochelle Bilal.

We understood that there was going to be a hearing today on a bill you submitted so that you can hear from the people in reference to what they're going through. We don't want to talk to an administrator that ain't going to do nothing but give us lip service.

There's a bill. People are here to express how they feel and what they're going through so that this bill can be voted out of Committee and on the floor.

We don't want to hear from what -- they're going to give us what they're giving them down at the Parking Authority. Unless he could come in here today and say we're going to put an amnesty bill, all tickets over three

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years are going to be out, we don't want to talk to them. We don't want to go back and forth with them about this.

We understood -- and this is what I understood and what everybody else understood, those 250 signatures, and when I bring back mine that I got, it's a lot more than that. All they going to do is give us a bunch of lip service, and we sick of lip service.

COUNCILWOMAN BLACKWELL: All right. We're happy to hold up any agreements. I did not want -- I was the one who asked that we continue it, because I was getting so much more information that I thought might help people from the inside that I thought we ought to continue it, but before this day -- before our hearing is over, we'll ask my staff to check with the Chief Clerk to get our new date. We will try to make it right away. And we'll hold up for our new date, and we don't have to make any agreements then. We're happy to

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take your advice and come back. Can all of you come back one more time? And I apologize for pulling you out.

MS. BILAL: There's going to be one more thing here. They're going up and down people's houses running all the tags, putting boots, and no sooner did they put that boot on, 15 minutes later they're towing they cars. Unless they going to stop that nonsense until the hearing is met, we going to have a problem up here in City Council, because that's what they doing every single day. They in Germantown, they in North Philly, they in East Mount Airy, they in West Mount Airy. They ain't touching South Philly. I ain't seen nobody down there. I ain't seen nobody up Northeast.

Until there's a moratorium to stop the nonsense now until there's a hearing and a decision, we going to have a problem.

COUNCILWOMAN BLACKWELL: All right.

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Mayor's representative, you've heard the request, that this daily onslaught to various communities by these towing squads stop until we have our hearing. I'm willing to schedule the hearing like -- what day is this? I'm willing to schedule a hearing next week.

You want to check on it and get back to us while we're still in a hearing?

MR. ALEXANDER: Yes.

COUNCILWOMAN BLACKWELL: Okay. Give us maybe a half hour and we'll answer that. Okay? Thank you. Thank you, Ms. Bilal.

All right. Now we're going to go to Maria Quinones-Sanchez, who introduced Bill No. 170717. We will call on her for comments and then hear testimony.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair, and thank you for your due diligence on this PPA matter.

I want to thank you and the

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members of the Finance Committee. In 2016, I introduced a package of tax incentives to promote the growth of sustainable businesses, particularly small businesses, in order to establish Philadelphia as the B capital of the world.

Benefits corporations are extremely important, tend to promote women-owned businesses, home-based businesses, and provide living wage jobs.

B Corps are certified by the Mayor's Office of Sustainability because they invest in the triple bottom line, people, planet, and profit, for the benefit of our city. They provide the family-sustaining jobs. They ensure opportunities to women and minorities at executive positions, and they give back to the Philadelphia community.

The Sustainable Jumpstart Tax Credit exempts new sustainable businesses from Income and Receipts Tax liability for up to three years. Today's

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legislation aligns with the existing tax incentive programs, including Jumpstart and Job Creation Tax Credits, to exempt not only Business Income and Receipts liability, but also Net Profits Tax liability, and it goes in line with all of our other business tax reform initiatives.

The amendment I am introducing gives the Department of Revenue the discretion to grant some or all of the credit to businesses that fall and meet the credit's employment requirements in the event of unforeseen circumstances.

I want to particularly thank Frank Breslin and Marisa Waxman from the Department of Revenue for ensuring this program operates as a powerful incentive for businesses that do good by our city.

I'm happy to answer any questions from my colleagues, and I ask for your support.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank

you. Thank you.

We're ready for you -- anybody else want to comment?

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Madam Chair, I'd be pleased to comment after the testimony.

COUNCILWOMAN BLACKWELL: Thank you.

COMMISSIONER BRESLIN: Good morning, Councilwoman Blackwell and members of the Committee on Finance. My name is Frank Breslin. I'm the Revenue Commissioner. I'm here today to present testimony --

COUNCILWOMAN BLACKWELL: Pull your mic up a little bit.

COMMISSIONER BRESLIN: Sure.

COUNCILWOMAN BLACKWELL: I'm sorry. Excuse me. I've forgotten. We didn't read the title of the bill.

Thank you, Clerk. Please read the title of the bill.

THE CLERK: 170717, an

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ordinance amending Chapter 19-4200 of The Philadelphia Code, entitled "New Sustainable Businesses," to expand the tax relief offered to such businesses, and to make technical corrections, all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

We also note we do have a quorum. To my left, Councilman Greenlee. To his left, Councilwoman Parker. To her left, Councilwoman Reynolds Brown. To my right, Councilman David Oh, and to his right, Councilman Allan Domb.

Thank you very much. Thank you. Please continue.

COMMISSIONER BRESLIN: Good morning, Councilwoman Blackwell and members of the Committee on Finance. My name is Frank Breslin. I am Revenue Commissioner. I am here today to present testimony in support of Bill 170717 with anticipated amendments. This bill was introduced by Councilwoman

Quinones-Sanchez to expand the new Sustainable Business Tax Credit to include three years of tax relief for the Net Profits Tax in addition to the Business Income and Receipts Tax. To more easily market the program, it will be popularly referred to as the Sustainable Jumpstart Tax Credit.

This program, originally introduced by Councilmembers Quinones-Sanchez and Reynolds Brown, exempted new sustainable businesses from Business Income and Receipts Tax liabilities for up to three years, providing that the business employs at least two non-relatives who work in the City at least 60 percent of the time within 12 months through the business's 18-month anniversary. With the changes proposed in Bill No. 170717, these businesses will also receive the same benefit with respect to the Net Profits Tax. The expected amendments supported by the Administration would give the discretion to grant some or all of the credit to businesses that fail to meet the employment requirements due to reasons beyond their control, such as natural disasters, acts of terrorism, unforeseen industry trends or a loss of a major supplier or market. This is consistent with other tax credit programs, such as the Job Creation Tax Credit.

The Administration, including the Department of Revenue and the Office of Sustainability, look forward to the implementation of the changes in Bill No. 170717.

Thank you for the opportunity to testify, and I'm happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Yes. Thank you.

Good morning. Good morning. I

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was very, very pleased and I'm always excited to support any initiative that remotely speaks to growing a more sustainable planet, and the record should reflect that B Corps emphasize a sustainable environmental and public benefit, with an eye toward the triple bottom line of people, planet, and profit. Moreover, and for me of greater importance, is the fact that it also allows another opportunity for women and minority-owned businesses to grow sustainable charitable organizations.

With that said, can you speak to the level of success we've had already because of the B Corp from where we were prior to B Corps and those who have taken advantage of this new tax credit incentive?

COMMISSIONER BRESLIN: Right now this became effective January of '17 for the BIRT, for the Business Income and Receipts Tax. So at this point, no businesses have taken advantage of it because it will take until they file their 2017 tax returns, which will happen early next year, and then we'll see the extent of utilization of this tax.

COUNCILWOMAN BROWN: So this time next year or possibly even during budget hearings we may be able to get a reading on how well it's been taken advantage of?

COMMISSIONER BRESLIN: By that point we certainly should have an idea of the number of applicants. As was mentioned in my testimony, the application process takes place through the Office of Sustainability. Then once approved, the approved applicants come over to the Department of Revenue. So we should know that -- we definitely should have some indication early next year.

COUNCILWOMAN BROWN: So with the Office of Sustainability being the principal entity to market the program, is that to suggest that Revenue will not be doing any -- or what might Revenue be

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doing with regards to getting the word out, which too often --

COMMISSIONER BRESLIN: We'll coordinate with the Office of Sustainability. They'll obviously, through their efforts, be trying to get businesses to participate, but we do -- the Department of Revenue does significant communication about all our tax credit programs, and this will be a part of that. We go out and we talk to tax professionals. We'll start that this time of the year. We start in the fall, and we go out in preparation for tax season to make sure that tax professionals know about all of our credits and especially new credits so that they can take advantage, and that will be a part of it and we'll include it in all of our communications about tax credits.

COUNCILWOMAN BROWN: Okay. I might also suggest that you may want to seek an audience with the Sustainability

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Business Network, which is a group of businesses who care about sustainability, environmental, climate, reducing the footprint type of matters.

COMMISSIONER BRESLIN: Okay. Very good.

COUNCILWOMAN BROWN: Add that to the outreach list.

COMMISSIONER BRESLIN: Sure. We'll be sure to do that.

COUNCILWOMAN BROWN: Thank you very much.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Any other questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Okay. Seeing none, thank you very much.

We're going to go to -- you want to comment on this bill?

(Witness approached witness table.)

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COUNCILWOMAN BLACKWELL: Identify yourself again for the record, please.

MR. WILLIAMS: My name is Louis Williams.

I'd like to comment on small businesses. To my understanding, I don't know if I'm 100 percent correct or not, but banks have a lot of money to loan for businesses, and in small businesses it would also having someone that's experienced in taxes and as far as how to set up businesses, why isn't it banks -- why don't banks make it easier for a minority or a small business person to get a loan to be able to start a business and have the necessary capital to sustain a business? That's my question.

COUNCILWOMAN BLACKWELL: Thank you. Obviously we will not try to speak for the banks.

I'll take any suggestions or comments, if anyone has any.

(No response.)

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COUNCILWOMAN BLACKWELL: Thank you very much. Your comment, Mr. Williams, is part of the record, and certainly I'm sure they will see it, as will anyone else who is interested in hearing it or dealing with this bill. Thank you.

All right. Our next bill is Bill No. 170878, and we will call on -- I'm sorry. Clerk, I just keep forgetting you today, Clerk. Please read the title of the bill.

THE CLERK: 170878, an ordinance authorizing and approving the execution and delivery of a Service Agreement between the City of Philadelphia and the Philadelphia Redevelopment Authority relating to the financing of a home repair program for City homeowners; approving the issuance by such Authority of bonds, notes or other evidences of indebtedness (including reimbursement obligations related to lines or letters of credit) in

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one or more series to finance or refinance such program and authorizing and approving the obligation of the City to pay in full when due the Service Fee and other amounts payable under the Service Agreement; authorizing certain City officers to take certain actions required to issue such bonds, notes or other evidences of indebtedness; covenanting that the City will make necessary appropriations in each of the City's fiscal years to provide for, and will make timely payments of, the Service Fee and other amounts due under the Service Agreement; and authorizing City officials to take other necessary or appropriate actions to effectuate the purposes of this Ordinance; all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair recognizes Councilwoman Cherelle Parker. And while she is commenting, certainly we ask the

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City Treasurer and the Executive Director of RDA, Ms. Johnson and Mr. Heller, to come forward. Thank you.

(Witnesses approached witness table.)

COUNCILWOMAN PARKER: Thank you, Madam Chair. I just wanted to provide some background information for those who may not be familiar with this bill.

Last year, under the leadership and advocacy of our Council President, Darrell Clarke, this City Council passed a small increase in the realty transfer tax that will allow us to issue $100 million in bonds. For the record, the increase was 0.1 percent.

Sixty million of that 100 million went to eliminating the massive backlog of about 8,000 people for our income-based grant repair programs, BSRP, Basic Systems Repair, Adaptive Modification, and Weatherization Assistance. And we've started to reduce

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that backlog, so a huge thanks to the efficiency of PHDC.

The remaining 40 million of the 100 million was earmarked for home repair, for a home repair loan program, and this bill essentially formalizes an agreement between the City and the Redevelopment Authority to oversee the loan program. The loan program would mean those folks who do not qualify for the grant programs because they literally make -- and you all heard me say this a thousand times -- not because they're rich, but because they usually make a nickel over the income eligibility guideline or because they don't have credit scores that are as high as the 700 or 800 that have access to an affordable loan product.

Now, for the record, I emphasize loan because these funds will be repaid so that this program can be sustainable. It must be a revolving fund or we will have failed. But if we do it

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right, homeowners across the City who have been in the margin for so long, retired, on a fixed income, in between jobs, they will be able to repair their crumbling steps, able to fix that retaining wall, get brick pointing done in order to maintain value in their most important asset, which is their home.

This will not only help individual homeowners who get the loans, but it will preserve the neighborhoods, those middle neighborhoods whose property values have been flat, and we will be able to see them rise, because people will be able to maintain those properties.

Council President Clarke, I've been joshing him lately because he always says that the best way to increase affordable housing in the City is by maintaining our existing housing stock, and nothing could be any more truthful.

Before folks get nervous who are watching and they think that the City will be acting as a fiduciary, let me just put those fears to rest. What we are proposing is that the City will not be the lender, but that will come from our financial partner institutions, and the Philadelphia Redevelopment Authority will be responsible for monitoring the activity and making sure the program runs as intended so that homeowners will not be in default.

We're still working out the details, what the credit score will be, but I am confident that this initiative will save the City money in the long run. We're going to have less blight. We're going to have fewer people going into the shelter system and emergency housing, which our Chairwoman Jannie Blackwell has been a strong advocate for, and hopefully fewer homeowners going into foreclosure from second mortgages and/or reverse mortgages.

So while the witnesses are going to lay out more intricate details,

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I wanted to provide a big picture view. And before they get out of here, and I know they're listening, I need to say this for the record, because without these staff people, we would not be here today. Herb Wetzel, Mike Koonce, Janae Mumford, Matt Stitt, Rachel Meadows, Greg Heller, all members of the working group, and I see you all sitting here. You've been working for a year and a half bandying about products and comparing and contrasting, and now I hope you are pleased that you get to see your work come to fruition. So thank you all so very much.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair recognizes Councilwoman Cindy Bass.

Sorry. You're here, and I just decided I was just going to make you comment on this bill. No; it's me. I'm just off track. Okay. Thank you.

We invite you now to testify,

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Madam Treasurer or RDA, in either order.

MS. JOHNSON: Good morning, Councilwoman Blackwell and members of the Committee of Finance. I'm Rasheia Johnson, City Treasurer for the City of Philadelphia, and with me this morning --

COUNCILWOMAN BLACKWELL: Pull your mic closer.

MS. JOHNSON: Sure. And with me this morning is Greg Heller, Executive Director of the Philadelphia Redevelopment Authority.

I'm here to testify on behalf of Bill No. 170878.

Bill No. 170878 would authorize the City to enter into a Service Agreement with the Philadelphia Redevelopment Authority to finance the City's home loan program. The bill also approves the issuance by PRA of bonds or notes in one or more series. The bonds shall be issued in an amount up to $40 million outstanding, plus related costs of issuance, credit enhancements, and discount. The bonds will be secured by the City's obligation under the Service Agreement to budget and appropriate annually amounts necessary to pay the Service Fee, which will be sufficient to pay debt service on the outstanding bonds.

The bonds will provide capital to finance the home loan program inclusive of the following programmatic costs: providing guaranties for payments to private lenders in the event of default by homeowners on loans made through the funding of a first loss fund; providing grants to private lenders on behalf of homeowners to reduce the interest rate on loans; providing grants to private lenders to reduce or eliminate fees payable by such homeowners; providing grants for home repairs; paying fees and costs of programs related to services rendered in the program; credit counseling; paying the cost of retaining one or more third-party evaluation organizations to collect data on the program.

This concludes my testimony. I am happy to answer any questions at this time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Heller.

MR. HELLER: Good morning, Councilwoman Blackwell, members of the Finance Committee. I'm Greg Heller. I'm the Director of the Philadelphia Redevelopment Authority, and I'm here to speak in support of Bill No. 170878, which is entitled Service Agreement between the City of Philadelphia and the Philadelphia Redevelopment Authority relating to the financing of a home repair program for City homeowners.

The Philadelphia Redevelopment Authority is honored to be part of this important program that will provide accessible and affordable home repair loans to low, moderate, and middle-income

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Philadelphia homeowners.

Philadelphia has a high rate of homeownership, about 52 percent, which is far above most of our peer cities. We also have an aging housing stock, with more than half of our houses built before 1950.

It is critical that homeowners have the resources to keep up their properties and to stay in their homes. However, research shows that Philadelphians are denied home repair loans at a significantly higher rate than the national average.

Through this home loan repair program, we seek to expand the pool of Philadelphia homeowners who qualify for home repair loans while ensuring that those homeowners can afford the loans and have the support they need to succeed.

In partnership with the City, the Redevelopment Authority has in the past administered an array of financial products and programs to expand access and opportunity for all Philadelphians. We look forward to the opportunity to create this new program.

For close to a year we have researched national best practices and worked with local partners and financial institutions to develop the most appropriate program based on the actual needs of Philadelphians and their real-life barriers to entry in obtaining capital.

The key characteristics of this new program include, one, create a flexible financial product that is accessible and affordable enough to expand opportunity while also ensuring that we only make loans to those who can afford them;

Two, build a public-private partnership that allows financial institutions to expand the eligibility of borrowers but where the City stays behind the scenes and facilitates a conventional relationship between borrowers and private lenders;

Three, support homeowners through program intermediaries who will provide hands-on technical assistance throughout the process, including financial counseling. I should add as part of this effort, program intermediaries will maintain a pre-approved list of contractors to ensure that contractors who are recommended to homeowners are qualified and licensed. In this way, the program will have the secondary goal of creating opportunities for a diverse array of small contractors to grow their businesses and create jobs;

Four, evaluate the program from beginning to end and set up a feedback process where we can adjust the program over time;

Five, connect compensation to the evaluation process so that the investment of public funds is contingent on the level of successful outcomes;

And, finally, six, structure the program so that it can sustain itself for as long as possible. Our goal is for this program to support the needs of Philadelphia homeowners for many years.

We believe this program will greatly expand access to capital and access to opportunity for homeowners across our city. We applaud City Council, Council President Clarke, Councilwoman Cherelle Parker for spearheading this initiative, and we look forward to partnering with you to ensure its success.

I respectfully request favorable consideration of Bill No. 170878 and would like to thank you for the opportunity to testify here today. I'd be happy to answer any questions you have at this time.

COUNCILWOMAN BLACKWELL: Thank you both very, very much. I see you have your vice there, your deputy, who works well with us too.

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Councilwoman Bass.

COUNCILWOMAN BASS: Yes. Thank you, Madam Chair.

Good morning.

(Good morning.)

COUNCILWOMAN BASS: I just wanted to really give kudos to everyone who was involved in this very important piece of legislation. Certainly thank you to you all for your work and for there being a working group to work through all of the nuances of something like this, which is so very important.

A few months ago I had the honor of visiting one of our seniors in Germantown along with the Council President, and actually we got coverage on -- CBS 3 actually came out and did a story on this particular senior, who was able to get a stair lift into her home, which probably cost somewhere between, I think, $9,000 and $12,000, which she never would have been able to afford. And so I remember her saying, as she was

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in her 80's, I believe, but I remember her saying that this gave her a new lease on life. This gave her opportunity, and she just felt revived and that she could stay in her home, she did not have to leave. And that is just critically important. You know, a lot of times we assume that when folks, when they retire, if they've done their planning right, then all they have to worry about is their utilities, the house is paid off, but a lot of times the house becomes a bit of an issue because there's deferred maintenance, and because of that deferred maintenance, you become utility poor.

And so there's a whole lot of issues that go into this assistance, but it's greatly needed, and I just really wanted to say thank you so much to everyone involved, certainly the staff and the sponsors, the bill sponsors, Councilwoman Parker and Clarke, for all of their hard work in making this happen. It's very, very important.

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Thank you.

MS. JOHNSON: Thank you.

COUNCILWOMAN BLACKWELL: Thank you, Councilwoman.

Are there other comments or questions?

MR. WILLIAMS: I have a question.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Louis. Do you spell it L-O-U-I-S?

(Witness approached witness table.)

MR. WILLIAMS: Yes, L-O-U-I-S.

COUNCILWOMAN BLACKWELL: Thank you.

MR. WILLIAMS: Hello. Louis Williams.

My question is regarding to real estate, I own a property in University City. It's a two-story property, but I'm finding out that the property, even though it's a two-story, I'm finding out that the property is

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zoned for six stories. So I'm seeing a lot of developers coming in, buying these properties for two stories, taking them up six stories. So now you took a property that's maybe worth 250,000, 300,000, now you're taking that property up to maybe a million and a half or $2 million property. So what my question is, what is the value of that property based on the fact that it's zoned for six being a two-story building, but yet it's zoned for six stories? How does that affect the value of the property, if at all?

COUNCILWOMAN BLACKWELL: Well, of course that isn't the issue we're talking about, but since you have Mr. Heller right next to you, we're going to ask him if he'll comment on it.

MR. WILLIAMS: Thank you.

COUNCILWOMAN BLACKWELL: Of course that's my area, University City, and a lot of properties are going up. It's always been a coveted area, but

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properties are going up and zoning is changing. But we'll ask him his opinion.

MR. WILLIAMS: Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

MR. HELLER: Sure. So my understanding is, the question is if there's a property that's currently two stories, but it's zoned for a higher FAR, how that affects the value of the property. So I would say assuming the property has no other encumbrances and it really can be developed as-of-right at a higher FAR, that's just a private real estate decision. So if the current owner of a property decides to sell, whoever purchases the property, you know, makes an economic decision about what they can build as-right or what they think they can get entitled, and that affects the disposition price between those parties.

COUNCILWOMAN BLACKWELL: So you're saying if it's two-story now,

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although zoned for six-story, you don't have to build it six-story if you choose not to.

MR. HELLER: No. Sure. That's correct.

COUNCILWOMAN BLACKWELL: And so maybe your owner, Mr. Williams, chose to build the two-story property, which does change its value. You don't have to build what it's allowed for. And so he didn't have to go back to Zoning.

(Mr. Williams talking without microphone.)

SERGEANT-AT-ARMS: You have to come up to the mic.

MR. WILLIAMS: That's all right.

COUNCILWOMAN BLACKWELL: Okay. Thank you. And Mr. Heller said he'll speak with you afterward as well. And you can always come to my office. That's my area.

Councilwoman Parker has a question.

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COUNCILWOMAN PARKER: Thank you, Madam Chair.

Mr. Heller, I want you to, if you will, talk about the importance of sustainability relative to this process and the development of the product. There are many programs out there that we've heard of, and you know we've been studying the pros and cons of these sort of programs across the country, but usually what has happened, when the well runs dry; that is, the pot of funds that are allocated for the program runs out in a year, usually we see the dollars gone and we can only support a very minimum number of residents, constituents.

Tell me from your perspective what makes the structure that is being discussed about this process more sustainable to some of those other programs that we've learned about.

MR. HELLER: Sure. Councilwoman, that's a good question. So one of the main considerations of this

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program is how we can use this public funding efficiently in a way that we can service a significant number of properties over a large number of years. So we are looking at various different models, and depending on which model we go with, we think that this program could potentially go for 20, 30 years, but it all depends on various components of which model and other factors and use of funds. But this is certainly not a one, two, three-year program. That's not the intention.

COUNCILWOMAN PARKER: No. I appreciate you stating that for the record, because we want to give credit to again the work group, all of those who have been involved into making sure that the issue of sustainability was the foundation of developing the program so that it is not a one-shot deal. Philadelphia has developed this program, 40 Philadelphians have the opportunity to take advantage of it and then, poof, all of the sudden it's gone and there's no more funding available. So thank you for making that note on the record. I appreciate it.

MR. HELLER: Absolutely.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any other questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: The Chair notes that Councilman Squilla is here. Thank you. And Councilman Domb as well.

Any other questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Anyone else who wants to testify on these two bills?

Oh, there is someone who wanted to testify. Thank you very much. Thank you. Good morning.

MR. ACOSTA: My name is Orlando

Acosta. I wanted to speak on 170878. I basically just wanted to iterate that my mother and their neighbors was having issues about their drive-through, their drive-through lots where the trash trucks was coming through the neighborhood and different things of that sort. So I just wanted to ask Councilwoman Parker, does that also cover that type of situation where the drive-throughs were being damaged because the City trash trucks was coming through the neighborhoods and different things like that? Because I do know that you wrote them a letter, and that's my mother's neighborhood. So basically when I found out, was talking to the neighbors, then I was, you know, constantly always working with them, and they were like very, very like literally upset. So I told them that I was going to basically find out if that basically covered that.

And I also think with this program, which is good and I thank you and Councilman Clarke for putting this together, but I also think as well as people renting properties and stuff like that, they need -- people that rent properties that's on PHA and different things like that, it needs to be an easier process for them to be a part of this being able to not only fix houses, but be able to purchase their house from HUD, different things like that.

Now, I know the City doesn't give funds for HUD, but if they can work along with HUD around this whole development program around what they're talking about with, you know, private homeowners, you know, the conversation also needs to be brought in about HUD and bringing sustainability to be able to purchase, because we have a whole lot of people that rent, but we don't have enough low-income people that own properties.

COUNCILWOMAN PARKER: Let me respond to you, and I want you to know I appreciate your comment.

For the listening audience, I want you to know I did not pay this gentleman to ask that question about driveways, but since he did, Councilwoman Blackwell -- Councilman Squilla, you know I'm happy about that, finally.

You are absolutely right. So if you've told your mother and those who live in the community where they get their trash picked up in the driveway and they've seen the actual driveway erode over the years and then the City comes out to give you an assessment and you learn that when you purchased your house, no one specifically told you on the deed that the driveway area behind your house is actually your responsibility. Nevertheless, this product will be a tool that individuals who need to get their driveways repaved, they can have the ability to have access to capital. And aside from capital, because we're going to offer an amendment to this bill today, another challenge has been homeowners getting access to a contractor who is reputable. So not we're not going to put down 75 percent of the money and then it comes down for them to come back and do the work and they've disappeared and you just don't know what's happening.

So that is sort of the overall sort of process and structure of what we wanted to do, provide access to capital in a way that homeowners wouldn't be gouged, to make sure that those who have less than perfect credit have access to the capital and make those repairs.

The other issue that you mentioned relative to the maintenance of affordable housing and actual ownership relative to PHA, I'll be more than happy to talk with you afterwards, and we have some members of our technical staff who are here. I see Janae sitting there. We can talk about that afterwards.

MR. ACOSTA: Okay.

COUNCILWOMAN PARKER: But I

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really do appreciate your comment about the infrastructure challenge with the driveways.

MR. ACOSTA: Now, this is the thing too: I just want to make sure that -- like you was talking about with the Parking Authority and the information not being given out to the community. It's imperative that the information about this bill and what's in this bill and what it covers gets to the proper people in the community, because not enough people even knew about the bill. They knew nothing about the bill, and I feel that that's really a shame, because only because I come down here on a regular basis was I able to go back and tell them that this bill was coming up. But not enough people knew about it, and that not only cover this bill but anything that goes on in this Chamber. A lot of people in these neighborhoods don't know what bills are being done, and every time I talk to people about different bills, they're like, What? I never knew nothing about it. I don't know. I never heard nothing.

There needs to be a better communication standpoint from City Hall to just the community.

COUNCILWOMAN PARKER: So, listen, in closing, I want to say, one, we thank you so very much for your comments, and we were just saying here, particularly relative to this home preservation sort of project or home repair product that we're working on here, the only way access to it will be successful is if our housing counseling agencies and those who are in the neighborhoods and on the ground and doing the work on a daily basis, that they are helping us communicate this. While we could have done a better job maybe with the hearing -- and, look, we'll take full onus about that -- when it comes time to promote the product, and I see some of the agencies represented in here today,

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we will all be working on one accord to make sure that information is distributed to the community.

MR. ACOSTA: And I'll help if you need it.

COUNCILWOMAN PARKER: Thank you so much.

Councilwoman, thank you so much.

COUNCILWOMAN BLACKWELL: Thank you, Councilwoman.

Thank you very much. Now we'll hear from Panel 2, Jill Roberts, Executive Director of Healthy Rowhouse; Andrew Frishkoff, Executive Director of LISC; and Beth McConnell, Policy Director of PACDC. Thank you.

(Witnesses approached witness table.)

COUNCILWOMAN BLACKWELL: They tell me Beth might have gone, but did submit her testimony, so we will make sure --

MS. ROBERTS: Yes. Beth had to

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leave.

COUNCILWOMAN BLACKWELL: --
that the stenographer has it. Thank you.

MS. ROBERTS: Good morning, Chairwoman Blackwell and members of the Finance Committee.

COUNCILWOMAN BLACKWELL: Thank you.

MS. ROBERTS: I'm Jill Roberts, Executive Director of the Healthy Rowhouse Project. The Healthy Rowhouse Project was founded in 2015 to research and advocate for a financial and service delivery model that would make resources available to low- to moderate-income Philadelphians who are living in deteriorating homes. Conditions in these homes are making people sick, especially children with asthma. Philadelphia's hospitalization rate for asthma was 34 percent higher than the state for the years 2009 through 2013. For the City as a whole, if owners can't maintain these critically needed affordable homes, they

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won't be there for the next generation.

Since 2015, we have researched other home repair programs targeted to low- to moderate-income families, studied housing conditions, spoken with City residents who are in need of home repair, and researched areas of need in the City. We urged financial institutions to join in the effort and heard about their challenges in lending to low- to moderate-income homeowners with lower credit scores. We joined with healthcare organizations to determine how to ensure people with health-related home repair needs are directed to programs that can assist them. We gathered data on household income and repair needs and assessed how many homes could be repaired supported by Council's $40 million bond.

We have learned that a low interest loan program like the one that Bill 170878 supports is an essential tool to help homeowners maintain their homes and avoid displacement. While not all

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homeowners can afford a monthly payment of $97 for a $10,000 home repair loan, many can. Yet Philadelphia banks lock out virtually every homeowner with a credit score lower than 660. That single credit score requirement locks out half of Philadelphians seeking a home improvement loan. From our research, we believe that there are 94,000 Philadelphians with credit scores between 560 and 660, and many of them would benefit from a loan to repair their homes.

And if we structure the program well and include financial counseling, we anticipate low default rates. In 2015, Detroit established a home repair loan program that lends to homeowners with credit scores as low as 560. Detroit has 570 loans in repayment status to owners with credit scores below 660 and has suffered no defaults. Only 3 percent, or 11 of those loans, have late payments of 90 days. Detroit has shown us that people with low to moderate income and credit scores lower than 660 can repay home improvement loans with the right wraparound services in place.

In Philadelphia, 31,447 homeowners applied for home improvement loans between 2012 and 2015. Sixty-two percent were denied compared with a national average of 37 percent. If you look at the maps I handed out, you will see colors ranging from pale yellow to dark brown. Lighter colors indicate lower numbers of applicants and denials. These maps clearly show that Philadelphians want loans and are being locked out from getting those loans, particularly in minority communities.

Models created for the Healthy Rowhouse Project by Reinvestment Fund show that with a $40 million infusion of capital into a loan guarantee fund, we could support 5,911 loans of $20,000 each in Year 1 at a 3 percent interest rate. That could lead to a 15-year total of

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16,109 loans and $322.2 million in capital being leveraged to allow homeowners to live in healthy homes and remain in their neighborhoods. Where that minimum credit score is set will directly impact which neighborhoods get needed investment in existing affordable homes.

Bill 170878 is exactly what homeowners across the City have been hoping for, and the Healthy Rowhouse Project is in full support of the ordinance.

I'd be happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Frishkoff.

MR. FRISHKOFF: Good morning, Chairwoman Blackwell, members of the

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Committee and other members of City Council. I am Andrew Frishkoff, Executive Director of Philadelphia Local Initiatives Support Corporation, also known as LISC. I would like to present testimony regarding Bill No. 170878, which would authorize PAID to seek and to service $40 million in bond financing for home repair loan programs. LISC supports using the proceeds from these bonds for home repairs and to maintain safe, decent, and affordable housing in all ten Council districts. LISC thanks Councilwoman Parker and Council President Clarke for their leadership in these efforts.

LISC is a leading national and local community development financial institution. Locally we have invested more than $400 million in Philadelphia's homes and neighborhoods during the past 36 years. Bill 170878 aligns with LISC's ongoing support of community-based home repair programs, including the Home

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Preservation initiative in the Third Council District, which has completed more than 200 home repairs in West Philadelphia. Philadelphia's proposed home repair loan program also mirrors a similar program that LISC has helped design and run in Detroit. That program has completed more than 300 repairs and has 600 more underway. I have included some updated information about the Detroit program with copies of my written testimony.

In reviewing Exhibit A of the bill, there are several observations and recommendations that I would like to share. First, I believe that it is essential that a City-funded home repair loan program makes loans to homeowners with credit scores below 600. The Detroit program allows for credit scores as low as 560. If banks and other private lenders will not lend their own funds to borrowers with sub-600 credit scores even with a City guaranty, then

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the City may need to make bond proceeds available directly for loans.

Second, LISC is pleased to see that bond proceeds could be used for credit counseling and program-related services for homeowners. Many homeowners do have credit and other barriers to getting home repair loans, including lack of knowledge about applying for loans or selecting contractors. Philadelphia has an excellent network of housing and credit counselors, and they should be paid to help owners qualify for repair loans through the program. One of the key features of the Detroit program is a construction manager who works with owners to select and spec the necessary home repairs and then ensures that repairs are completed correctly. Philadelphia should consider a similar model.

Third, there are many homeowners who will not qualify for home repair loans and who may not be eligible

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for Basic Systems Repairs. LISC works with CDCs and organizations like Rebuilding Together and Habitat for Humanity who have the expertise and systems to perform repairs for these homeowners. If a portion of bond proceeds could take the form of grants, these organizations could save hundreds of Philadelphia homes.

Finally, thousands of low- and moderate-income Philadelphians live in unsafe apartments in small apartment buildings and converted houses. LISC is pleased to see that bond proceeds could be used for loans to landlords who rent to low- and moderate-income tenants in one- to four-unit buildings. LISC recommends using a portion of bond proceeds for a demonstration repair loan program for landlords who commit to maintaining safe, decent, and affordable housing for low- and moderate-income tenants.

Thank you for the opportunity

to testify today.

COUNCILWOMAN BLACKWELL: Thank you.

Any questions or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Panel 3, Emily Lucas, Director, Habitat for Humanity; Thomas Flaherty, Assistant Director for Planning and Policy, ECA; and Markita Morris-Louis, Senior Vice President and General Counsel, Clarifi.

Unless there is someone else here today who wants to testify, that should be the end of those who would like to testify.

(Witnesses approached witness table.)

COUNCILWOMAN BLACKWELL: Thank you.

MS. LUCAS: Good morning. My name is Emily Lucas. I'm the Director of Home Repair at Habitat for Humanity

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Philadelphia.

Habitat Philadelphia builds strength and stability through shelter by creating opportunities for homeownership and affordable home repair. Over the past seven years, spurred on by the incredible need here in Philadelphia, Habitat has begun to focus half of our work on preserving homes for lower income families through repair work. Our extensive critical repair services range from major systems, structural and roofing repairs, to accessibility and health and safety improvements. Currently, we provide these repair services for about 90 households a year. The average construction costs for these repair projects is $13,000 and the average household income for families served is 39 percent area median income, or approximately $26,000 for a family of two.

Habitat's repair services are not free. Homeowners repay a portion of

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the total construction costs. The portion is determined by a sliding scale based on household income. Additionally, Habitat charges no interest as the homeowner pays off their project cost over time.

Habitat's model and process are very similar to that of a traditional home improvement loan and application process, with some notable adaptations to make it affordable and accessible. Homeowners complete an extensive application and intake process that includes paying an application fee and providing verification of clear title to the home. After paying a $100 deposit to start work, monthly payments are prorated for up to 40 months. The average repair cost for the homeowner is $2,400 with an average monthly repayment of $100 and repayment term of around two years.

Due to their low income and low credit scores, our average homeowner cannot access traditional loan products.

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The bulk of homeowners in our program have a credit score in the range of 580 to 600. Several do not have enough credit history to even be rated.

Despite these traditional risk factors, we estimate that 80 percent of homeowners are current on project repayments, with a large portion of the remaining 20 percent still paying off their loans but missing payments here and there or paying a little bit less per month than their original term.

When I think of the people that a low interest loan program might help, I think of Ms. Deborah, an elderly homeowner in North Philadelphia living on SSI and a small pension. She is low income, but not low income enough to qualify for repairs through BSRP. Because of a low credit score and low income, she could also not qualify for a traditional home improvement loan. So in 2011 when her furnace broke and she could not scrape together the cash to have it

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replaced, Ms. Deborah resorted to sleeping at her sister's house on the couch while her home remained vacant all winter.

I also think about the Jacksons, grandparents in Germantown who are the caretakers for their two grandchildren, one who has special needs. Habitat did critical repair work in their home in 2014. Two months ago they finished paying off their project cost. Slow and steady at 112 per month, they paid down their $4,000 bill in just three years.

Habitat provides a strong example for a potential low interest loan program. Our experience clearly shows that even households with very low income have the appetite and ability to repay borrowed funds for critical repair work.

Each month Habitat's repair program fields around 300 calls from struggling homeowners, people like Ms. Deborah and the Jacksons who cannot

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afford to repair their homes and/or cannot access traditional home improvement loans. For these homeowners, the path to accessing affordable repair services is narrow. A citywide low interest loan product would widen this path, allowing more Philadelphians to access the capital needed to improve their homes. Additionally, a low interest loan product would be an effective complement to the ramped up BSRP grant program and the work of other repair providers like Habitat for Humanity.

Thank you for your time and consideration today.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Flaherty.

MR. FLAHERTY: Thank you to the members of Council present for this hearing. I am here to support Bill 170878 authorizing and approving the execution and delivery of a Service

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Agreement between the City of Philadelphia and the Philadelphia Redevelopment Authority as it relates to the financing of a home repair program; that is, a home repair loan program, for City homeowners.

I am Thomas Flaherty, Assistant Director for Planning and Policy at the Energy Coordinating Agency. I'm grateful to be here this morning with my colleagues in the home repair world who have all come out to support this legislation.

Rather than giving the full written testimony, I will move right along and tell you one more story about these homeowners who are above the cutoff and need programs like this.

ECA is able to help certain homeowners due to a grant we receive regularly from the W.W. Smith Charitable Trust. Their portfolio allows us to repair or replace heaters for seniors who are above the cutoff for the LIHEAP

Crisis program and the Heater Hotline. One such household we've served lives on Carpenter Street. Alice, who is 79 years old, has lived there with her husband, Leemond, for over 60 years. Their house was built in 1925 in West Philadelphia's Cobbs Creek neighborhood. Their home is valued at around $65,000.

Their heater broke down four days before Christmas in 2016. Alice called and searched around for help. They had lost their only child six years ago, and that daughter had been their caretaker who took care of business matters for the household. Alice applied to the Heater Hotline program, only to find out that she and her husband were over income and ineligible for help. She began to lose hope, and Leemond was in the hospital and the hospital said he could not be released to go home until the heat issues were addressed. We know what a hospital bed costs.

Fortunately, our staff were

able to tap into funds from the Charitable Trust, replace their heater, and Leemond was able to come home before Christmas in 2016. However, there are many households, many more households than grant-funded programming can serve, and the low interest home loan program would allow many of these households to be served and close the gap.

There's also the matter of our Weatherization program, which goes up to 200 percent of income, while repair programs stop at 150. So there's a gap there where home repair programs, which could prevent our intervening to help homeowners save on energy bills, can't access grant funding to repair those matters. Again, this would help.

Thank you for this opportunity. I'm happy to respond to any questions you may have.

COUNCILMAN GREENLEE: Thank you.

Ma'am, please.

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MS. MORRIS-LOUIS: Thank you. Good morning, members of the Finance Committee. I'm Markita Morris-Louis, Senior Vice President and General Counsel with Clarifi. I hope most of you know Clarifi is a community-based resource supporting Philadelphians in understanding financial services system and engaging in behaviorally informed high-quality financial services through the City's Financial Empowerment Centers. We've served over 12,000 residents since their inception in 2013 through over 25,000 one-on-one financial counseling services.

I'd like to offer you several important reasons why Council should make available a home improvement loan via Bill 170878 that can reach Philadelphia homeowners with credit scores as low as 560.

First, currently most lenders have minimum credit score requirements in the 640 to 660 range for home improvement loans, although many have targeted payment plans and targeted programs for low- and moderate-income households, whether through the Community Reinvestment Act or otherwise, that support credit scores as low as 620. We all know that credit scores are used by lenders to predict a consumer's likelihood of paying back debt compared to all other consumers. More specifically is the likelihood that a consumer will become 90 days or more late on one of the debts identified in their credit file. It's basically a statement of risk of losses for the lenders based on past performance of an individual consumer.

One of the challenges with this model is that a credit score can be low for many reasons beyond just untimely payment of debts. A low credit score can result from insufficient traditional credit history, accounts not opened for long enough time or the lack of usage.

Therefore, derogatory credit, which is a term that's used by lenders, is not the only reason for a low credit score. In fact, Fannie Mae permits mortgage lenders to accept credit scores below established thresholds in these instance, recognizing that the credit invisible or those without traditional or lengthy credit histories should not be foreclosed from the opportunity to build wealth through homeownership.

Philadelphia's willingness to make loans available to homeowners with credit scores as low as 560 is a critical recognition that credit scores should not alone be a wall that prevents homeowners from taking out loans to repair their homes.

Second, based on our years of experience, lenders use of a higher credit threshold has the unintended consequence of disproportionately excluding communities of color. Increase in credit score is one of the many outcomes we use to determine whether we're helping clients move toward financial stability. Among clients we saw between 2015 and October 1st of this year, the initial average credit score of Philadelphia residents who identified as black or African American was 561 and just over 600 for residents who identified as white or Caucasian.

Now, on average we help our clients achieve an increase in credit score of about 42 points after six to eight months of providing services. And there are other outcomes, but this is the one that's most relevant to this conversation. So even with these significant gains, African American clients on average would still be 27 points under a minimum credit score of 640, while white or Caucasian clients on average would meet the minimum credit score for these loans.

Now, there are myriad reasons for these disparities, many of which are

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rooted in years of systematic government-engineered social and economic progress designed to create a white middle class and to create generational wealth in white communities coupled with state-imposed discriminatory policies and practices that inflicted tremendous harm, financial and otherwise, on communities of color, a harm that has and will reverberate for generations and is most profoundly demonstrated by the wealth gap that currently exists between and among African American, white, and Latino communities. So this credit score -- this conversation, though about credit scores, is really about so much more. It's an opportunity, albeit a small one in the grand scheme of things, but an opportunity nonetheless to seek equity where there's been inequality and to seek redress when there's been injury.

So here I remind you of the testimony of Jill Roberts and about the opportunities this loan program would

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create in underserved communities and about the possibilities for families to preserve their most valuable asset, as spoken by Councilwoman Cherelle Parker of the great Ninth Council District, of which I am a resident, and the ability for families to build and transmit wealth to subsequent generations, many for the first time, many for the first time in multiple generations. So the idea of helping a family spur and build economic asset and economic equity also creates social equity.

And, finally, these loans and the lenders who extend them will benefit from a robust and engaged financial and housing counseling apparatus. And I don't mean referrals. I mean this Council's vision of financial and housing counseling fully embedded into the program's core processes. It's well settled that housing counseling is an effective resource for supporting sustainable homeownership, and in 2014,

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the Federal Reserve Bank of Philadelphia published the results of its five-year longitudinal randomized control trial study, the first of its kind, showing the effectiveness of pre-purchase housing counseling for first-time homebuyers and found that those in the treatment group who received one-on-one counseling generally outperformed those in the control group in terms of credit scores, total debt, and various types of delinquency and delays. And I'd made copies available to all of the members of this Council for your further review and study.

But I submit to you that a thoughtful loan program that combines both a payment guaranty, and not just the availability of financial and housing counseling but the full integration of these services, are a risk-mitigating measure that can open access to small loans to homeowners throughout the City but, most importantly, in communities of

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color without risking high rates of default.

The Financial Empower Centers are built on a model called the "Supervitamin Effect," the idea that by integrating financial counseling into traditional social services delivered, like food insecurity, like benefits access and case management, by integrating these things you create an enhanced effectiveness of all of the services. I see the marriage of the loan guaranty and housing counseling as having a supervitamin effect for mitigating the risk of loss for lenders. Homeowners will obtain their first loan with significant supports, improve their credit scores as they pay it back, and if the program is worked to scale, you can prove to lenders that Philadelphia's moderate-income homeowners are more than just a credit score. They are a viable market.

So in light of the foregoing, I

urge that Council pass Bill 170878 to create resources for a loan program that will connect Philadelphia homeowners with credit scores as low as 560, yes 560, to the capital they need to repair and further invest in their homes.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you that very much.

Any questions?

Councilman Domb.

COUNCILMAN DOMB: Thank you, Madam Chairwoman.

Thank you everyone here for your testimony. I just have some general questions. I'm not sure you guys can answer this right now. I just want to put them in the record. And my concerns or questions -- first of all, I think this is a great program. I think preserving our housing stock is far better for us than to start building brand new houses. So preserving housing stock is key, which this does.

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My questions are: What will the interest rate be, which we don't know yet. What will the term of the loan be, which I don't think we know yet. Will it be liened against the property, the money that we're lending or the guaranty. And then the other question is, if it is liened, what is the priority of that lien versus real estate taxes. Because as we know, real estate taxes are a first lien on the real estate. And the other question is, if it is liened, do we do a title search on the property to determine the total amount of debt against the property before we put the lien on the property.

And the other thought I have is that since real estate taxes are a first lien on the real estate, we might want to have a conversation over the OOPA agreements to see if there's a benefit to adjusting real estate taxes deferred and having them pay the lien back greater, because if for some reason the property doesn't continue, we're protected in the real estate side. We're the first position. So we need to find out what position if we file the lien this loan would be in.

So just something for the Committee. And thank you very much for bringing this bill up. It's very good.

COUNCILWOMAN PARKER: Councilwoman, I just wanted to note a point of information. I appreciate all of Councilman Domb's questions, and as I stated to him, we are in the process of still designing the program in and of itself, which is why this testimony today was so very important. The terms, the interest rate, the credit score, all of that is important, and we will make sure that we take what you recommended into consideration, Councilman, and actually make sure we check with you while we're in the midst of this all.

COUNCILMAN DOMB: And I'm happy to help. There's one more request I have, which you will love. Somehow we have to incorporate the EITC qualifications into this system, because EITC is found money, and many people who need these loans would qualify for EITC, because these are people who are working, and we still have left $100 million in Washington for 40,000 Philadelphians who qualify. So the more of that money we can put into the hands of Philadelphians, the better.

Thank you. Thank you, Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you both very much.

Is there anyone else who would like to comment or testify with regard to this bill?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Anybody else with regard to Bill No. 170717?

(No response.)

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COUNCILWOMAN BLACKWELL: We thank you very much, and we're going to end our hearing for these two bills and go into our meeting.

We note that both bills have amendments. Councilwoman Quinones already talked about -- Councilwoman Maria Quinones-Sanchez already talked about her amendments, which would certainly allow the Department of Revenue to grant some or all of credit to businesses that fail to meet the credit's employment requirement, issues like terrorism, natural disasters and such, so that these people will still be able to take advantage of this bill.

And Councilwoman Parker will tell us what the -- I just wanted to make sure that the Committee and the public was aware of what these amendments are before we vote on them.

Councilwoman Parker, your amendment again.

COUNCILWOMAN PARKER: Thank

you, Madam Chair. I'll be offering an amendment to Bill No. 170878, and the amendment reads that, "The Authority will select certain Program Intermediaries through a competitive RFP process to carry out various program delivery activities including marketing, intake, home health assessments, providing information on energy efficiency, homeowner assessments, loan and grant programs," and here most important, "developing and managing a list of qualified contractors using best and good faith efforts to ensure diversity of listed contractors, and making referrals for contractors to homeowners, managing inspections, and providing technical assistance to homeowners and loan servicing and administration."

In essence, we want to make sure Philadelphians aren't being gouged in trying to bring contractors to the table that they can't find after they've given them a deposit.

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COUNCILWOMAN BLACKWELL: Very good. Makes it a lot simpler.

All right. The Chair recognizes Councilmember Greenlee for a motion on the amendment to Bill No. 170717.

COUNCILMAN GREENLEE: Thank you, Madam Chair. I offer an amendment to Bill No. 170717. A copy of the amendment has been circulated to all members of the Committee, and I move for the adoption of the amendment.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and properly seconded that the amendment to Bill No. 170717 be approved.

All those in favor of the motion will signify by saying aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Those opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The motion carries, and Bill No. 170717 has

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been amended.

The Chair now recognizes Councilwoman Parker for a motion on Bill -- oh, I'm sorry. I'm telling you, one of those days. I'm rushing, rushing, rushing.

The Chair now recognizes Councilmember Greenlee again for a motion on Bill No. 170717, as amended.

COUNCILMAN GREENLEE: Thank you, Madam Chair. I move that Bill No. 170717, as amended, be reported from this Committee with a favorable recommendation and further move that the rules of Council be suspended to permit first reading of this bill at the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and properly seconded that Bill No. 170717, as amended, be reported from this Committee with a favorable recommendation and further moved that the rules of Council be suspended so as to permit first reading of this bill at the next session of Council.

All those in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Nay?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and the motion carries, and Bill No. 170717, as amended, will be reported from this Committee with a favorable recommendation and a request that the rules of Council be suspended so as to permit first reading at our next session of Council.

The Chair now recognizes Councilwoman Parker for a motion with regard to Bill No. 170878.

COUNCILWOMAN PARKER: Thank you, Madam Chair. I offer an amendment to Bill No. 170878. A copy of the amendment has been circulated to all members of the Committee. I move that the amendment to Bill No. 170878 be approved.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: Thank you. It has been moved and properly seconded that the amendment to Bill No. 170878 be approved.

All those in favor of the motion will signify by saying aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Those opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The motion carries, and Bill No. 170878 has been amended.

I now call on Councilwoman Parker again for a motion on Bill No. 170878, as amended.

COUNCILWOMAN PARKER: Thank you, Madam Chair. I move that Bill No. 170878, as amended, be reported from this Committee with a favorable recommendation and further move that the rules of Council be suspended to permit first

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reading of this bill at the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and properly seconded that Bill No. 170878, as amended, be reported from this Committee with a favorable recommendation and further moved that the rules of Council be suspended so as to permit first reading of this bill at the next session of Council.

All those in favor of the motion will signify by saying aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Those opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and the motion carries, and Bill No. 170878, as amended, will be reported from this Committee with a favorable recommendation and a request that the rules of Council be suspended so as to permit first reading at our next session of Council.

So our next discussion has to be back certainly on my bill, 160111. We have another hearing date, on the 16th at 1:00. We couldn't do it next week because of elections. Next week is election week and that always changes our schedule.

I have asked them to discuss -- were we able to work it out, members of the Mayor's Office? Are we straight?

MR. ALEXANDER: We don't have a response back yet.

COUNCILWOMAN BLACKWELL: Why not?

We have asked them to ask the Parking Authority not to do that, go through these blocks and tow whole blocks. Let us have our hearing. Then we can have a full discussion. And our hearing will be on the 16th at 1:00 in these Chambers.

So we need an answer. We didn't try to shut you down. We just said don't go through blocks and tow whole blocks. Let us have our hearing on the 16th at 1:00 and go from there.

That's not too much to ask, is it?

(Audience members saying "no.")

COUNCILWOMAN BLACKWELL: So we're sitting here waiting for that answer and then we'll be ready to recess our hearing once we get our positive response.

So we're waiting for our response with regard to this Parking Authority bill. Once we have it, then we're ready to move on.

While we are waiting for their response, Councilwoman Bass just passed me a note that Jim Tayoun, Philly Record, Founder and Executive Director, passed away at the age of 87. I remember when he was a member of City Council. So we're very, very, very sorry to hear that Jim Tayoun passed. We didn't even know he was sick. So we're very, very, very

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sorry to hear that.

Thanks for letting us know.

We are also asking the Parking Authority, as one of my colleagues has requested, to tell us for these bills what's principal and what's just interest and penalty for a lot of these bills. I mean, to have a bill for 9,000 or 10,000, how much of that is a bill and how much is what's been tacked on.

(Short recess.)

COUNCILWOMAN BLACKWELL: The Parking Authority has agreed to limit towing until we have our hearing on the 16th at 1:00. They will not tow any more than two cars at any one place at one time. Okay? It's still not good. It's better than a whole block, though. They won't do block towing.

Can we live with that until the 16th at 1:00? 16th, right here, same place. I'll chair the hearing. It will be on the Parking Authority, and I'll be in touch with everything else that I get.

I have people working with me now. I'll be in touch with Rochelle about what we want to talk about. Okay?

MS. BILAL: Okay.

COUNCILWOMAN BLACKWELL: All right. I hope you all will come. I thank you, and I'm sorry about this, but we're dealing with it.

(Committee on Finance concluded at 12:15 p.m.)

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CERTIFICATE

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

MICHELE L. MURPHY
RPR-Notary Public

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