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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING AND PUBLIC MEETING

4

BEFORE THE COUNCIL COMMITTEE ON APPROPRIATIONS

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Room 400, City Hall

Philadelphia, Pennsylvania

7

Wednesday, June 23, 1999

2:00 p.m.

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BILL 990464 - Authorizing transfers and
appropriations for Fiscal Year 2000 within the
General Fund from certain or all City offices,
departments, boards, and commissions to certain or
all City offices, departments, boards and
commissions

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PRESENT: COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN DARRYL CLARKE
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN W. THACHER LONGSTRETH

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Dean Kaplan	3
Deputy Director of Finance	
Deborah McColloch.	6
Deputy Director, Office of Housing and Community Development	

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2 P R O C E E D I N G S

3 COUNCILWOMAN KRAJEWSKI: Good

4 afternoon. The Committee on Appropriations is now
5 in session. Would the Clerk will please read the
6 bill.

7 THE CLERK: An ordinance authorizing
8 transfers and appropriations for Fiscal Year 2000
9 within the General Fund from certain or all City
10 offices, departments, boards, and commissions to
11 certain or all City offices, departments, boards
12 and commissions.

13 COUNCILWOMAN KRAJEWSKI: Good
14 afternoon.

15 MR. KAPLAN: Good afternoon. Thank
16 you, Chairperson Krajewski.

17 COUNCILWOMAN KRAJEWSKI: Please state
18 your name for the record.

19 MR. KAPLAN: I'm Dean Kaplan. And with
20 me today is Deborah McColloch from the Office of
21 Housing and Community Development. I appear
22 before you today to offer testimony on Bill No.
23 990464.

24 The Administration opposes this
25 legislation and urges that the committee not

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2 approve it today. We believe that Bill No. 990464
3 is -- our understanding of the legislation is that
4 it would fund a variety of community neighborhood
5 revitalization efforts, which while we believe
6 there is a-- as Director Kromer testified two
7 weeks ago on the CRIB bill, it may be a worthwhile
8 goal. We're concerned that the bill provides
9 appropriations for which there is not currently an
10 authorization or an authorized program.

11 We believe it would be productive to
12 have a consensus on how to spend these
13 appropriations, whether to spend them and in what
14 manner, before moving forward with an
15 appropriation.

16 In addition, it would be important to
17 look at how funding might be provided in the years
18 subsequent to Fiscal Year 2000 specifically in the
19 case of the budget side of this, and Miss
20 McColloch will speak about the OHCD issues with
21 the legislation. We're concerned that moving
22 \$9 million from the fringe benefit appropriation
23 this early in the year could cause a problem later
24 in the year with fringe benefits.

25 The last two fiscal years the City has

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2 completed, we have ended with less than \$5 million
3 in the fringe benefit line. And in both of those
4 years, we had a 4 percent growth in the health and
5 welfare costs when we had budgeted conservatively
6 for 6 percent. In FY 2000, we have recently
7 learned that our health and welfare costs will
8 grow by about 5.5 percent. So that increment,
9 which has been available through our good fortune
10 the last two years, will not be next year. And
11 obviously we're discerned about the variety of
12 mostly mandatory payments which have to be made
13 from fringes in this specific proposal.

14 In addition, as the committee well
15 knows, we normally try to be very conservative
16 about transferring funds, especially such a large
17 amount, early in the year. This year, for
18 example, in FY 1999, before it, Council acted on
19 package of transfer ordinances in late March. We
20 transferred only 3.6 million in the entire General
21 Fund in the first nine months of the year. This
22 bill would propose to move \$9 million before the
23 year even starts.

24 As somebody who clearly will not be
25 here later in the fiscal year, I have to say that

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2 I would be concerned about the City's ability to
3 respond to a variety of contingencies, including
4 weather, or indemnity awards, adverse court
5 orders, or other unpredicted actions by
6 rearranging a budget which was just approved by
7 this Council two month ago and by the PICA Board
8 last week so quickly.

9 So in summary, the Administration urges
10 that the committee hold the bill today and not
11 vote it out for consideration by the full Council.

12 And I believe Miss McColloch has some
13 additional comments.

14 MS. MCCOLLOCH: Good afternoon. My
15 name is Deborah McColloch. I'm the Deputy
16 Director at the Office of Housing and Community
17 Development. John Kromer, the Director, had
18 another commitment and so sent me in his stead.

19 OHCD has several concerns about this
20 bill, mostly in that we don't know exactly what
21 the program would be that would be implemented
22 with the funds that are in question. We're not
23 sure what the appropriate level of staffing would
24 be and exactly how the program would be carried
25 out. It would probably be carried out through our

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2 increasing a contract with the Redevelopment
3 Authority, which would then need additional staff
4 to implement the program. And we have some
5 concerns about having to increase staff when
6 there's no forward commitment beyond next year's
7 budget of having to hire staff, and then we would
8 have some labor issues about having to lay them
9 off or what have you. Not knowing exactly what
10 the program would be makes it difficult to plan
11 for that, and especially at this point in our
12 budget year.

13 We have generally concerns about the
14 implementation of about how the decisions get made
15 about which blocks would receive new curbs and
16 sidewalks and how the program would be carried
17 out. All of that is part of program development
18 that we would want to be involved in and would
19 look forward to working that through, but it's
20 difficult to do that at this point since all of
21 that hasn't been figured out to know how we would
22 implement the program and what the staff needs
23 would be.

24 In addition, another concern that we
25 have is that through the Capital Program Office

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2 and the capital program budget process, we have
3 capital funds assigned to housing activities each
4 year, some of which are from several fiscal years
5 ago that are set up to assist us in some of our
6 major housing developments such as the Cecil B.
7 Moore Home Ownership Zone or the Poplar Nehemiah,
8 and we're somewhat concerned that if these funds
9 were allocated, that might mean a decrease in the
10 other funding that we receive as capital funds for
11 curbs and sidewalks connected to our projects, and
12 we wouldn't want to be, if you will, penalized in
13 that process because we had some unspent funds
14 through this appropriation, and that that's been a
15 concern, a justifiable concern of the Capital
16 Programs Office that we have some unspent money
17 there that we haven't been able to spend because
18 of the development process. So we're concerned
19 that we might get penalized on the other end.

20 And, finally, there are some
21 fundability eligibility issues that we would have
22 to work out. My understanding of how this
23 appropriation would work is that these funds would
24 be used to pay other CDBG expenses -- in
25 particular we're talking about paying off the

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2 Section 108 debt, and then that would free up
3 those CDBG funds to be used for these activities.
4 And then we would have to work out what the new
5 activities are in terms of the curbs and sidewalks
6 or street trees or what have you to ensure that
7 each of those was fundable and eligible under the
8 Community Development Block Grant regulations.

9 As you know, the CDBG funds must be
10 spent for low-, moderate-income activities, and so
11 there would be a question of making each block
12 fundable and eligible, each block that would
13 receive the curbs and sidewalks. And here again,
14 while I believe that those things could be worked
15 out and that we would have to figure it out for
16 each block, it would be another step in the
17 process in implementing a new program.

18 COUNCILWOMAN KRAJEWSKI: Councilman
19 Nutter?

20 COUNCILMAN NUTTER: Thank you, Madam
21 Chair.

22 First, let me share with my colleagues
23 that there is at least the need for one amendment
24 to this bill, which I would at least ask for
25 action on today. This is away from reporting the

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2 bill out. It's in Section 1. There's a
3 typographical error that makes a reference to
4 Fiscal Year 1999; that should read "Fiscal Year
5 2000." And, Madam Chair, I'll try to make that
6 adjustment later on.

7 Mr. Kaplan, let me first say that in
8 the spirit of being as optimistic as possible, I
9 appreciated your comments that you asked that the
10 committee not approve the bill today. I assume
11 that that leaves the prospect or hope that you
12 might come back and offer that the committee
13 possibly approve the bill on another day. It may
14 be optimistic thinking on my part, but I
15 appreciate your statement.

16 The second is, as you well know, there
17 have been various times when transfer ordinances
18 have been proposed. Most often the part of the
19 budget where they're coming from, the dollars are
20 coming from, are often the places where in past
21 years we were aware that the Administration kept
22 large sums of General Fund dollars in certain
23 locations. And so let me state for the record
24 that there was never any intention to do anything
25 to public employees and their health benefits.

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2 But I think it's fairly accurate that in past
3 years, the fringe benefits section is a place that
4 often had excess funding. So I want to make that
5 clear.

6 Miss McColloch, on your testimony,
7 which, if the committee could get a copy of it, it
8 would be very helpful. I don't think we have a
9 copy of your testimony. What I'd like to ask
10 specifically is if OHCD, now having had a chance
11 to look at and participate in the public hearing
12 own what's generally called the CRIB bill and the
13 amendments that were proposed at the time of that
14 public hearing, if OHCD would at least make a
15 commitment to look at what the provisions of that
16 bill and the proposed activities and use of
17 dollars in a serious way to try to answer many of
18 the questions that you laid out today that are
19 problems for OHCD -- eligibility issues, staffing
20 issues, program issues, how we would do with, you
21 know, a serious effort toward trying to actually
22 do these things. What would OHCD's proposal be in
23 response to what is has generally been referred to
24 as the CRIB bill? And with that, some response
25 back for this hearing through the Chair and

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2 certainly for the rest of us as to what your ideas
3 would be or what your proposal would be. Using
4 dollars that are eligible for these activities,
5 looking at census tract data, looking at the
6 distribution even of the use of CDBG dollars
7 throughout the City and how it matches up for a
8 population that Philadelphia has -- 64 percent of
9 its households are low and moderate income. And
10 they are disbursed surprisingly rather evenly
11 throughout the City. Most Council districts have
12 about 10 percent of low- and moderate-income
13 households in their Councilmatic districts.

14 Do you have any sense of what the
15 distribution of the use of CDBG dollars is in
16 relationship to the low- and moderate-income
17 population throughout the City?

18 MS. MCCOLLOCH: I'm sorry. All CDBG
19 funds are spent on low-, mod-income areas.

20 COUNCILMAN NUTTER: I understand that.

21 MS. MCCOLLOCH: But the distribution by
22 area within the City?

23 COUNCILMAN NUTTER: Mm-hmm or by
24 Council district.

25 MS. MCCOLLOCH: I don't know it off the

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2 top of my head. But in general, the bulk of the
3 funds go into North Philadelphia and then the
4 next, if you will, chunk of money goes into West
5 Philadelphia also because that's where the highest
6 concentration of low- and moderate-income people
7 live, in North and West Philadelphia.

8 But I could provide the breakdown
9 exactly. I just don't know that percentage.

10 COUNCILMAN NUTTER: I understand, but
11 it would be fair to say that there are significant
12 low- and moderate-income households in other
13 portions of the City that are not covered by North
14 Philadelphia or West Philadelphia.

15 MS. MCCOLLOCH: Right.

16 COUNCILMAN NUTTER: And the expenditure
17 of CDBG funds in some cases dramatically is
18 mismatched between the population of low- and
19 moderate-income people in a Council district
20 versus the expenditure of CDBG funds in those
21 Council districts. Would you agree with that
22 statement?

23 MS. MCCOLLOCH: That there's a dramatic
24 difference between the number of low-income people
25 and the amount of expenditures?

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2 COUNCILMAN NUTTER: Yes, in some places
3 in the City.

4 MS. MCCOLLOCH: Proportionately? I
5 think in some cases, that may be true.

6 COUNCILMAN NUTTER: Okay. When do you
7 think OHCD would be able to follow through on the
8 requests that I made with regard to looking at in
9 a legitimate fashion the program as outlined in
10 the other bill, this attempt obviously to fund
11 that and not take any funds away from current sub
12 recipients. As Mr. Kaplan, I think, laid out,
13 this was merely an effort to lower the amount of
14 money that OHCD was going to use of CDBG dollars
15 which are limited to repay HUD 108 loans, and that
16 this effort would only attack the HUD 108 loan
17 repayment of \$13 million, take that obligation
18 away from CDBG funds, use City dollars to make
19 those payments, 'cause we should make our
20 payments, and then use the freed-up dollars for
21 the eligible activities.

22 When do you think you'd be able to come
23 back to us with a legitimate analysis of the
24 issues that were raised earlier and propose even a
25 program using any combination of CDBG dollars,

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2 capital dollars, and if there are any operating
3 funds that can be put into that combination of
4 funding mechanisms?

5 MS. MCCOLLOCH: Well, I can't give you
6 an exact date; I would need to review it with John
7 Kromer, the Director of Housing. But I know that
8 we're already -- the Law Department is already
9 reviewing the fundability eligibility issues
10 raised in the bill that you put forward to try to
11 figure out if we move forward with this, how could
12 we make each section of it fundable and eligible.

13 So we're working on it now, and I'll
14 have to talk to Mr. Kromer about it and be able to
15 get something back to you over the summer.

16 COUNCILMAN NUTTER: Two last
17 questions. Can you provide to the Chair an
18 analysis of the CDBG spending over the past few
19 years, both by Council district, and if you have
20 any information on the distribution of low- and
21 moderate-income people or households throughout
22 the City by Council district?

23 MS. MCCOLLOCH: Yes. The expenditures
24 by Council district, we've prepared a report for
25 last year's fiscal year. Already we're working on

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2 two additional reports on that now. They should
3 be ready in the next week or so. And the
4 distribution by income, we would be dependent upon
5 the census data, the same as -- I mean, we can
6 provide that; it's just that those are the data
7 that are available.

8 COUNCILMAN NUTTER: Right. My last
9 question is, would it be your testimony that, away
10 from the debate about what the source of funding
11 is or how it's provided, that there are certainly
12 additional programs or projects that we could try
13 to provide to various citizens throughout the City
14 that encompass the issues of infrastructure
15 renewal or community revitalization that are
16 important to some constituencies in the City that
17 may not directly involve housing construction or
18 housing rehabilitation?

19 MS. MCCOLLOCH: Are there programs that
20 do that? I just want to make sure I understand
21 the question. That there are programs that do not
22 directly involve housing that are important? Is
23 that the question? I'm sorry.

24 COUNCILMAN NUTTER: Are there programs
25 and services that are provided by OHCD, funded by

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2 CDBG funds, that do not specifically or solely
3 involve housing construction or housing
4 rehabilitation that you can provide? You may not
5 have enough money to provide, but that you can
6 provide that are important to the revitalization
7 of many neighborhoods in Philadelphia?

8 MS. MCCOLLOCH: Yes, yes.

9 COUNCILMAN NUTTER: What would be some
10 of those things?

11 MS. MCCOLLOCH: We are engaged in a
12 variety of public service activities. All of our
13 housing counseling programs are not directly
14 involved in rehab, but they're involved in
15 providing assistance both to homeowners and
16 tenants. We have a variety of planning
17 activities. We fund the neighborhood advisory
18 committees, which act essentially as ombudsmen in
19 their communities to assist people in a variety of
20 community needs, not just housing.

21 So there are other activities that
22 we're engaged in -- some job training activities
23 and so forth that are not solely housing or housing
24 rehab activities.

25 COUNCILMAN NUTTER: So part of our

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2 dilemma here today -- and I'll close with this --
3 is that there is great need in many parts of the
4 City for rehabilitation and new construction. And
5 a part of our dilemma at times is, how do we
6 balance those needs and interests with the needs
7 and interests of other areas that may not have
8 strict housing problems but have more preservation
9 and maintenance stabilization issues in some of
10 those neighborhoods, and how do we split up, you
11 know, limited funding to try to maximize the
12 efforts to keep the people that we have and
13 revitalize communities and even bring some people
14 back. And would you say that that's part of our
15 challenge here --

16 MS. MCCOLLOCH: Yes.

17 COUNCILMAN NUTTER: -- is how we do
18 that.

19 MS. MCCOLLOCH: Yes.

20 COUNCILMAN NUTTER: Okay. Madam Chair,
21 thank you very much.

22 COUNCILWOMAN KRAJEWSKI: Very good.

23 Any other questions?

24 COUNCILMAN CLARKE: Yes.

25 COUNCILWOMAN KRAJEWSKI: Councilman

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2 Clarke.

3 COUNCILMAN CLARKE: Good afternoon,
4 Miss McColloch.

5 Miss McColloch, I have a question with
6 respect to the distribution of funds out of the
7 block grant dollars, that process itself. Is it
8 driven by, say, for instance, requests for
9 proposals for a particular area, or is it just a
10 general requests for proposals to do affordable
11 housing? And does that encompass areas of low-
12 and moderate-income locations throughout the City
13 of Philadelphia, not just north and West
14 Philadelphia?

15 MS. MCCOLLOCH: Yes. We've done
16 requests for proposals both for site-specific
17 proposals. We've put out RFPs for site-specific
18 developments where the City, or in this case, it
19 might be the Redevelopment Authority owns the site
20 and we want to have it developed, so we put out an
21 RFP that says, We want to develop housing on this
22 site. Come forward, developers, and make a
23 suggestion.

24 We also put out general RFPs saying,
25 Give us a proposal for affordable housing,

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2 wherever that may be. And so we've done it both
3 ways. We have more frequently done the general,
4 if you will, RFP than the site-specific RFP.

5 So the fact that the bulk of funding
6 has fallen into two general areas of Philadelphia
7 is really in part about who responds to RFPs and
8 in part about where the need is the greatest.

9 COUNCILMAN CLARKE: Okay. The Basic
10 Systems Repair Program.

11 MS. MCCOLLOCH: Mm-hmm.

12 COUNCILMAN CLARKE: That's a citywide
13 program?

14 MS. MCCOLLOCH: That is a citywide
15 program.

16 COUNCILMAN CLARKE: And I noticed it
17 was relatively interesting that when I looked -- I
18 did some research recently during the campaign
19 trail to find out where that money was going. I
20 realized that the district that I represent was
21 actually pretty far down on the list in terms of
22 the recipients of that funding.

23 So, I mean, how is that -- I mean, is
24 it that it's being marketed more aggressively in
25 other areas? Or is it that there are probably

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2 properties that fall within that category in other
3 areas?

4 MS. MCCOLLOCH: I don't know the exact
5 answer for your district, but I would suggest that
6 there may be a lower home ownership rate because
7 the Basic Systems Repair Program s only for
8 homeowners, and that would be one factor.

9 And the other factor would be that
10 there are caps on the amount of funding that could
11 be spent on any given property under the program.
12 And if the house is so severely deteriorated that
13 it needs in excess of the cap, then the case is
14 declined.

15 So that it could be a combination of
16 fewer homeowners who would be eligible and then,
17 you know, homeowners who live in the neighborhood
18 may need repairs in excess of what the program can
19 offer.

20 COUNCILMAN CLARKE: Okay. So
21 basically, there were other areas of the City that
22 the properties were, essentially, in better
23 condition.

24 MS. MCCOLLOCH: That may be -- right.
25 But the program in general is just first come,

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2 first served. So it's citywide.

3 COUNCILMAN CLARKE: All right.

4 Commerce-related activities. I know that you fund
5 some portions of the Commerce Department in
6 neighborhood commercial corridors. How is that
7 distributed, to the best of your knowledge? Is it
8 concentrated in one area or is it pretty much a
9 citywide program? I know you do like some site
10 improvement for certain areas.

11 MS. MCCOLLOCH: Well, it's citywide.

12 And, again, it has to be in a low-, mod-income
13 census tract, a CDBG eligible census tract. But
14 other than that, it's citywide.

15 COUNCILMAN CLARKE: Okay. Thank you.

16 COUNCILWOMAN KRAJEWSKI: Thank you,
17 Councilman.

18 Councilman Nutter?

19 COUNCILMAN NUTTER: Thank you.

20 Miss McColloch, and probably to a
21 lesser extent Mr. Kaplan, but since he's up there,
22 I didn't want him to think we forgot about him
23 over there.

24 But I mean it's clear from a lot of the
25 discussion that many members who are on the

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2 committee and quite possibly many who are not here
3 with us today, we need to have more information.
4 I've asked you to look at particular programs and
5 figure out how they might be implemented. We have
6 funding issues, we have eligibility issues, and a
7 whole host of questions that -- you know, and I
8 certainly understand that you might not be able to
9 give us all the information today.

10 What I would like to propose, both to
11 the Chair and to my colleagues, is, given the
12 volume of information that we've asked for and
13 some of the questions that have been asked, that
14 you be prepared when we return, and in a hearing
15 on this particular bill and get us the information
16 prior to, that you be in a position to fully
17 respond to the questions that were asked here
18 today, that we have documents and information and
19 data that will allow us to further explore this
20 particular issue again, as we try to balance and
21 adequately to the best of our ability serve the
22 needs of the various populations that have, you
23 know, different programmatic needs. But I believe
24 all have the same share of interest, which is to
25 live in a good neighborhood, have good housing

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2 stock and, you know, be in a place that they'd
3 like to stay.

4 And that's going to take, I think, a
5 fair amount of work. I'm more than willing to
6 work with all of you, and I think my colleagues
7 are as well, but we need more information from you
8 and would like to be prepared to deal with that
9 when we return in the fall.

10 MS. MCCOLLOCH: Fine.

11 COUNCILMAN NUTTER: Okay?

12 COUNCILWOMAN KRAJEWSKI: Thank you
13 Councilman.

14 Any other questions?

15 (No further questions.)

16 COUNCILWOMAN KRAJEWSKI: Before we
17 recess, Councilman Nutter, your amendment.

18 COUNCILMAN NUTTER: Madam Chair, if we
19 can go into a public meeting, I just want to ask
20 if we can amend this one typographical error which
21 reads now "Fiscal Year 1999," and I'd like to
22 propose the striking of "1999" and inserting the
23 term or phrase "2000" so that there's consistency.

24 COUNCILWOMAN KRAJEWSKI: All those in
25 favor?

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2 So amended. The bill will read
3 appropriations for fiscal -- rather than "1999,"
4 it will state "the year 2000."

5 COUNCILMAN NUTTER: Thank you.

6 COUNCILWOMAN KRAJEWSKI: All right,
7 thank you very much. We'll recess at the call of
8 the Chair. That ends our public discussion.

9 COUNCILMAN NUTTER: Thank you.

10 (Adjourned at 2:40 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Wednesday, June 23, 1999, were
reported fully and accurately by me, and that this
is a correct transcript of the same.

RE: COUNCIL COMMITTEE ON APPROPRIATIONS
BILL NO. 990464

_____,
JOSEPHINE CARDILLO,
Registered Professional Reporter