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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

COMMITTEE ON FINANCE

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Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, October 9, 2002
9:50 a.m.

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BILL 020601 - An ordinance amending Chapter 19-1800
of the Philadelphia Code, entitled "School Tax
Authorization, by adding a new Section 19-1801.1
providing for a cap on tax increases, under certain
terms and conditions.

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PRESENT:

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COUNCILWOMAN JANNIE BLACKWELL, Chair

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COUNCILMAN FRANK DICICCO

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COUNCILMAN JAMES KENNEY

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COUNCILMAN MICHAEL NUTTER

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COUNCILWOMAN MARIAN B. TASCO

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BILL 020601

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AARON FINESTONE, Republican Tech. Staff 4

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NANCY KAMMERDEINER, Commissioner,
Dept. of Revenue 7

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2 COUNCILWOMAN BLACKWELL: Good morning.

3 Thank you all for your patience and your attendance
4 at our Finance hearing. We will now call our
5 hearing formally into session. This is the hearing
6 for Bill 020601 which is a companion bill to Bill
7 020577 reported out last week and sponsored by
8 Councilman Brian O'Neill.

9 For the record, we have a quorum. To my
10 right is Vice Chair Councilwoman Tasco; to her
11 right, Councilman James Kenney; and to his right,
12 Councilman Michael A. Nutter.

13 We will ask the Clerk to read the bill.

14 THE CLERK: Bill No. 020601, an
15 ordinance amending Chapter 19-1800 of the
16 Philadelphia Code, entitled "School Tax
17 Authorization," by adding a new Section 19-1801.1,
18 providing for a cap on tax increases, under certain
19 terms and conditions.

20 COUNCILWOMAN BLACKWELL: Thank you very
21 much.

22 We will now have a statement from Aaron
23 Finestone, Tech Staff. After his statement, we ask
24 Nancy Kammerdeiner, Commissioner, and that will be
25 it unless there is someone else here who would like

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2 to testify.

3 Good morning.

4 MR. FINESTONE: Good morning, Madam
5 Chair, members of the Committee. I'm Aaron
6 Finestone. I'm on technical staff. Councilman
7 O'Neill sends his apologies for not being here.
8 He's in Washington on City-related business.

9 Bill 020601 is a companion bill to
10 020577. Bill 020601 addresses school real estate
11 tax. Bill 020577 addresses City real estate tax.
12 Bill 020601 places a cap on increases in the real
13 estate tax assessments. Under Bill 020601 a
14 property owner's real estate tax cannot increase 104
15 percent of the previous year's assessment. The cap
16 only applies where the same person owned the house
17 in the present and the previous year. Upon sale of
18 the property, the property would be assessed at its
19 full level, the cap not applying.

20 Bill 020601 is subject to authorization
21 by state legislation. Upon passage of bills 020601
22 and 020577, Councilman O'Neill will introduce a
23 resolution memorializing the General Assembly to
24 pass authorizing legislation.

25 Bill 020601 and 020577 are needed to

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2 stop the unconscionable reassessment of homes. We
3 have heard protests from every section of the City,
4 from low-income people, from senior citizens, from
5 people with growing families, from empty-nesters and
6 young professionals, from people who have improved
7 their own homes.

8 Councilman O'Neill has reviewed the City
9 Solicitor's objections to limit real estate
10 assessments. As to Bill 020601 and 020577, the City
11 Solicitor's objections can be addressed by state
12 legislation authorizing the caps and by setting
13 appropriate dates from which the caps can take
14 effect.

15 Bills 020601 and 020577 are matters of
16 justice and equity. On behalf of all the citizens
17 of Philadelphia, Councilman O'Neill asks that Bill
18 020601 receive a favorable recommendation. Thank
19 you.

20 COUNCILWOMAN BLACKWELL: Thank you, Mr.
21 Finestone.

22 Question from Councilwoman Tasco.

23 COUNCILWOMAN TASCO: Good morning. Let
24 me just be clear.

25 COUNCILWOMAN BLACKWELL: Excuse me one

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2 moment. We also note that Councilman Frank DiCicco
3 is here. Thank you.

4 COUNCILWOMAN TASC0: Now, if we cap the
5 tax at no more than 10 percent a year --

6 MR. FINESTONE: It's 4 percent a year.

7 COUNCILWOMAN TASC0: 4 percent a year,
8 no property tax can go beyond 4 percent a year?

9 MR. FINESTONE: That is providing the
10 same person is owning the house.

11 COUNCILWOMAN TASC0: So I sell my house,
12 and the new person coming in, the house is assessed
13 at what, the full market value?

14 MR. FINESTONE: It would be full
15 reassessed value.

16 COUNCILWOMAN TASC0: And then the cap
17 extends to that person?

18 MR. FINESTONE: That's right. So for
19 the next year, it -- it goes up upon purchase to the
20 full value and then each successive year it can be
21 no more than 4 percent higher.

22 COUNCILWOMAN TASC0: Is there any point
23 -- well, I guess you can't figure out -- have you
24 done any analysis to see at the time of sale what
25 the increase would be?

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2 MR. FINESTONE: No. We don't know.

3 COUNCILWOMAN TASC0: Some examples of
4 what an increase would be? You know, if a person
5 sells his house, would it make it impossible for
6 somebody to buy it?

7 MR. FINESTONE: I understand. You'd
8 have to do a projection on what tax should be upon
9 sale. That's not accounted for in here.

10 COUNCILWOMAN TASC0: What's the down
11 side of this?

12 MR. FINESTONE: I don't think there is a
13 down side, Councilwoman.

14 COUNCILWOMAN TASC0: Okay. Thank you.

15 MR. FINESTONE: Thank you.

16 COUNCILWOMAN BLACKWELL: Thank you.

17 Ms. Kammerdeiner. Thank you,
18 Commissioner.

19 MS. KAMMERDEINER: Good morning,
20 Councilwoman Blackwell and members of the Finance
21 Committee. I don't have prepared written testimony
22 this morning. I would really primarily refer you to
23 my testimony from the 25th of September and October
24 1st and, basically, would just like to point out
25 that the particular bill before us, as has been

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described, will affect the collection of taxes for the School District and place a cap on that collection. And I would like to reference a section from the City Solicitor's opinion that was presented to you on September 24th where he indicated that he did not believe Council had the power to enact any kind of tax freeze or assessment cap bills to the extent that they materially affect City or School District revenues. And he went on to further state that Council could not revoke an authorization from the School District once the District had acted and relied upon that authorization. And he also read Act 46 as prohibiting any tax freeze or assessment cap with respect to the School District as we're required to maintain our tax effort for the District at current levels.

And for those primary reasons, we from the Administration cannot support this bill, just as we found it difficult or impossible to support the other bills that were introduced and heard before you that affected the School District taxes.

COUNCILWOMAN BLACKWELL: Well, we assumed that you would feel that this bill would be better than another since this is 4 percent cap in

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2 terms of your department's revenues as opposed to
3 the 10 percent cap that we've heard earlier.

4 MS. KAMMERDEINER: Actually, I would say
5 it would be the reverse because a 4 percent cap
6 would permit less of an increase in revenue than a
7 10 percent cap would. Our main concern here in
8 terms of the amount of any cap, even if it would be
9 authorized in some way through state legislation, as
10 was indicated by the previous witness, is that it
11 would be against the spirit of the Coleman-Green
12 settlement which provided for a six-year time period
13 for the equalization to take place. And if you have
14 a very large increase in assessment that would come
15 naturally as a result of increase in market value on
16 a property and you constrained your increases to 4
17 percent, possibly even a constraint to 10 percent,
18 it would take years, perhaps decades to actually get
19 to the equalization and would be very much counter
20 to the spirit of that settlement in court.

21 COUNCILWOMAN BLACKWELL: Thank you very
22 much.

23 Are there any questions?

24 Councilwoman Tasco and then Councilman
25 Nutter.

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2 COUNCILWOMAN TASC0: I just read in
3 today's paper that there's a move in -- well, my
4 little community paper, that the leader -- they're
5 moving on enabling legislation in Harrisburg. What
6 I would like to see from the Administration is not,
7 "Well, you don't have the power to do it." What I'd
8 like to see is an analysis of each of these bills so
9 that we can act in an informed way, those of us on
10 Council.

11 You know, I signed this bill for the
12 sake of having the discussion. I don't know whether
13 I'm going to vote for it or not or any of those
14 bills. But I'd like to see from the Administration
15 a cooperative effort to try and resolve the issue of
16 high tax increases for our citizens and what is it
17 that the Administration can offer in a way to be
18 helpful to say that, you know, this is what we see
19 as the best approach rather than create this war,
20 which is unnecessary. And I think that -- and you
21 don't have to respond; this is just my comment,
22 okay?

23 We often -- I'm very frustrated whenever
24 we in Council act and then it's portrayed as
25 anti-Mayor or anti-Administration. It's just that

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2 we have a difference of opinion on issues. The best
3 way to serve the people of Philadelphia is to find a
4 cooperative spirit where we can work together
5 because, in the end, it's the people in Philadelphia
6 we need to help and to satisfy. And so it would
7 have been helpful for me if I get some
8 information -- as I just asked the gentleman, what
9 is the downside of this bill? It sounds good. You
10 cap it at 4 percent, but I come along and I have to
11 pay a high rate of tax and I might not be able to
12 afford the property. What does it do to future
13 sales? That's the kind of analysis that we need. I
14 don't have the capability on my staff to do that.
15 We need some experts to kind of give us some help.

16 And so rather than us having a Battle
17 Royal, I think the best thing for us to do is try to
18 figure out how do we help the people of
19 Philadelphia. And we have four or five bills around
20 and we're going to be fighting over whose going to
21 vote for which bill. And in the end, it may not
22 help anybody when we have a responsibility to come
23 up with a legislation in some way to resolve this
24 issue and not let it just go away and then two or
25 three years we're back here with the same problem.

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2 So I'd like to know from the
3 Administration side, I'd like to have some
4 statistical analysis of all of these bills or
5 something or whatever you call it. I want to know
6 what each bill would do. I'd like to have some
7 examples that I could look at to see what the impact
8 the bill would have on us, not just us, but in the
9 future. What does it do to the housing market?
10 Because as you look now, we have a lot of housing
11 policies in place that have been passed over the
12 years hurting our communities. We can't take
13 properties. They sit and they go vacant. People
14 are not paying taxes on abandoned buildings. I
15 mean, all kinds of housing policies that helped on
16 one side but hurt on another side. So that's what
17 I'd like to see.

18 MS. KAMMERDEINER: I appreciate and
19 understand your concerns. And we are trying to get
20 as much information as we can from the Board of
21 Revision of Taxes about the assessment proposals
22 that are out there and try to see what we can do to
23 analyze it for our own information and certainly to
24 share with you as we try to find our way through
25 that information.

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2 In many cases it will be hypothetical
3 because we really won't know what the impacts will
4 be. But we're struggling with that as well, and
5 we'll share any information we have because I
6 understand your concern.

7 COUNCILWOMAN TASC0: Well, maybe if we
8 referred back, to use examples if you had and pick a
9 year chosen to cap the tax maybe in 1999, what would
10 the impact would have been in 2002 because you have
11 some economic figures and the economy change and all
12 of that. From that, we might be able to see what
13 might happen in the future if you have an example of
14 what might have happened had we capped it based on
15 those numbers at that time. It wouldn't be the
16 actual numbers, but the scenario would be the same.

17 MS. KAMMERDEINER: That's a good idea.
18 We'll take a look and see whether we can do
19 something like that that would help you.

20 COUNCILWOMAN TASC0: Thank you.

21 COUNCILWOMAN BLACKWELL: Thank you.
22 Councilman Nutter.

23 COUNCILMAN NUTTER: Thank you, Madam
24 Chair.

25 Commissioner, something you said

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2 compelled me to ask at least one question. In
3 response to a question either by the Chair or
4 Councilwoman Tasco, you started talking about, I
5 guess, this particular bill and then you went on to
6 say further any other bills that might provide for
7 percentage cap amount, your concern was that it
8 might violate the spirit of the Coleman-Green
9 consent decree and would result in a much longer
10 period of time before you had -- now, did you say
11 uniformity?

12 MS. KAMMERDEINER: No, I didn't use the
13 word "uniformity." I think I said "equity."

14 COUNCILMAN NUTTER: Equity, okay. Now,
15 let me make sure I'm understanding and I'm clear for
16 the record. Are we presently bound by the
17 Coleman-Green consent decree? Isn't that decree
18 over?

19 MS. KAMMERDEINER: Yes, it is. I don't
20 believe we're bound by it. That's why I used the
21 phrase "the spirit of" because that's the only -- as
22 was brought out in testimony before, that is the
23 only guide we have to go by since there hasn't been
24 a direct court decision on that matter.

25 COUNCILMAN NUTTER: Now, let me ask from

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your perspective or from the Administration's perspective, is there a particular time period if some legislative action were to take place, either by the City or even by the State, is there a range of time that the Administration believes is in the spirit of the Coleman-Green consent decree in terms of equity?

MS. KAMMERDEINER: I don't know that we've discussed it quite in that perspective, but we've looked at the six years of Coleman-Green as being a standard that we can look at. That doesn't mean that it would have to be a hard and fast six, but something that would be in that vein. A situation where you would take decades to reach equalization would not be in the spirit of something that was within the scope of a few years.

COUNCILMAN NUTTER: But could you see something where, again, in the realm of six to eight years or even six to ten -- I mean, I understand 10 is a decade. I'm speaking of decade in the singular, not the plural.

MS. KAMMERDEINER: I think we would have to look at it and see what would be involved in any other proposal other than to try to replicate what

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2 was done under court supervision back in the '80s.

3 COUNCILMAN NUTTER: Okay. And, I guess,
4 lastly, are you in a position today -- we've
5 possibly in an unprecedented fashion, I think we've
6 seen you three times in the past three weeks or
7 somewhere in the last three- or four-week period.
8 And we always love having you over, but it's not
9 typical that we have the Revenue Commissioner over
10 so often. Can you give us any possible update or
11 insight into any current plans that the
12 Administration may have with regard to this larger
13 dilemma and what Councilwoman Tasco was laying out
14 or any other thoughts or information that may be
15 available with regard to the current property
16 assessment situation?

17 MS. KAMMERDEINER: I can really only say
18 that we're still talking about options and gathering
19 information, trying to do analysis along the lines
20 that the Councilwoman has just suggested. That's
21 yet another one that we can and should take a look
22 at. We had not gone back retrospectively and tried
23 to recreate what would have happened with a cap.
24 And that's an interesting concept. We'll see if we
25 can do that to add to the body of knowledge to help

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2 guide on a proposal.

3 COUNCILMAN NUTTER: And I think this
4 question was asked last week, but you reminded me in
5 your response to Councilwoman Tasco, I think the
6 other thing that we're not fully taking into
7 consideration here and may help with some
8 perspective is to better understand -- BRT Chairman
9 Glancey gave us a bar chart last week that showed
10 this year's proposed distribution of how many people
11 received increases. My recollection is about
12 117,000 people received increases of 10 percent or
13 more; 149,000 received increases somewhere between 0
14 and 10 percent. One of the complaints that we're
15 getting a fair amount this year is not just what
16 this year's increases are or are proposed to be, but
17 I think possibly we're also losing sight of the fact
18 that some individuals who are receiving or are
19 proposed to receive an increase this year have also
20 received increases over the last two years or three
21 years. And I think I asked for a five-year
22 perspective, although I think Mr. Glancey indicated
23 that between technology and 3-by-5 cards, they may
24 only be able to create the last three years. I
25 think that would be quite instructive. And if we

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2 could figure, out not only for the people who are
3 receiving any amount of increase this year, but to
4 seek to, quote/unquote, chart those people on a
5 different graph that shows how many people who are
6 receiving an increase this year have also received
7 one or more increases over the last three years, I
8 think that perspective will be instructive to all of
9 us in terms of why there is such a large negative
10 reaction this year. Not only because of the volume
11 of people who are receiving increases, the amount of
12 the increases, but as you don't budget in isolation
13 year to year -- I mean, we now have this thing
14 called the five-year plan and that drives everything
15 that we do. The citizens, whether formally or
16 informally, you know, they have their own budgeting
17 and two-year plans or five-year plans or five-day
18 plans, if you will, and I think it might help us to
19 understand how many people are in a category of
20 multiple increases over some period of time. We're
21 hitting them and hitting them and hitting them, and
22 now they've decided they've had enough.

23 MS. KAMMERDEINER: That information will
24 have to come from the Board of Revision of Taxes,
25 and I'll talk with David Glancey about that ask him

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2 to add that to the other things he's working on for
3 you.

4 COUNCILMAN NUTTER: Great. Thank you
5 very much.

6 Thank you, Madam Chair.

7 COUNCILWOMAN BLACKWELL: Thank you very
8 much.

9 Are there any other questions for this
10 witness, for our Commissioner?

11 (No response.)

12 COUNCILWOMAN BLACKWELL: Thank you very
13 much.

14 If all minds are clear, the Chair notes
15 that Councilman O'Neill also called me this morning,
16 told me he was, in fact, very close to Washington
17 and requested a suspension of the rules.

18 Having said that, this will end the
19 hearing part of this committee.

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COUNCIL OF THE CITY OF PHILADELPHIA

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PUBLIC MEETING

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COMMITTEE ON FINANCE

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Wednesday, October 9, 2002

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Public Meeting conducted by the
Committee on Finance, held in Room 696, City Hall,
Philadelphia, Pennsylvania, on the above date, to
consider action on the following:

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BILL 020601.

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PRESENT:

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COUNCILWOMAN JANNIE BLACKWELL, Chair

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COUNCILMAN FRANK DICICCO

COUNCILMAN JAMES KENNEY

COUNCILMAN MICHAEL NUTTER

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COUNCILWOMAN MARIAN B. TASCO

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2 COUNCILWOMAN BLACKWELL: And we'll enter
3 into our stated meeting. I would like to entertain
4 a motion with a suspension for Bill 020601.

5 COUNCILWOMAN TASC0: Madam Chair, I move
6 that bill 020601 be reported out of committee with a
7 favorable recommendation and a suspension of the
8 rules.

9 (Duly seconded.)

10 COUNCILWOMAN BLACKWELL: Thank you very
11 much. It's been moved and seconded that bill
12 020601 be reported out of committee with a
13 suspension of the rules and also with a favorable
14 recommendation so it may be heard at our next
15 Session of Council.

16 All in favor?

17 (Aye.)

18 COUNCILWOMAN BLACKWELL: Opposed?

19 (No response.)

20 COUNCILWOMAN BLACKWELL: The ayes have
21 it, so this bill is passed out of committee.

22 And I thank everyone for coming. And
23 thank you all for being here and getting this done
24 swiftly. Thank you.

25 (Council adjourned at 10:10 a.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of October 9, 2002, were reported fully
and accurately by me, and that this is a correct
transcript of the same.

RE: COMMITTEE ON FINANCE

Lisa C. Bradley, RPR
and Notary Public