COUNCIL OF THE CITY OF PHILADELPHIA

CONTINUED PUBLIC HEARING

COMMITTEE ON FINANCE

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Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, September 25, 2002
10:10 a.m.

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BILL 020490 - An Ordinance amending Section 19-1301 of The Philadelphia Code, entitled "Real Estate Taxes," by providing that real estate taxes imposed under that Section shall be based upon the assessed value of real estate as returned by the Board of Revision of Taxes in 2001, thereby freezing such real estate taxes at the level imposed for tax year 2002, under certain terms and conditions.

BILL 020491 - An Ordinance amending Chapter 19-1900 of The Philadelphia Code, entitled "School Tax Authorization," by providing that real estate taxes imposed by the Board of Education of the School District of Philadelphia for tax year 2002 and thereafter shall be based upon the assessed value of real estate as certified by the Board of Revision of Taxes in 2001, thereby freezing such taxes at the level imposed for tax year 2002, and by requiring that any other real estate taxes imposed by the Board of Education be based upon such assessed values, all under certain terms and conditions.

BILL 020492 - An Ordinance amending Section 19-2900 of Title 19 of The Philadelphia Code, entitled "Senior Citizen Low Income Special Tax Provisions," by expanding the coverage of this Chapter to include senior citizens who are eligible to participate in the Commonwealth's Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier ("PACENET") program.

Bill 020537 - An Ordinance amending Section 19-1301 of The Philadelphia Code, entitled "Real Estate Taxes," by providing that the taxes levied on a property under that section shall not increase in any one year by more than a specified percentage as the result of an increase in the assessed value of the property as returned by the Board of Revision of Taxes, under certain terms and conditions.

BILL 020538 - An Ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by providing that real estate taxes imposed by the Board of Education of the School District of Philadelphia on a property shall not increase in any one year by more than a specified percentage as the result of an increase in the assessed value of the property as returned by the Board of Revision of Taxes, under certain terms and conditions.

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PRESENT:

COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILWOMAN MARIAN B. TASCO, Vice Chair
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK. J. DI CICCO
COUNCILMAN FRANK RIZZO
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN JAMES KENNEY
COUNCILMAN W. WILSON GOODE, JR.

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COUNCILWOMAN BLACKWELL: We will have a hearing today on Bills Number 020490, 020491, 020493, 020537 and 020538.

The other bills and resolution will be heard next Tuesday at the same time and same place.

We thank Mr. Connelly for coming from STEB, State Tax Equalization Board. We will hear detailed testimony next week, and we welcome it and welcome you. We're always glad to have you today, of course. But you'll have plenty of opportunity to testify next week.

We will ask Mr. Glancey one question today so the people understand what assessments are. And then we will hear in detail his testimony also, and next Tuesday.

So all of you are interested in hearing about those bills which will be read shortly are welcome to be here, and you're welcome to stay if you just want to be a part of those hearings.

But we wanted you to understand which bills are being heard today and which are being heard next week so that you can gauge your time accordingly.

Having said that, we formally call this hearing into session. The Chair notes that we have a quorum. I'm Jannie Blackwell, the Chair of the Finance Committee.

To my right is the Vice Chair, Councilwoman, Marian Tasco; to her right our T.V. personality Frank DiCicco; and... Sorry. I couldn't resist that, Frank. I said "our T.V. personality Frank DiCicco." And to his right the President of the City Council, Anna C. Verna.

We will now ask the clerk to read the bills.

THE CLERK: Bill 020490, an Ordinance amending Section 19-1301 of The Philadelphia Code, entitled "Real Estate Taxes," by providing that real estate taxes --

COUNCILWOMAN BLACKWELL: Can you hear?

(Chorus of "no" from the audience.)

COUNCILWOMAN BLACKWELL: Darwin, would you come forward? Maybe these microphones are a little louder down here, for some reason.

THE CLERK: Can I be heard now?

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(Chorus of "yes" from the audience.)

THE CLERK: Okay.

COUNCILWOMAN BLACKWELL: Thank you.

THE CLERK: Bill No. 02049, an Ordinance amending Section 19-1301 of The Philadelphia Code --

COUNCILWOMAN BLACKWELL: Excuse me. You said "49." You didn't say --

THE CLERK: 490.

COUNCILWOMAN BLACKWELL: Start all over, darling. I'm sorry.

THE CLERK: Bill 020490, an Ordinance amending Section 19-1301 of The Philadelphia Code, entitled "Real Estate Taxes," by providing that real estate taxes imposed under that Section shall be based upon the assessed value of real estate as returned by the Board of Revision of Taxes in 2001, thereby freezing such real estate taxes at the level imposed for tax year 2002, under certain terms and conditions.

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MS. BLACKWELL: Thank you very much. The Chair thanks the Clerk.

We will now hear an opening statement from Councilman Frank DiCicco.

COUNCILMAN DICICCO: Thank you. Thank you; and good morning, everyone. Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

COUNCILMAN DICICCO: One month ago approximately 240,000 homeowners citywide received notices that their property taxes were being

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increased.

In my District alone, 31,000 homeowners received property tax increases, some as much as three hundred percent. I have repeatedly said that these increases are outrageous, unwise, and totally counterproductive.

On September the 12th, I introduced a resolution co-sponsored by Council Members Nutter, Kenney, Verna, Tasco, Ortiz and Cohen that called on the Mayor to suspend the implementation of the recent property tax increases until this Council had time to look over and come up with something in a more comprehensive reform for Philadelphia's Real Estate Tax System.

I also introduced corresponding legislation, Bills Number 490 and 491, that would freeze the assessments at last year's rates so that we can begin deliberating and debating real property tax reform in the City of Philadelphia.

Today we will begin this historic debate. I would like to thank the Chair of the Finance Committee, Councilwoman Blackwell, for agreeing to schedule Bills 491 and 490 as well as the other real estate tax assessment bills.

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Today we will hear testimony from the Administration, the Board of Revision of Taxes, community leaders, and most importantly the homeowners hit hardest by these unconscionable increases. I look forward to hearing this testimony.

Yesterday I received a City Solicitor's Opinion on Bill 490 and 491, as well as the other real estate assessment bills that had been scheduled for this hearing. Unfortunately, I do not agree with most of the conclusions in this memorandum.

The Solicitor argues that Bills 490 and 491, the freeze bills, and Bills 537 and 538, the cap bills, interfere with the assessment process and are unlawful and unenforceable.

With all due respect, Mr. Solicitor, frankly, I would like nothing more than to interfere with this reassessment process because thousands of homeowners...

(Applause.)

COUNCILMAN DICICCO: ...because thousands of homeowners will accept nothing less than what we have proposed in our legislation.

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Our property tax reform legislation seeks a positive solution to a potentially disastrous situation that could lead to unprecedented flight of our city's homeowners.

Bills 490 and 491 are not a panacea; rather, they are vehicles for further debate and discussion of our flawed assessment system. They're merely the first step towards creating a fair and equitable property tax system in the City of Philadelphia.

I also co-sponsored and support Bills 537 and 538 that seek to minimize the impact of the reassessments by capping increases at ten percent this year and into the future. I support the intent of this legislation and believe offers a positive solution to the current reassessment problems.

In the end, we must find a solution to this tax problem, and I believe that our legislation is the key to that solution.

I strongly urge the Administration to support our efforts and to rethink their confusing installment plan. I am totally confused as to what that represents.

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(Applause.)

COUNCILMAN DICICCO: Clearly, the homeowners in this City expect nothing less from the Mayor and their representatives in City Council.

I want to thank you again, Madam Chair, for having these hearings. And I thank all the witnesses who are here today.

COUNCILWOMAN BLACKWELL: You're welcome.

To my left is a member of the Finance Committee as well, the Honorable Michael A. Nutter. To my right we are happy to have Councilman Frank Rizzo join us this morning.

We will now ask to come to the witness table our Controller, Jonathan Saidel; Mr. David Glancey, Board of Revision of Taxes. And as I said, we will hear in detail his testimony next week, but he is here for informational purposes. And Miss Nancy Kammerdeiner, Commissioner of the Department Revenue.

MR. SAIDEL: For the record, Jonathan Saidel, S-a-i-d-e-l, City Controller.

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COUNCILWOMAN BLACKWELL: Thank you. Let me note that we do have your testimony. I think it's about the only testimony we do have. However, we thank you.

MR. SAIDEL: Thank you.

Madam Chairwoman, I come here before you today to offer testimony on Bill 020490 and 020491 which would freeze real estate taxes by basing next year's tax bills on this year's assessments.

Bill 020537 and 020538 which would cap tax bills increases at ten percent per year, and Bill 020493, which would move to expand the income requirements for senior citizen tax freeze.

I applaud Councilman DiCicco, Councilman Nutter, Councilman Clarke and all of City Council for focusing attention on issues surrounding the city system of real estate taxation with this legislation.

As you know, this summer homeowners across Philadelphia received notices that their real estate taxes would increase because of a change in the market value of their homes.

I am upset to see so many neighbors

and seniors angrily complaining that their taxes have increased by more than one hundred or even two hundred percent.

These outrageous increases are not due to the fact that property values increased dramatically in the past year. They result from the fact that City determined property values have lagged behind true property values for many years.

Thus, while the legislation before us today would allow residents to avoid onerous tax increases for the coming year, it would not fix the system or address questions of fairness, transparency, and certainty in the system in general.

All the bills under discussion today contain certain elements that can be considered to address the outrage over assessment increases, but we must focus attention on the larger problems associated with real estate taxation of Philadelphia if we are to avoid shocking increases in the future.

We need systemic change to create a real estate taxation system that is equitable, sure, and easily understand. The City's

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administration of real estate taxation system is regressive, valuing the homes of low income residents at a much higher percentage of true value than the homes of high income residents.

The system is also difficult for most residents to understand, with its series of formulas and obscure rules, and gives residents little ability to budget for the future with its seemingly arbitrary increases.

A property may receive no increase in a given year but a significant increase in the following year, with no indication of what the next year will bring.

Additionally, the system currently punishes those who improve their properties with tax increases, white it decreases taxes for those who allow their property to decay.

(Applause.)

MR. SAIDEL: One essential element of fairness in any system is that likes should be treated alike. Any system valuing real estate will naturally lag changes in property values, but if some properties that should be equally valued are effectively taxed at different rates the

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system may be unfair.

Recent analysis shows the average City determined market value for city homes was much lower than actual sale prices. More troubling is the fact that the variance is significantly different from neighborhood to neighborhood and often from block to block and house to house.

For example, for properties sold in arm's length transactions in 1999, the difference between the following year's City determined market value and the actual sales price was 23.5 percent in Kensington and 80.9 percent in Center City.

One reason that real estate taxes are important to consider is how they affect housing prices. High taxes tend to hold down house prices, while lower taxes tend to increase prices.

Therefore, when assessments are lower than they should be, housing values are inflated, which makes it more difficult for low income families to find affordable housing and enriches those selling city homes at the expense

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of those moving in.

As one way to reduce real estate tax burdens for Philadelphia homeowners, we can change how we tax property.

As I recommended in my November 2002 Tax Structure Analysis Report, I advocate for a system that will tax buildings less and tax land more, to encourage individuals to maintain and improve their properties, while discouraging speculation and blight by decreasing incentives to allow buildings to decay.

Based upon my analysis, such a system would reduce real estate taxes on nearly 80 percent of residential property owners. Similar systems in Harrisburg and Allentown have reduced abandonment, encouraged development, and generated popular approval.

In recent years Philadelphia has made strides to address the general undervaluation of properties and disparities among tax bases and has for the first time made some real estate tax data available on the City's web site.

Still, we have much to do. As I had advocated in the Tax Structure Analysis Report,

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the City should seek to remedy the unfairness that has developed in its real estate tax system through a full citywide real estate tax assessment or increased efforts to equalize all Philadelphia properties so that similar properties have similar City determined market values and equal real estate tax bills.

This effort should be performed in a revenue-neutral way. Tax rates should be reduced to offset assessed increases so that reassessment equalization and focus on making the system work and not on generating extra revenues for the City.

To improve the accessibility of the system, the City should greatly expand the overall transparency of property taxation in Philadelphia.

Jurisdictions like Allegheny County, Pennsylvania, have made all tax data available on the internet, searchable by address and name, and even include images of properties and floor plans so that citizens can have ready access to all public information about real estate taxation at their fingertips.

Nobody likes receiving an increased tax bill, but taxes are a necessary evil in our

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society.

While residents fume over the amount of their tax increases, we should focus our attention on fixing this system as a whole.

Until we ensure that our system treats people equally and equally in a fair and open manner, Philadelphians will spend many more years wondering if their real estate taxation system is treating them justly and if they can afford to remain City residents at all.

However, by appropriately valuing property and shifting taxes from buildings to land, we can create a fair system that encourages development, discourages blight, and provides certainty for Philadelphia's City taxpayers.

Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you for your testimony. I asked my staff but I'm not sure they did it. You know, you've been to many meetings in my area, University City, where they support a land tax.

I got a letter from one of my constituents who lives around 46th and Osage

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supporting a land tax.

But my question is, in her letter she says how will taxing the land, since if there's a deteriorated property that assessment could be low, but the land tax is also lowered as well, isn't it? Won't a land tax suffer from the same problems that property taxes suffer from?

MR. SAIDEL: Personally let me thank you, Madam Chairwoman for sponsoring the resolution which was endorsed by everyone on the front row and unanimously endorsed. And we're going to have hearings --

COUNCILWOMAN BLACKWELL: Yes.

MR. SAIDEL: -- on the land tax situation in the near future.

MR. SAIDEL: Actually, not. What I'm concerned about is is that people from outside the City come in and buy large tracts of land, allow the buildings on the land to decay.

They effectively land-bank, destroying neighborhoods, force people to leave. Then they buy up all the land and they try to rebuild the neighborhood. We've got to keep people in their homes.

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What's important to me, and I think important to those that advocate land tax valuation as a higher percentage is, why should we tax people when they are fixing their own homes?

Every resident of Philadelphia that fixes their own home is a champion against the blight in the City of Philadelphia.

(Applause.)

MR. SAIDEL: And those people that buy land and buy those buildings and allow those buildings to deteriorate are the enemies of the people of Philadelphia and the enemy of this Government.

(Applause.)

MR. SAIDEL: Therefore, the value of the land will not be judged on the property that's located on the land, but should be judged about what the best possible usage would be of that particular land.

We may not be able to take the land away from them because it's a violation of the Constitution, these people that come in from the outside, but we can force them to pay the piper as much as possible if they're going to try to

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destroy our neighborhoods.

And you take money out of somebody's pocket, maybe they'll think twice about destroying our neighborhoods in Philadelphia.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much. I have one final question, and then I'll turn it over to my colleagues.

How will these bills affect the School District? With an assessment on BRT made, could this jeopardize school finances? How are they related?

MR. SAIDEL: Well, you know, it's a complicated question because, you know, for years, the School District has been almost an appendage of City Government.

Now, because it's being run by a state-created authority, for lack of a better term, it's very difficult to understand our relationship.

When you change the ratables, about 58 percent of any real estate tax assessment that's paid, 58 percent of that total payment goes to the School District.

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So by freezing, effectively freezing... If you froze all assessments at what they were the past year, whatever normal increase that is in their school budget this particular year, that money will not come into the School District.

Also, with the City's five-year plan, I believe that the City put down a nominal increase, about 2 percent on their 42 percent of whatever the real estate taxes that are collected, which comes to about $16 million. And I believe that if these new bills were all paid on time, it would bring in an additional $17 million to the City.

So effectively, if you froze all increases, then that 2 percent, about $6 million in a $2.9 billion budget, would effectively have to be changed in the five-year plan. So, it does affect it.

But I think what's more important is that, yeah, it does affect the revenue stream. But the fact that it is unjust and the fact that there are major discrepancies between block to block and neighborhood to neighborhood, you know,

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that we can afford to lose the money until we put up a system that is fair and equitable and that people understand.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Saidel.

Let me see. Councilwoman Tasco, and Councilman DiCicco, and then Councilman Nutter. Thank you.

COUNCILWOMAN TASCO: I know we'll come back to the land value tax when we have the hearing.

But you mentioned other cities and the state that have the land value tax. Do you know when they implemented these land value tax programs and how they did it?

MR. SAIDEL: Well, you know, we are the largest City in the State, obviously. And the cities that I had mentioned put them in a number of years ago, and it did encourage development throughout their cities, and I think gave people an opportunity, an incentive, to build.

But one of the problems is is there is an impediment to fixing up structures in Philadelphia in relation to fixing up structures

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in the suburban counties because the moment that you start spending your own money, you're going to be hit with a real estate tax assessment that in many cases... I mean, right now is just obscene, as was mentioned before, when you go three hundred, four hundred percent increases over the last two years.

I think it's something that we're going to look at. We have set up a program with Drexel's School of Business. The Ph.D.s over there are doing a sampling that we're working with.

Mr. Glancey is involved with it, from the BRT, to see that if the numbers work, why, that the representative sample would then represent to every District in the City of Philadelphia how it will affect; and then we'll have the hearings and I think have a wonderful process.

But it has fixed our downtown. But what is more important in Philadelphia is that we need to spend less money downtown and put that money back in the neighborhoods and get back to neighborhood by neighborhood improvement.

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COUNCILWOMAN TASCO: Would it have an impact on those buildings that are presently sitting vacant in our communities and there's nothing being done, they're just being allowed to deteriorate?

MR. SAIDEL: Well, I think one of the most important things about land value tax, it has a direct relationship. And that relationship is that, you know, you have someone living on a block, and they're trying to fix their homes, and their taxes go up, while someone is allowing the building to decay because they're waiting for the neighbors to all move out so they can buy the entire block.

This will force the City of Philadelphia and the BRT, if we go to a land value tax, to charge them not just on the land but what would be the best usage of that land, in relationship to just having a vacant piece of property.

So those people that are sitting there and land-banking are waiting to buy large tracts of land will then have to pay three, four, five times more the amount than they are paying

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presently.

And right now it pays that if you're an investor in Philadelphia and you want to just acquire large tracts of land, why fix it up? As long as you pay a hundred, $150 a year in real estate taxes on the vacant properties that you own, the City can't go after you.

But if we charge them $1500, $2500 for trying to destroy our neighborhoods, maybe they'll sell to it somebody that wants to fix it or at least they'll fix it themselves.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you. Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

MR. SAIDEL: I'm sorry, Frank, I can't hear you.

COUNCILMAN DICICCO: Thank you, Madam Chair. Good morning.

MR. SAIDEL: Good morning.

COUNCILMAN DICICCO: Good morning, Mr. Saidel. I support the -- I signed on to the Bill that was introduced by Council President

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Verna and Councilman Nutter last week which basically will call for the ten percent cap in any given year.

While I welcome the opportunity to hear testimony on that, I personally think that maybe -- and I expressed this to Councilman Nutter -- that I might like to see that even lower.

So my question is, in your opinion as the City Controller, if we were to enact legislation that would take, basically, part of Bill 490, of the bill that says to the Mayor to instruct the Revenue Department to send out tax bills at the 2001 rate, and we included in that package, in that Bill or amended the Bill for a two percent increase, something that would reflect the five-year plan, what's your opinion on that?

Because what I'm looking at is, basically, sort of like a revenue neutral type of legislation, where in any given year we won't just be reassessing properties at an arbitrary percentage, notwithstanding whatever the BRT believes that the property should be assessed at; but overall, that it's more uniform across the

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City if we were to do something that says, like I just mentioned, for this year do a bill that freezes it at 2001 for the current year, but add in a two percent increase, if that's what we anticipate the revenue increases to be in the five-year plan going forward. What is your opinion on that?

MR. SAIDEL: No; I would support that. I think that that... You know, the two percent is in the five-year plan, and we wouldn't have to go back and change the five-year plan and submit it to PICA and all the other regulatory authorities.

But I think what's important is that if Council sees fit to do that, and either the Mayor signs or you do it through an override, there must also equally be a commitment to change the underlying problems that we face.

If we don't face the underlying problems of the large discrepancies on assessments and the large discrepancies on market value, and I think help the people in this room and the one-and-a-half million people that we all collectively represent, then all we're doing is

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we'll stalling the inevitable where people will leave.

I mean, there was a lot of courage in Council in the beginning of your session last year in which you reduced the wage taxes, you reduced the gross receipts tax, you effectively began a process to change how we tax people.

Well, if you think about it, you reduce the wage taxes, and then you hit somebody with a real estate tax that is onerous and outrageous, then where are we going?

So until we change the underlying proposition of how these assessments are made and to make sure that they're equitable and transparent, and people understand where it comes from, I think that it would be for naught.

But if you couple that with the bill that you had just mentioned, with a marginal increase that people can understand -- everyone knows inflation went up two percent -- then I think that that's a good process and a good beginning point.

COUNCILMAN DICICCO: Thank you. I just want to make a comment. Either in your

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statement or in your off-the-statement comment, you referenced about how we penalize people for reinvesting in their home and making improvements.

As you know, we introduced legislation several years ago. I actually introduced it, and it was co-sponsored. And it ultimately passed unanimously in Council, where it is now possible for people to add an addition, make an improvement, reinvest in their home which basically is a reinvestment in the community, and the entire Philadelphia community benefits; whereby those folks would not be reassessed for the value of the improvements for ten years.

And it was our way of basically thanking people for not leaving, and giving them a reason to stay by not penalizing for making those investments.

And what we're faced with today -- and this is really just a comment on my part -- by way of these more recent reassessments, is it dismissed everything that we were attempting to do.

And I'm quite embarrassed now when I go to community groups to have to explain now why

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all of a sudden as a result of what people have done in their respective neighborhoods, with little if any Government intervention, because they have made their neighborhoods a better place we are now penalizing them for doing those improvements. And we had nothing to do with Government, for the most part.

So I agree with you that this is not a fair way of doing it, and we have to find a better solution to the problem. And that's what these hearings are all about.

And all we're getting from the Administration, and as recent as yesterday from the Mayor's mouthpiece, Mr. Keel, who I have never had a conversation with, is that our theories are stupid and absurd.

And I take offense to that, especially coming from a man who's the highest paid City official -- City employee, who doesn't even live in the City of Philadelphia and doesn't have to pay real estate taxes.

(Applause and cheers.)

COUNCILMAN DICICCO: For him to tell us, the elected officials who are elected by the

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people in this room and the rest of the people in the City of Philadelphia, that our coming forward with proposed legislation that may ultimately find a solution that is acceptable to the people we represent, and consider that and label that stupid and absurd is a disgrace.

And I find that to be offensive, coming from a spokesperson for the Mayor of the City of Philadelphia, and I'll repeat, who doesn't even live in the City of Philadelphia.

(Applause.)

COUNCILMAN DICICCO: Good question. Councilwoman Tasco said, does he have a Business Privilege Tax? We'd like to investigate that as well. Because he's actually doing consulting work on the side.

And I like when people from outside the City come in and tell us what we should be doing, when they don't want to live with us. Something's wrong with this picture. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman Nutter.

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MR. SAIDEL: Tell me how you really feel, Frank. That's all I want to know.

COUNCILMAN NUTTER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

COUNCILMAN NUTTER: Mr. Controller, let me ask one question with regard to the land tax issue that was raised earlier.

Has any analysis been done or have you taken the City... the full City tax file and applied the land value tax concept to the entire City tax file, and made a determination as to what the result of that would be, any comparison between a real live taxpayer's bill as anticipated by the 2003 proposed assessments, as compared to what the land tax would do for that same taxpayer? Do we have any information that would show --

MR. SAIDEL: Well, we have...

COUNCILMAN NUTTER: -- property by property comparison?

MR. SAIDEL: We have a comparison that was done last year. And I'm very proud that you, Councilman Nutter, were there at the

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announcement at the Chamber of Commerce last year, when we put out our taxpayer analysis.

That was based upon last year's, in which we found that the comparison and the sampling that was done, that 80 percent of the residential homeowners in Philadelphia received a tax reduction.

We have not done any additional analysis based upon these massive increases, but obviously if 80 percent -- based upon last year's assessments would have had a reduction of a hundred dollars or more.

I can't imagine it being any less than 80 percent, which is why we're moving forward to do that sampling, using Drexel and a variety of other analysis, along with the BRT that are involved in it, to do a sampling that's representative of the City of Philadelphia, and to show how the different percentages of homes and their relationship to our neighborhoods will be affected by a change in the evaluation of taxes with an increase on land taxes and a diminishing on the capital improvements that are made on that land.

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COUNCILMAN NUTTER: All right. Well, I'm going to admit that I heard what you said. I'm not exactly sure -- and it may be my lack of understanding -- that I completely understand what that means. So, let me ask a question a different way.

MR. SAIDEL: We have an analysis based upon last year but not the new increases.

COUNCILMAN NUTTER: No; I know that. If I gave you an address, and last year's market value and the proposed market value for this year, you could tell me what that person's tax bill would be on an individual basis?

MR. SAIDEL: Yes.

COUNCILMAN NUTTER: Okay. And is that computation available somewhere, that people would be able to do it for themselves?

MR. SAIDEL: Certainly. And I'll have my office supply that with you today. It's also on our web site.

COUNCILMAN NUTTER: It's on your web site. So people can just plug in the information and they would see what the difference would be?

MR. SAIDEL: Yes.

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COUNCILMAN NUTTER: And for last year, now, what -- whatever last year's -- I guess when we talk about last year, we're really talking about 2002?

MR. SAIDEL: Right.

COUNCILMAN NUTTER: Do you know what the increases from 2001 to 2002 generated, in terms of revenue for the City?

MR. SAIDEL: I don't have that number available.

COUNCILMAN NUTTER: Do you have any idea, if we had gone to the land tax in 2001, what the revenue generated would have been for the City in 2002?

MR. SAIDEL: If I remember correctly, it was almost revenue neutral. It was a difference in the manner in which we tax, not in the total revenue stream.

COUNCILMAN NUTTER: Can you give us a sense of, from your perspective, why this hasn't either been implemented before or kind of caught on like wildfire in the past?

MR. SAIDEL: Well, we've all been in Government for a long period of time. And it has

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been brought up a number of times in past history. But unfortunately, many times it takes an emergency situation for there to be a dramatic change in the way Government functions.

COUNCILMAN NUTTER: And what would changing to the land value tax do with regard to where properties would be valued at? Presently apparently the system is a goal of, I believe, 71 percent of value.

What would that do, with regard to the actual value of the property in the City system? Would they go to a hundred percent? Would we keep doing it at 71 percent? Does that not matter any more? What's the difference?

MR. SAIDEL: What we had proposed changing was, where the City values the capital asset on the land at 75 percent of land, to 25 percent; that we go to a 50/50 split; and then move forward from there, which would mean that the land would be valued at 50 percent, based upon its best usage, and begin to diminish or accenting the increase in value on the residents or the commercial property that sits on top of that land.

COUNCILMAN NUTTER: Okay. Thank

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you.

MR. SAIDEL: My pleasure.

COUNCILWOMAN BLACKWELL: Thank you very much. President Verna.

COUNCIL PRESIDENT VERNA: Thank you. Mr. Saidel, I know that we're focusing on a long-term solution to this problem.

In your opinion, what do we do to address the short-term? Because people that are sitting here I'm sure are here because their taxes have increased exorbitantly. In your opinion, what do we do in the short time?

MR. SAIDEL: I think that the initial bills that have been brought before you that there have been hearings for today and next week is a beginning step.

Either freezing it and not having made a judgment call on if you want to increase the percentage or not. But certainly freezing what we had before would be a good step, as we all get together as meaningful people to change the method upon which assessments are made.

Now, the biggest problem is that there is discrepancies between neighborhood to neighborhood, block to block, house to house. And the only way that the authority of Government is listened to is if people believe that Government is open and honest and consistent.

As you and I both know, when I first got married and had children, I bought a house. I worried about what that monthly payment would be, more than whether I had a mortgage within 30 years or 40 years.

When you increase by four hundred, five hundred percent someone's real estate taxes, that does not necessarily mean that they're going to make more money to pay that real estate tax. It's not like an income tax.

(Applause.)

MR. SAIDEL: And I think it would be insane for Government to allow real estate taxes to dramatically increase, force people to sell their homes because they can't afford to live in the house that they fixed up to make it more valuable in the first place. We need to help our neighborhood.

(Applause.)

MR. SAIDEL: So, I think what you're

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doing now, Council President, is a beginning, as long as we all get together as right-thinking people and fix the system that is equitable for all throughout the City of Philadelphia, and then we can move forward and run the Government as efficiently as we possibly can.

COUNCILWOMAN BLACKWELL: Thank you very much.

COUNCILMAN DICICCO: You don't think this is stupid and absurd, right?

MR. SAIDEL: Do I think that this is stupid and absurd? No, not at all.

COUNCILMAN DICICCO: Okay. Thank you.

MR. SAIDEL: And I live in Philly, by the way.

COUNCILMAN DICICCO: All right. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair notes that we saw Representative Babette Josephs in the room, and we certainly wanted to acknowledge her presence and thank her for being here.

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COUNCILWOMAN BLACKWELL: Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

Councilman Kenney called a few minutes ago. As you know, he co-sponsored these bills. He's not able to be here this morning. He's en route back. He may get here by the end of the day.

But he wanted everyone to know that he supports these bills, and he will be at the two hearings next week on the 1st, and I think it's the...

COUNCILWOMAN BLACKWELL: At this point we have them scheduled for the 1st, four today and four next week.

COUNCILMAN DICICCO: Thank you.

COUNCILWOMAN BLACKWELL: Tuesday at 10:00.

Thank you, Councilman.

COUNCILWOMAN BLACKWELL: Thank you.

The Chair would like to call Mr. Glancey forward. And as we said, we will have a thorough discussion next week with him next week. But we wanted to just ask him to give a brief description of how the assessment process works. I know we're scheduled to have our hearing next week examining the whole process, but for the purposes of today we just wanted kind of an overview.

MR. GLANCEY: Right.

COUNCILWOMAN BLACKWELL: And we'd be very satisfied with that. And then we'll ask Miss Kammerdeiner to come forward.

MR. GLANCEY: Thank you, Madam Chairman. I really appreciate the opportunity to make a few comments today.

And as you indicated, I'm going to have substantial written testimony for this Panel on Tuesday, October 1st.

First of all, I'm 58 years old. I've lived in the City for 57 of those years, so just get that on the record.

And secondly, what I'd like to do --

COUNCILWOMAN BLACKWELL: Councilman Nutter says, where were you for the first year of your life?

(Laughter.)

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MR. GLANCEY: If you don't mind, Madam Chairman, what I'd like to do is to take a very short brief statement that I am extracting from the testimony we're preparing for Tuesday, October 1st.

COUNCILWOMAN BLACKWELL: Thank you.

MR. GLANCEY: And make that part of the record this morning.

And I would also note that in the room is Harvey Levin, who is a Member of the Board of Revision of Taxes. I don't know if Charlesretta Meade is here. She may be. And Robert Nix is probably on his way. He is the Secretary of the Board of Revision of Taxes.

COUNCILWOMAN BLACKWELL: Thank you, and welcome.

MR. GLANCEY: Thank you. Ladies and gentlemen, recently many residents have expressed concerns about the fairness of the recent reevaluation.

The problem, as we see it, is that in any assessment system, regardless of how much fairness is built in, it seems inherently unfair when your own property in a desirable area and the market value of your property skyrockets.

Our current real estate market has had dramatic and volatile increases during the last five to seven years in the locations in our City that are the most desirable.

If the BRT does not adjust market values to keep pace with this market, equity, fairness, and uniformity are diminished. Inequities in valuation ultimately become inequities in the real estate tax system.

Under the laws of the Commonwealth of Pennsylvania that govern the operation of the assessment boards, if we were to ignore the market, and freeze assessments at last year's level, we would in my opinion, by definition, institutionalize all the inequities that we attempted to cure with the proposed 2003 equalized values.

Having said all that, I ask each of you: How fair to the citizens would it be if this Board ignored the rising market in the face of its own sworn responsibilities under state law? Not very fair. And I think you would agree. Our goal is to make sure that the market value of any given

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property is determined strictly by the sales of other similar properties.

We believe the removal of subjective judgments, to be replaced by objective standards, brings fairness to all property owners.

Now, this is very important. In truth, the fairness of our assessment system is in conflict with what many people in the City want out of any system that results in a tax bill.

People are looking for predictability. The problem is that there is nothing very predictable about real estate values. The real estate market, like all markets, is subject to volatile swings in value from time to time.

Under current law, the BRT is mandated to follow that movement of the market. And this, of course, builds volatility into the process.

There is no certainty that the next hot neighborhood won't be the one that you live in.

The one thing that is predictable is that values rise and fall, different rates,

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different neighborhoods, different streets, and even as the Controller indicated, street by street, block by block, house by house, because that's what real estate markets do.

The other thing that is certain is that the BRT must set that value wherever it takes place and whatever are the market conditions.

So the question is, where do we go from here? And with all due respect, I'd like to make a suggestion concerning the bills that are before us today.

I believe we must re-define the relationship between property values and assessments and revenue raising. My duty is to value all the real estate property in the City.

Your duty, and the duty of the Administration, among a host of other things, is to create and fund a budget for the City and School District. I don't want your duties and you don't want mine.

I think the bills introduced by Councilman Nutter, Council President Verna, and as I understand today from Councilman DiCicco who's looking at that type of bill, I think they are all

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responsible attempts to separate, to unbundle, to unbind, if you will, the valuation function from the revenue raising function.

The BRT is in the business of real estate valuations. We should not be in the revenue business. That's your responsibility, along with the Executive Branch. Let's work cooperatively to see if we can't unband those two functions.

And let me just finish by saying that I too think we are at an historic moment, where if people of good will, the Council, the Administration, the BRT, can get together and work on this specific problem in a way that I think all of us can win, but most particularly the winners would be the folks in this room who are not part of the Administration or Council. The citizens win.

Because if we can somehow make it possible, as I said, to unwind or unbind the valuations from the revenue raising, I think we would have gone a long way in solving the present crisis that we seem to be facing today.

Thank you very much, Madam Chairman.

I'll be happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Glancey.

Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair, and good morning Mr. Glancey.

MR. GLANCEY: Good morning.

COUNCILMAN DICICCO: I've said this repeatedly in the press. I have announced it at the town meetings --

MR. GLANCEY: I'd like to hear it again.

COUNCILMAN DICICCO: -- that I've been conducting. You and I get along really well.

MR. GLANCEY: Yes.

COUNCILMAN DICICCO: Your office has always been very responsive to the needs of my office.

And I suspect and have to believe that going forward, when we file the appeals, that we'll get the same level of cooperation that we have in the past.

And I particularly want to thank you for your comments which you've just basically

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repeated, that were in the paper today, where you do believe, as a representative of the BRT, that what we're proposing, although we may not -- they may not be the final end result of what these hearings will produce, you do believe that this is responsible -- a responsible way of addressing this problem.

And as a member of the BRT, I want to -- I think that it's important that we hear that from you. That's the kind of rhetoric we'd like to be hearing from the second floor, instead of the absurd and stupid things that we're hearing. And I'll probably repeat that a million times before these hearings are over, because I do find that very offensive.

But I want to thank you for those comments, and look forward to working with you in the future. I just did have one or two brief questions. I think in your statement, or your testimony, you mentioned the fact about reassessments.

Does the BRT, in fact, reassess every property on an annual basis?

MR. GLANCEY: Yes.

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COUNCILMAN DICICCO: Would it not have been -- and this, again, is not meant to be critical. Would it not have been a more reasonable way, if you will, over the last several years -- and I understand that in certain sections of the City market values have increased. Resales have increased dramatically.

But when a homeowner receives in the mail an increase in excess of a hundred percent, and as high as three hundred percent in one year, we wonder, we question: Why had there not been a gradual increase in the reassessments during the period in time when the market values were going up?

For all intents and purposes, a neighborhood doesn't go up three hundred percent in one year. I don't think so. Although, it gradually may get to that point. And there are some exceptions. There are some exceptions.

But the sticker shock, if you will, to open up the envelope -- and in many cases in my district -- which I believe you live in my District as well.

MR. GLANCEY: Yes, I do.

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COUNCILMAN DICICCO: Where people had received increases last year. Example: A couple moved in from Manhattan. And they stopped me as I was doing some political things in their neighborhood.

And they said to me, you know, Councilman, we're from New York, Manhattan. We understand the high cost of living. New York has probably some of the highest taxes in the world, if not the nation.

And we moved to Philadelphia because we thought it was really a neat place to live, a more affordable place to live, a much more convenient, and all of the great things that we try to promote Philadelphia to people who are thinking of moving, and tell them why they should stay, and also to come in who have not lived here.

She said, in the last year our bill was about $7500. Almost immediately after we moved in, our taxes went to $9500. She said, we accepted that. That's the price of doing business.

This year, her taxes were increased to the tune of about $11,000, which makes her real

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estate taxes $20,500 from $9,500.

And there is where, I think, the crux of the problem is. The one fell swoop, you know, without any warning from -- And it's not your job to warn us, obviously. But I think the Administration, although they deny it, had to know what was happening.

We did get warnings that increases were coming up, which we do just about every year, but no one anticipated, you know, the hugeness, the massiveness of these increases.

So, going forward with these hearings -- and again, I want to thank you for your comments -- that those are the things I think we need to figure out.

MR. GLANCEY: Sure.

COUNCILMAN DICICCO: You know, gradual increases, you can budget. You can anticipate what it will be the next year, the following year, five years out.

But a $10,000 increase in one year, regardless of what your income level is, I think is counterproductive and doesn't help us in any way. Thank you.

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MR. GLANCEY: If I could just respond.

(Applause.)

MR. GLANCEY: If I could just respond very briefly, Councilman, I think to answer your question, of course it's sticker shock when something like that happens.

And as you know, there were 270,000, roughly, notices that were sent out this year. Of that 270, I would hazard a guess that approximately 230 or 240 did, in fact, have a gradual increase.

There are maybe -- I'm guessing, roughly because I don't have it in front of me today -- roughly about 25,000 to 30,000 properties -- And that's a lot, that's a lot of properties -- that in the last three years, because these are the three years' analysis that we used, the sale prices of those homes in areas that are very desirable, there may have been sales that have been two and three hundred percent more than what they were in '98 to 2001.

What happened was, is that we put no caps on our own process, our own computer-assisted

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process. We have in the past. But the market was so very hot I did not want to run afoul -- and I'm not going to get mind-numbing about this -- I did not want to run afoul of what we must do under the laws of the Commonwealth of Pennsylvania.

So, I know this may sound silly and it may not be acceptable, but this is really the answer. In those areas where you saw those incredibly high market value increases, one hundred percent and more, in a sense, if you compared that to what the sales were, they were gradual. Now I know that's a lot of money, but they were gradual.

COUNCILMAN DICICCO: I understand that. And most of the folks that I've talked to --

MR. GLANCEY: Right.

COUNCILMAN DICICCO: -- understand, and as I do --

MR. GLANCEY: Right.

COUNCILMAN DICICCO: -- that things have to change. And that in a lot of cases their houses were undervalued. They understood that.

MR. GLANCEY: Right.

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COUNCILMAN DICICCO: But again, it's the shock --

MR. GLANCEY: Right.

COUNCILMAN DICICCO: -- of the one time --

MR. GLANCEY: Right.

COUNCILMAN DICICCO: -- getting whacked for such high increases --

MR. GLANCEY: Right.

COUNCILMAN DICICCO: -- that is unsettling for that.

MR. GLANCEY: Right.

COUNCILMAN DICICCO: You know, I understand that real estate taxes, like all other taxes, is the fuel that drives the Government.

MR. GLANCEY: Right.

COUNCILMAN DICICCO: I understand that. They're not going to go away.

But again, the theory is -- and you'll understand that it's not stupid and absurd -- is that we need to figure out a better and more equitable and uniform way of doing that. And I look forward to working with you.

MR. GLANCEY: Absolutely. And I

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couldn't agree with you more.

COUNCILMAN DICICCO: Thank you.

MR. GLANCEY: And I think that's why we talk about unbundling what we have here, in sharing responsibility.

COUNCILMAN DICICCO: Thank you. Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you. Councilman Nutter. And then Councilwoman Tasco.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Glancey, Let me just ask a couple preliminary questions. Now, the Board... There's seven members on the Board.

MR. GLANCEY: That's correct.

COUNCILMAN NUTTER: And the Board is fully constituted now?

MR. GLANCEY: Yes.

COUNCILMAN NUTTER: And they are six-year terms?

MR. GLANCEY: Yes.

COUNCILMAN NUTTER: They all run at the same time?

MR. GLANCEY: No. They're staggered

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terms.

COUNCILMAN NUTTER: They're staggered. And the appointment process is through the Board of Judges?

MR. GLANCEY: Board of Judges.

COUNCILMAN NUTTER: Are there any seats coming up?

MR. GLANCEY: Yes. If you want, I think I might even have the information. The first seat that would come up would be on January of 2004.

COUNCILMAN NUTTER: And I assume or make the assumption that unless a member retires or otherwise leaves, members only leave for cause or can only be discharged for cause?

MR. GLANCEY: That's usually the case.

COUNCILMAN NUTTER: How many assessors do we have?

MR. GLANCEY: We have 133 Civil Service employees; and of that, professional evaluation staff is approximately 43.

COUNCILMAN NUTTER: 43.

MR. GLANCEY: Yes. I'm sorry. I'm

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speaking just about the residential areas. About 43 in the residential areas.

COUNCILMAN NUTTER: That's what I wanted to ask you.

MR. GLANCEY: Yes.

COUNCILMAN NUTTER: So there are 43 assessors for residential. And how many for the -- Is the other category commercial and industrial?

MR. GLANCEY: Yes, the other category is commercial and industrial. We have 11. We have a GIS Department, and they are evaluation as well. We have five. And...

COUNCILMAN NUTTER: I'm sorry. Tell me what...

MR. GLANCEY: The GIS Department, The Geographic Information Services.

COUNCILMAN NUTTER: I got the acronym. What do they do? They do evaluations also?

MR. GLANCEY: No. They do mapping for us.

COUNCILMAN NUTTER: Mapping.

MR. GLANCEY: Which is part of the

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evaluation process.

COUNCILMAN NUTTER: Okay. So, I just want to make sure we're --

MR. GLANCEY: Councilman, it wouldn't be fair if I didn't also mention that there are some supervisors who supervise these folks, but also have...

COUNCILMAN NUTTER: Let us recognize the supervisors.

MR. GLANCEY: Well, they do, because they also do evaluation work. And there are 13 of those.

COUNCILMAN NUTTER: There are 13 supervisors who also do evaluations.

MR. GLANCEY: Yes, sir.

COUNCILMAN NUTTER: Okay. Now, so let me go back and make sure I have these other pieces of information. I'm merely trying to understand. I'm at a very base level of information here.

And you've been at the Board since...

COUNCILWOMAN BLACKWELL: We wish.

COUNCILMAN NUTTER: ...'83?

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MR. GLANCEY: Yes, sir.

COUNCILMAN NUTTER: Okay. I'm going to ask that you not use your 19 years of experience in a disadvantaged way against me.

MR. GLANCEY: I would never do that, Councilman.

COUNCILMAN NUTTER: Okay. Now, you have 43 assessors for residential. Now, is it my understanding that there are 485,000 residential properties?

MR. GLANCEY: There are approximately 450,000 residential properties.

COUNCILMAN NUTTER: And that number's dropping every day, isn't it?

MR. GLANCEY: Well, they switch. People demolish homes. People build homes.

COUNCILMAN NUTTER: And how many commercial/industrial buildings?

MR. GLANCEY: Well, the rest, we have a total universe of approximately 567,000. So the balance would be commercial/industrial, vacant land, et cetera.

COUNCILMAN NUTTER: So that's 117,000.

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MR. GLANCEY: Yes.

COUNCILMAN NUTTER: Now, the State Statute seems to indicate that the assessment is supposed to be annual; is that correct?

MR. GLANCEY: Yes, sir.

COUNCILMAN NUTTER: And we do annual assessments?

MR. GLANCEY: Yes, we do.

COUNCILMAN NUTTER: Every property is assessed on an annual basis?

MR. GLANCEY: Yes, sir. It doesn't mean everyone's changed. Everyone is looked at.

COUNCILMAN NUTTER: I understand.

Now, how do the 43 people assess 450,00 properties?

MR. GLANCEY: It is mostly done through a computer-assisted mass appraisal process. And they are also out in the field looking specifically in their areas of responsibility to the exterior conditions of properties. We do not go inside properties, obviously.

COUNCILMAN NUTTER: I understand that.

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Now, the City is broken up into Assessment Districts?

MR. GLANCEY: We have Assessment Districts, and then we also have what we call -- and I've shared with you before -- geographic market areas within those Assessment Districts.

COUNCILMAN NUTTER: And just by the simple math -- and it might be off by a couple -- but I mean, each assessor is essentially responsible for about ten thousand properties?

MR. GLANCEY: Properties, correct. Yeah.

COUNCILMAN NUTTER: Okay.

MR. GLANCEY: And I'm sure they vary from location to location.

COUNCILMAN NUTTER: Okay. And how many would you estimate the assessors actually see?

MR. GLANCEY: I don't know. I mean, I will find that out and have it for you by the 1st, but I don't know that today.

COUNCILMAN NUTTER: Well, tell me a little bit about -- Now, you had a term and it went by me too quick. Computer-assisted...

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MR. GLANCEY: Mass appraisal.

COUNCILMAN NUTTER: Mass appraisal. And how does that work?

MR. GLANCEY: Should I do it in mind-numbing detail or the quick way for today?

COUNCILMAN NUTTER: For today you can leave me with a bit on my mind, and next week you can take the rest of it.

MR. GLANCEY: The way it works is that... I guess the best way to describe it is that we as an organization divided the City into roughly 647 geographic market areas.

We figure -- and the best practices in the U.S. have also stated -- the smallest unit of comparison is the best unit of comparison. So that is, we try to put areas where there are like properties together with other like properties.

And within that grouping of 647 geographic market areas, we ask our computer to analyze three years' worth of sales. Those sales for this year were from November of 1998 to November of the year 2001. Roughly 41,000 sales were analyzed.

Those sales are then compared with

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all of the GMAs in our system. And what happens, in a nutshell, is that values are extrapolated for homes that didn't sell from homes that did sell. It is a sales comparison analysis which, again, we believe is the best way to try to value properties. What do like properties sell for? And in a nutshell, that is what we do.

COUNCILMAN NUTTER: Now, is that in accordance with the Statute that talks about all property within the County now or hereafter made taxable by laws shall be valued by the assessors and assessed by the Board at the actual value thereof? And it talks about three methods, namely, cost, comparable sales, and income approaches?

MR. GLANCEY: We absolutely believe we're within the Statute.

COUNCILMAN NUTTER: Do you use all three or --

COUNCILWOMAN BLACKWELL: Excuse me, one minute, Councilman.

Let me note, too, that next week is Mr. Glancey's time. We only wanted him to explain for those who are here in this Chamber what

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assessments generally are. But in terms of detailed questioning, Councilwoman Tasco, a lot of members here have a lot of questions.

But we didn't want to get really into deep detail, but to deal with that and that whole issue next Tuesday, so that we can hear testimony on all the resolutions we have today -- or all the bills, excuse me, that we have today.

COUNCILMAN NUTTER: Okay.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN NUTTER: If I can have just a couple other questions, Madam Chair, and then I'll come back.

Let me ask you this question, Mr. Glancey: Who does the Board report to?

MR. GLANCEY: What do you mean? I'm sorry? Report in what way?

COUNCILMAN NUTTER: Who is the Board accountable to?

MR. GLANCEY: We're created by --

COUNCILMAN NUTTER: We all report to somebody.

MR. GLANCEY: Well, we're created by the Commonwealth of Pennsylvania, so I suppose we

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are accountable to the laws of the Commonwealth of Pennsylvania. I mean, I don't want to be glib, but we certainly are accountable to the people of the City of Philadelphia.

But to answer your question specifically and legally, I believe that we are legally accountable to the Commonwealth of Pennsylvania, and we are certainly emotionally accountable to Council, to the Administration, to the people of the citizens of Philadelphia.

COUNCILMAN NUTTER: I guess my last question in this area, putting aside for a moment the emotion, if there were an organizational chart...

MR. GLANCEY: Right.

COUNCILMAN NUTTER: ...I mean, from what box would a line be drawn to connect the Board of Revision of Taxes to whom?

MR. GLANCEY: Right. I think it depends on what the question is. I mean, for legal authority, I believe it comes from the State Legislature. For funding, it certainly comes from City Council. I mean, those are two examples that I can think of.

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It isn't that I am an appointee of the Mayor and I'm responsible to the Mayor, because I'm not. I'm independent from the Mayor.

COUNCILMAN NUTTER: I understand that. But is it also clear that there is no one entity at the moment, the way this system is presently set up...

MR. GLANCEY: Right.

COUNCILMAN NUTTER: ...that directs or oversees what the Board does and how the board functions; is that correct?

MR. GLANCEY: There's correct, there is no oversight board, you're right.

COUNCILMAN NUTTER: Okay. Thanks. I'll come back.

COUNCILWOMAN BLACKWELL: Thank you, councilman Nutter.

Councilwoman Tasco.

COUNCILWOMAN TASCO: Yes. I'd just like to ask one question and then make just one comment.

The commercial sites are being reassessed this year?

MR. GLANCEY: Yes.

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COUNCILWOMAN TASCO: All of them?

MR. GLANCEY: Sure. We must look at them every year, Councilwoman. And actually, I think to answer your question specifically, sometime after October 1st there will probably be four or five thousand commercial and industrial notices being sent out.

COUNCILWOMAN TASCO: I just want to say something about trying to resolve this issue of how we tax, because while we may not have direct jurisdiction I think it is our responsibility to try and find a way to make it fair and have a discussion. Open discussion brings about sometimes an action that we can come up with a fair way.

Go back to Jonathan Saidel, the Controller, on the land value tax, because I had my staff pull up a building that is an eyesore in my district. And I looked at their estimated values on $14,000. They're only paying $370, and no increase. My taxes have gone up $15,000.

MR. GLANCEY: In value.

COUNCILWOMAN TASCO: In value. And it's unfair. You know, my neighbors and I fix up

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our homes. And we did some work. One of my Committeemen said to me, you did your yard and our taxes went up.

But this guy's allowed to -- And we can't get him -- We can't take the property. He won't improve it. It sits there. He doesn't get a tax increase. But people in the neighborhood have to pay increased taxes and contend with the eyesore that sits there every day.

(Applause.)

COUNCILWOMAN TASCO: And we can't do anything about it.

The City... So, when Mr. Keel says for us to try and do something is stupid, I agree with Councilman DiCicco. I find that disheartening.

And to say that to those of us who are charged to try to find a way to relieve a problem that impacts on the people that we represent, as well as the Administration represents, instead of trying to set up a wedge or create a battle where there is no battle, we should all be looking at a way to relieve the problem because it is unfair, and it is our charge to try and do something about it.

Well, this whole thing gives me great reason to look at a land value tax proposal because if I can get to this guy and other people in my District who allow their land and their buildings to sit, they don't get a market -- they don't get an increase in taxes. But those of us who pay taxes, improve our properties are penalized for doing that.

So I think that the debate is on time. I do think we have a right to do something about it, at least try to do something about it. And I appreciate you're saying you're willing to work with us.

We just have to now get the Administration to say that we all have to come to the table and find a solution to this problem. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

If it is all right with this Committee, we would like to move forward. Is that okay, Councilman Nutter?

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I know we have your bill next week on all BRT and everything that entails, but we would like to have the other bills that are on the calendar discussed today.

COUNCILMAN NUTTER: That's certainly fine with me, Madam Chairman. I assume that the conversation is going to be a fairly fluid one between and among all these issues.

But I think any time -- Certainly, Mr. Glancey is here. Not that he's a stranger to us or is reluctant to come. But under the circumstances -- And I don't want to belabor him. So if the Chair would at least allow two other questions, I'd be more than willing to let him go.

I know he would joyfully like to go over to the other side and just listen to the rest of the proceedings. But if I could ask him two more questions.

COUNCILWOMAN BLACKWELL: That will be fine, Councilman. Please proceed.

COUNCILMAN NUTTER: Thank you.

Mr. Glancey, back where we were with my last question. Are you aware of any other jurisdictions that have what we call a Board of

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Revision of Taxes, what other jurisdictions often call a board of property assessment appeals and review in other counties across the Commonwealth?

Are you aware of any other circumstance where the board basically doesn't really report to anyone or have an oversight entity?

MR. GLANCEY: I think what happens in other counties --

COUNCILMAN NUTTER: Or direct involvement by the people who are the elected officials in that particular jurisdiction?

MR. GLANCEY: I think the primary model that I have seen, not only in the Commonwealth of Pennsylvania but in other counties throughout the country, is an office of property assessment, whatever it's called. But that's what it really would be, an evaluation department and then a separate appeals office.

Evaluation department is usually under the control of the executive, and the appeals is a separate and different function that may or may not have any direct line authority from somebody, because their job is to appeal those assessments. That's the model I have seen mostly.

I do think we are -- have somewhat of an anomaly, where it comes to the way that we have been created.

The Act that created us was passed in 1939. And in 1939 I believe that the founders, whoever created this Act, probably thought it would be a good idea to set certain boundaries between a tax assessment board and legislative body and an executive branch because of the buffet of political winds.

So I there is some, I think, some good reason for that, but there are also... And Councilman, again, not tooting my own horn, I think there were probably -- there could be somebody sitting in this chair who wouldn't want to cooperate with you, who wouldn't want to cooperate with the Administration in some way. Then I think you do run into a problem, if you have those kinds of situations.

However, we believe that cooperation in attempting to -- And again, which I believe is a historic moment for us to get to the heart -- to the meat of the coconut, if you will. This is the best way to do it.

COUNCILMAN NUTTER: I understand. I don't have any qualm with your level of cooperation.

MR. GLANCEY: I understand.

COUNCILMAN NUTTER: What I'm talking about is --

MR. GLANCEY: Is the function.

COUNCILMAN NUTTER: -- more a direct line of accountability. And no, we should not, as elected officials, determine how the assessment process is done. That is set in the Statute and should be done by professionals.

But there are operational issues --

MR. GLANCEY: Yes.

COUNCILMAN NUTTER: -- and governance issues that actually this Government could seek to impose by way of the City/County Consolidation Act, that allows this Council to put together a system that, hopefully, the voters would support at the ballot, and that would be the new system here in Philadelphia.

So we are not, unlike what we've read, I think, in some news accounts, we are not completely powerless in this particular area or to sit as lemmings to wait for someone to lead us in a particular direction. We actually have the ability to do certain things, if we choose to take that responsibility and do something with it.

MR. GLANCEY: Councilman, could I respond, simply that...

(Applause.)

MR. GLANCEY: Sure.

MR. GLANCEY: ...that what you are saying is a paragraph or kind of indicating -- very similar to a paragraph that I had written in draft testimony which I'll present to you next Tuesday.

I believe that where it comes to the assessment function, that is a bailiwick or a line which you cannot cross.

COUNCILMAN NUTTER: Right.

MR. GLANCEY: We cannot be a super board of revision of taxes.

COUNCILMAN NUTTER: No.

MR. GLANCEY: However, there are standards. There are other things that you may even want to legislate or certainly have

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administrative rules that concern the governance of all of these kinds of institutions. And we're in favor of that.

COUNCILMAN NUTTER: One last question, which is the second question. There's been reference made to a proposed payment plan under the... in light of all that has come about. I have not seen the document. I've read, I think, in both papers varying accounts of how this would work.

But my best understanding is whatever your assessment is for '03, you would pay the 'O2 amount on your due date. And then the rest, I guess whatever the amount of the increase is, you would pay through December. Is that your understanding?

MR. GLANCEY: I don't know, Councilman. If I would just suggest that the next witness will be the Revenue Commissioner, and she may better be able to answer that question.

COUNCILMAN NUTTER: All right. And I will ask her. And I will tell her that you told me to ask her.

MR. GLANCEY: Thank you.

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COUNCILMAN NUTTER: Thank you. Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much, and thank you, Councilman, for deferring your questions.

MR. GLANCEY: Thank you. And we'll see you Tuesday.

COUNCILWOMAN BLACKWELL: Thank you very much. We'll look forward to it.

Nancy Kammerdeiner, Commissioner, Department of Revenue. Thank you. Do you have any written testimony for us? Thank you.

Could we have a Sergeant-at-Arms to collect the testimony?

And let me thank you.

MS. KAMMERDEINER: Good morning, Chairwoman Blackwell, and Members of the Committee on Finance. My name is Nancy Kammerdeiner. I'm the Revenue Commissioner for the City of Philadelphia.

I am here to testify on the various real estate tax bills that you have before you on today's agenda. In addition, although Bill Number 020579 is not scheduled for a hearing until

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October 1, my testimony will refer briefly to it as well, given its direct relevance to the issues immediately before us today. I expect to be returning on the 1st of October to testify again when that Bill formally comes before this Committee.

The Administration recognizes the spirit in which these bills have been drafted, and shares many of the concerns that you have raised about the ability of our poorest citizens and those on fixed incomes to pay the property taxes on their homes, especially if those taxes increase significantly.

We also share your concerns regarding homeowners who are facing steep increases in assessments, though they fairly reflect the value of their homes, but they have been unprepared for these steep increases.

We have concerns about the bills before you today, but before I address those concerns, I would like to discuss reactions that the administration supports.

We support the following: An approach that is consistent with Bill Number

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020579, which would authorize the Department of Revenue to grant partial or complete deferrals of annual increases in excess of 15 percent for qualified property owners, with the amounts deferred until ownership of the property changes hand.

This Bill would accomplish two goals: Protecting homeowners from sticker shock, and over the long run, ensuring that the City receives tax revenues consistent with the value of the properties.

An expansion of the income eligibility requirements for protection of senior citizens against increases in their assessments.

And third, the implementation of an installment plan to allow taxpayers to pay their real estate tax over a period of time, to ensure that taxpayers do not have to make large increases in their payments all at one time.

Before I convey the Administration's reasoning with respect to each bill, I would like to convey a few points that apply across the board. I'm sorry. I thought I was at the mike. My apologies.

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First, it is important to emphasize that the Administration does support tax reform. The Street Administration supports reasonable reform of State, City, and School District taxes, so that Pennsylvania, Philadelphia, and the entire region can continue to be desirable places to live and work.

This is why the Mayor strategically accelerated reductions in the Business Privilege Tax, and will implement continuing annual Wage Tax reductions.

Meaningful tax reform at the State level should address school funding inadequacy and inequity, while ensuring that the City is able to preserve basic City and County services.

This Administration welcomes tax reform that is affordable for the City and that improves education for the students of the School District of Philadelphia.

Second, the City fully supports the creation of a tax reform commission to study Philadelphia's tax structure and recommend ways that it can be improved.

The Administration believes that

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changes to the City's taxes should be done comprehensively so that those changes can be part of a larger strategy to make the City more competitive.

That larger strategy must include an assessment of the appropriate level of services for the world class city and an evaluation of whether any proposed tax measures would be self destructive.

Third, these bills come at a time when the City's five year plan faces a great many real and growing threats to a balanced plan. As you know, the plan contains $178 million in future Government efficiencies, but it did not include funding for the salary increases in the recently announced Police arbitration award or the upcoming Firefighters award. And it continues to be threatened by the sluggish economy.

Our pension fund, like similar funds across the nation, has taken a beating because of the downturn in the financial markets. And as a result, we will be forced to increase our annual contributions to the fund in order to ensure that it makes the appropriate payments to retirees.

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Fourth, we do need to discuss appropriate safeguards for those persons for whom rapidly rising assessments are a true hardship. And we do need to be assured that the assessment process is equitable.

At the same time, it needs to be said that rising assessments that reflect higher market values, based on recent arm's length home sales, are a sign of progress for the City and certainly preferable to declining or stagnating assessments.

Fifth, many of the strongest advocates for Wage and Business Tax cuts defend that position by pointing to the supply side effects that such cuts will generate.

The argument is that the local economy will grow, leading to growth in our tax base, and in turn yielding critically needed additional revenues without having to increase underlying tax rates.

As former Councilman Ed Scwartz has put it, one can't have it both ways. We can't rely on the supply side effect to replace lost revenue through higher property values and then negate the supply side revenue increases.

Now let me turn to our reasoning in determining what the Administration will support. In looking at what action to support, the Administration wanted to strike a balance between ensuring that taxpayers are not burdened with dramatic increases in their taxes, and ensuring that the City receives an amount of taxes that is consistent with the value of properties.

If the City does not receive that level of taxation, it will become more and more difficult to deliver the services that citizens have come to expect.

Aside from the financial challenges we face, there are also legal impediments to the implementation of these bills.

A September 24, 2002, memorandum from the City Solicitor with regard to these real estate tax bills has been provided to each of you.

The Solicitor has stated in part that in his opinion each of the bills that attempts to interfere with the assessment process is unlawful, particularly with respect to the current fiscal year and particularly with respect

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to the tax authorization of the School District. I direct you to his memorandum for further detail.

Representatives of the Law Department are in attendance at this hearing and are available to answer any questions that you might have about this legal opinion.

I will now address some of the particulars on the various bills. First, let me take a look at Bills Number 020490 and 020491. They should be viewed together.

The Administration opposes both of these bills. They would require both the City and the School District portions of the real estate tax to be levied against the assessed values established by the Board of Revision of taxes in 2001, when calculating the real estate tax for 2003 and beyond. This effectively freezes the real estate tax at 2002 levels for both the City and the School District.

The City originally anticipated a growth of approximately two-and-a-half percent for fiscal '03, and the School District uses the City's assumption in developing its budget.

A freeze would mean that there would

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be no benefit from the real increase in property values, no supply side increase to offset the impact of Wage Tax reductions.

In fiscal '03 it would mean approximately $10 million less real estate tax revenue for the City and $14 million less for the School District than was forecast when those budgets were approved, a reduction that the City and the School District can ill afford at this time.

In addition, the reduction in the School District millage would violate the spirit of the City's agreement with the State on school funding.

One of the points that the City made was that by shifting millage to the School District, we were providing the District with the benefit of growth in real estate assessments. These bills would take away that benefit.

It should also be noted that the Use and Occupancy Tax collected for the School District is based on the assessed value of the property. As a result, any freeze on the value of business properties would adversely affect this

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tax as well.

U & O tax collections have been stagnant as a result of the economy, and a freeze on assessments would remove any natural increase from a rise in property values.

I should also reiterate that the City Solicitor's opinion is that these bills would not be defensible in Court.

Let me move on to Bill Number 020493. This Bill would expand the number of senior citizens who are eligible to participate in the Senior Citizens Low Income Special Tax Provisions Program, generally known as the Senior Citizen Tax Freeze Program.

Under this program, the assessed value of the property increases, but any tax increment that would have resulted from this increase is forgiven.

At the present time, eligibility for this program is tied to the State's Pharmaceutical Assistance Contract for the Elderly or PACE income guidelines. That's basically an annual income of less than $14,000 for a single person or $17,200 in combined income for married persons.

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In 2002, 13,475 senior citizens participated in the program and received credits against their real estate tax billings totaling about $1.5 million.

Bill Number 020493 would expand the eligibility criteria for the tax freeze program to include income levels designated in the program that the State operates called PACENET.

This would include the annual income of not less than $14,001 or no more than $17,000 for a single person, and not less than $17,201 nor more than $20,200 for the combined annual income for married persons.

The Department of Revenue was advised by staff that administers the PACE program that approximately 3,100 people who live in Philadelphia County are currently enrolled in PACENET.

We don't know how many other senior citizens might be income eligible but haven't enrolled in PACENET. That would be the additional population that this bill would address.

However, we understand that the General Assembly may be considering expanding

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eligibility for the PACE program in order to prevent low income senior citizens from losing prescription benefits. Doing so would automatically qualify these seniors to participate in the City's Senior Citizen Tax Freeze Program, since the criteria are the same.

It's essential that Bill 020493, which would not take effect without State enabling legislation, be drafted consistently with the State's approach. And the Administration would welcome the opportunity to work with Council in ensuring that outcome.

Along the same lines, it should be noted that the Administration is supportive of measures like House Bill 2442, which the house approved unanimously. It would provide State funded rebates of up to $500 to offset property tax increases for any Pennsylvanian who qualifies for the poverty exemptions in the State's Personal Income Tax.

Let me move on now to Bills 020537 and 020538. These Bills should also be viewed together. They would limit the assessment increase in any one year to ten percent by

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amending the definition of taxable assessed value used in calculating the real estate tax for the City and School District for 2003 and subsequent years.

As proposed, the taxable assessed value would be the lesser of the assessed value as provided by the BRT for that year or 110 percent of the taxable assessed value for the property for the prior tax year.

The Bill would give some specific examples on that for fiscal year -- excuse me -- for tax year 2003, where the taxable assessed value would be the lesser of the assessed value returned by the Board in 2002 or 110 percent of the assessed value returned in 2001.

For the School District, Bill 020538 specifically states that this definition would apply to any real estate taxes imposed by the Board of Education, whether authorized in the Philadelphia Code or otherwise. And otherwise, I would assume here, means under State legislation.

Although these bills would constrain growth in assessments, and therefore in the amount of real estate tax levied, the impact would not be

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as severe as that produced by the total freeze in assessments at the 2001 level as proposed by bills discussed earlier.

The impact would likely be substantial, however, and it would be permanent. These bills would not defer payment, but rather by compelling a phase-in of increases, would permanently remove potential revenues from the City's coffers.

The Administration is concerned that the bills, in a good faith effort to help those most in need of help, may also be assisting those who do have the wherewithal to pay the taxes as they fall due.

Further, the City Solicitor's opinion with respect to Bill 020537 concludes that it's not lawful with respect to the current fiscal year. And his opinion with regard to 538 is that it is not defensible for any tax year because of Act 46 constraints.

With all these concerns in mind, we believe that the appropriate forum for these bills is the Tax Reform Commission, where they can be evaluated in their proper context.

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Finally, there are a number of programs, including a brand new administrative initiative announced yesterday, that are in place to assist property owners in paying their real estate taxes.

And it may be worthwhile to summarize them here. Revenue regularly works with taxpayers who owe delinquent real estate taxes to develop payment agreements that are affordable and can be maintained. Many of these are low income agreements based primarily on the ability of the taxpayer to pay.

Low income taxpayers may also enter into agreements to pay their current real estate tax in installments. Applications for this program are included with the current real estate tax bills each year. Income eligibility criteria are based on the number of people in the household.

For example, in 2003, a single person with an income of $29,950 or less will qualify for the installment program, while a household of two with an income of $31,200 or less will qualify.

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Newly approved applicants receive coupon books for eight monthly installment payments beginning in May. In subsequent years, they will receive 12 payment coupon books. If all payments are made, additions that would normally accrue during this period are forgiven.

Senior citizens who meet the income guidelines may opt to spread their payments over a longer period of time, up to 20 payments. However it should be noted that if the payments extend into the next calendar year, a lien will be placed on their property for the balance due at year end, and a $20 lien charge would be assessed.

As noted earlier, with respect to Bill 493, senior citizens who meet PACE income criteria and who experience an increase in the assessed value of the property that is their primary residence may participate in the Philadelphia Senior Citizen Low Income Special Real Estate Tax Provisions Program.

Under this program, the homeowner continues to pay the same amount in real estate tax as they did in the year before, even though the assessed value on their property increased.

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The tax increment that results from the assessment increase is forgiven and appears as a credit on the current real estate tax bill or is refunded if the full bill has already been paid.

Last, we are in the process of developing a new program to address the problems faced by those taxpayers who are not low income but have received steep assessment increases and are unprepared to pay the full amount by March 31, 2003. The details have not been --

COUNCILWOMAN BLACKWELL: Excuse me one moment, Commissioner.

May we say, ma'am, and to the public, even though we're in a smaller room, it is our role to listen to testimony before us, and we cannot at the hearing entertain comments from people who want to testify. We can't have that.

Excuse me. Excuse me, ma'am. Sergeant-at-arms. Ma'am, excuse me. Excuse me, ma'am. This is not the forum. We cannot -- This is a public hearing.

Councilman DiCicco would love to entertain you in his office. He has staff here. We're very, very happy to welcome all of you, but this is not the forum where that is permitted. We welcome you. We're glad to have you. All of us offices and staff who are there. We are very glad to have you contact Councilman DiCicco's office, any of our offices. And we're very glad to talk with you after the hearings.

But during the hearing process, it is each Council Member on this Committee's duty to listen to the testimony so that they can properly represent you.

This is a formal hearing. We have a stenographer who is taking notes, and the Council Members cannot adequately represent you if they do not hear the testimony.

Therefore, even though we're in a small room and we're not in a room where we are gated, where there are gates that separate us, it is our job to listen to the testimony being presented.

And we ask that you honor that, so that while in this temporary room -- and it's small and we can reach out and touch one another -- it is our job, nonetheless, to formally listen to all the testimony. And we can't have

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individual side conversations with everyone who would like to talk with us or who would like to voice their opinion.

Thank you very much. We don't mean to be offensive, but we're only trying to do the job that you elect us to do.

Commissioner, thank you. Please continue. Thank you.

MS. KAMMERDEINER: Thank you.

I was describing the new program that we're developing that's intended to address the problems faced by taxpayers who are not low income but have received steep assessment increases and are therefore unprepared to pay the full amount by March 31, 2003.

We're still working on putting together the full details on how this will work. But we expect to provide these taxpayers with an opportunity to pay the taxes associated with the assessment increases in installments through December 31, 2003, and to forgive additions to tax that would normally accrue during this period.

I should also add that we are also investigating the possibility of implementing an installment payment program for advance payment, something similar to a mortgage escrow plan. And that's in its early stages of development. But that may be something we'll offer in the future.

This completes my testimony, and I would be happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you, commissioner. Councilwoman Tasco.

COUNCILWOMAN TASCO: When you talk about liens, you're getting ready to scare a lot of senior citizens because people don't want liens on their property.

(Applause.)

MS. KAMMERDEINER: I understand that, but under the law if a tax liability is not paid by the end of the calendar year, we automatically lien.

I understand that we may have as much as three years to apply a lien. And one of the things that we will look at is whether or not there's a way to wait and not put the lien on automatically on January 1st. But right now, that is the way that the process and procedure is established in the Philadelphia Code.

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COUNCILWOMAN BLACKWELL: Let me agree with the Councilwoman, because when I saw lien, it naturally made me perk up and focus in because if people feel they are making an agreement, that is so there won't be a lien placed on it. Having a lien still placed on it kind of defeats the purpose.

So, I agree with the Councilwoman and certainly ask that we consider what we can do in that area, particularly for our seniors.

MR. KAMMERDEINER: We are looking at it, and we will continue to at that and would welcome your input. We do have some constraints under State law, in terms of how we can handle that.

COUNCILWOMAN TASCO: And also will they be subjected to the Tax Lien Law, you know, where we sold off all those properties?

MR. KAMMERDEINER: That was a one-time event, and so I don't expect that we would be selling liens in the same manner that we did in 1997.

COUNCILWOMAN TASCO: Let me ask you a question. Were you with the Rendell

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Administration when Councilwoman Fernandez pulled together a tax review or tax committee?

MS. KAMMERDEINER: Yes, I was. I was not Revenue Commissioner at the time, but I was familiar with the panel that she co-chaired.

COUNCILWOMAN TASCO: Did they address this issue of real estate taxes?

MS. KAMMERDEINER: No, they did not. They were addressing business taxes.

COUNCILWOMAN TASCO: Business taxes. Okay.

MS. KAMMERDEINER: That's correct.

COUNCILWOMAN TASCO: How long would this commission take to be formulated? How would it be formulated? And who would come up with some solution? It could go on for infinitum.

MS. KAMMERDEINER: I believe the bill concerning the Tax Reform Commission was approved by the Council. And Councilman Nutter was the sponsor of that, and he might be able to address that more directly than I can.

COUNCILWOMAN TASCO: I'll talk to him about that. I want to ask you this question before I have to go. The question I have is:

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There are people who pay their taxes along with their mortgage.

MS. KAMMERDEINER: That's correct.

COUNCILWOMAN TASCO: How do you address that issue? Because, you know, you have a lot of individuals on a limited income, some fixed income, and then they see a drastic increase in their monthly rate. What happens with them under your plan to forego the taxes, payment of the taxes under that payment plan?

MS. KAMMERDEINER: It's my understanding that in most cases with a mortgage, if you've escrowed your real estate taxes, the mortgage company will advance the full payment and then work out a payment arrangement with you to pay that differential.

I know I experienced that myself a number of years ago, where the mortgage company established a series of payments to make up for the amount that was advanced. And they also re-computed my escrow payments going forward.

COUNCILMAN DICICCO: Wouldn't that in effect increase the interest? If the mortgage company is fronting, if you will, the tax

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payments, obviously, they're going to increase your monthly mortgage payment. But they're laying out money well in advance. I would have to believe that any lender is going to pass that cost on to the consumer by raising the interest that is due.

(Applause.)

COUNCILWOMAN TASCO: It's not free. It's not free.

COUNCILMAN DICICCO: I mean, it's not really a freeze. Basically, this plan is rubber stamping the inequities of the system now. I did make a note about that.

COUNCILWOMAN BLACKWELL: Miss Kammerdeiner, any questions to which we don't have answers today, could you bring them back on Tuesday?

MS. KAMMERDEINER: I certainly will.

COUNCILWOMAN BLACKWELL: And certainly, to everyone who is here, we invite you certainly to come back next Tuesday, although I don't know how we'll work out the room, because we have four other bills. But certainly, any answers you don't get today, we will have responses for at

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our next hearing.

Do I have a point of order, Councilman Nutter?

COUNCILMAN NUTTER: Point of information.

COUNCILWOMAN BLACKWELL: Point of information.

COUNCILMAN NUTTER: Point of information.

COUNCILWOMAN BLACKWELL: And Councilman DiCicco, then we still have his point of order, and then we have a point of information.

COUNCILMAN NUTTER: I just have a point of information on the question that the Councilman asked.

And there was an audience response. But actually, I did not hear a response from the Revenue Commissioner. And I'd like your opinion on the situation posited by Councilman DiCicco, in terms of the reaction by the bank or the mortgage company to such a plan.

MS. KAMMERDEINER: I at this point don't know what their response would be or how they would handle it. From our perspective --

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COUNCILMAN NUTTER: Is it possible?

MS. KAMMERDEINER: -- the mortgage company will have paid us in full, so no additions to tax would be accruing. I cannot speak for the mortgage companies, in terms of how they will handle that.

COUNCILMAN NUTTER: Well, based on your experience. I mean, take a guess. If the bank puts out extra money under that circumstance, who do you think -- I mean, money does cost something. Who do you think they're going to pass that cost onto? Why would they eat the cost for some situation that they have nothing to do with?

MS. KAMMERDEINER: If you can suggest how we can handle that within a program, because I can't control how the mortgage companies --

COUNCILMAN NUTTER: I would suggest we get a new system.

(Applause and cheers.)

COUNCILMAN NUTTER: Not figure out somehow how to survive, under a system that makes no sense.

When people asked for freedom, they

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didn't say: Well, can you just loosen the shackles? They said, I'd like freedom.

(Applause and cheers.)

COUNCILMAN NUTTER: So, I mean, why we would further institutionalize a system that doesn't make any sense is not a response.

And to say, well, we'll make it a little less painful, I mean, is that raspberry flavored arsenic?

(Applause.)

COUNCILWOMAN TASCO: Since it was my question, I thank you for the comments. And rather than rush to find a solution in response to whatever efforts we are trying to do as being characterized as stupid, I think we ought to take time and look at a way how we better help citizens, because you are going to cost them more money, and it sounds predatory to me. And you know how I am about predatory lending. So I just think that... And then of course, you know, all mortgage companies are not in Philadelphia. How do you communicate to them? How do they know about what you're going to do? And I think that requires some indepth thought about how that

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works.

MS. KAMMERDEINER: That's exactly why I indicated that we're still looking at the details of how this program will work because we know in principle... We know in principle what we want to try to accomplish, but there are issues like this that need more attention before the program is finally designed.

COUNCILWOMAN TASCO: One final question for today. In your statement you said in the five-year plan the City calculated a two percent increased revenue.

MS. KAMMERDEINER: Two-and-a-half percent was the forecast amount.

COUNCILWOMAN TASCO: What would be the percentage rate generated, based on the raise under the reassessment now? Would it be much more than two percent?

MS. KAMMERDEINER: At this point we don't know. As has been indicated, this is with the Board of Revision of Taxes. We have none of those precise values yet.

The Board certifies the values on the assessments to the Administration, to the

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Department of Revenue generally in mid to late November. And so, we don't have any of that detailed information yet.

COUNCILWOMAN TASCO: But it seems with the drastic increase in the assessed values for so many properties, it seems that you would -- could end up with more than a 2.5 percent.

MS. KAMMERDEINER: I would expect that it would be more than 2.5 percent in -- that would have to be addressed to Mr. Glancey when you meet with him again next Tuesday.

But I think some of the early indications were that the increased amount across all City properties, if you took it against all properties, was something like four percent. But that's not a firm figure, and it's not based on any final numbers because we don't have those yet.

COUNCILWOMAN TASCO: Thank you.

COUNCILWOMAN BLACKWELL: Thank you. Councilman DiCicco, you wanted to finish your questioning. Thank you.

COUNCILMAN DICICCO: Thank you, Madam Chair.

On the same line of questioning as

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Councilwoman Tasco, in your testimony you testified that the anticipated growth would be 2.5 percent for fiscal year '03.

And you state some figures about $10 million less revenue and real estate taxes for the City, $14 million less for the School District. That adds up to $24 million.

If I'm correct, the recent reassessment is somewhere in the vicinity -- it would generate revenue somewhere in the vicinity of $35 million to $40 million. So already the reassessments would be reassessing -- would be increasing taxes by well over $10 million.

My question is: Based on your testimony, if we were able to come up with a proposal, a bill, what-have-you, that increased the recent reassessments and frozen at 2.5 percent, would that be acceptable to the Revenue Department; and what, if any bearing would that have on the budget?

MS. KAMMERDEINER: You have to remember that if you cap a 2.5 percent, that would be on every property. And some of them would have had a much greater and increase; some would have

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had none.

So if you're trying to get an average that's at 2.5, a cap of 2.5 would actually bring you in at a number that's probably significantly lower than that.

And so you have to be cognizant of that when you look at it. Really, it depends on how the numbers would come in and what would happen with that. That's the kind of thing that we think needs to be dealt with in a comprehensive way in looking at the full burden and should be with --

COUNCILMAN DICICCO: Understandable. Who initiated the payment plan?

MS. KAMMERDEINER: Which payment plan?

COUNCILMAN DICICCO: The proposed payment plan where people can defer paying their taxes for this year, and subsequently do the installment plans. Thank you.

MS. KAMMERDEINER: The Mayor was concerned about the size of the increases, the ability of people to pay. He asked us for ideas of things that we might be able to do to deal with

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that incremental amount that people weren't prepared for.

As we looked at it in Revenue, we thought that people should have been preparing to pay an amount equal to their prior year tax. In most instances, your tax doesn't go down.

You should be saving or otherwise preparing to pay for the amount you paid the year before. And so, we were looking at the incremental amount --

COUNCILMAN DICICCO: So the Mayor's Office, in cooperation with your Department, has basically initiated an installment plan which defers taxes at least for a year, or --

MS. KAMMERDEINER: It's in the -- It's in the current year.

COUNCILMAN DICICCO: Current year.

MS. KAMMERDEINER: And that's what we were looking at, in a way to keep it within the current year, and have a minimal impact on the budget numbers, and still provide at least a little bit of a safety valve.

COUNCILMAN DICICCO: And this is legal. I mean, because we're hearing --

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MS. KAMMERDEINER: We developed that before the Solicitor's opinion. We need to look at it again ourselves.

COUNCILMAN DICICCO: We just got your testimony this morning.

MS. KAMMERDEINER: Right.

COUNCILMAN DICICCO: We received the Solicitor's late yesterday afternoon. And I'm sure most of us --

MS. KAMMERDEINER: I saw the Solicitor's --

COUNCILMAN DICICCO: -- really haven't had enough time to go through this, but I kind of sense some inequities in all of the statements that are going on.

(Applause.)

COUNCILMAN DICICCO: When we're being -- We're being told on one hand that Council and the Mayor has said that he has no authority to tell the BRT certain things that they can do and can't do.

We're asking the Mayor to instruct your Department to send out the tax bills for 2001 and give us time to find some meaningful

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legislation going forward.

And the Mayor's saying, well, he can't do that, but you can initiate an installment plan that kind of defers or delays the payment for this year.

And I'm not an attorney, but I'm somewhat confused as to how you can say we can do it on some -- in some instances but we can't do it in the other.

MS. KAMMERDEINER: I think --

COUNCILMAN DICICCO: Let me just finish. My question would be to you: If the Mayor were to decide to do as we ask and instruct your Department to send out the tax bills at the 2001 rate, do you believe that is legal?

MS. KAMMERDEINER: Based on my reading of the Solicitor's opinion that I -- like you got late yesterday, I think the answer would be no.

What the Mayor has asked us to do is to use the assessed value that will be created in 2002 to calculate the bill, and the bill will be for the full amount of tax.

What we are proposing to work with

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taxpayers on is how they pay that amount of tax. The tax calculation is no different, and they will be paying under this proposal the full amount of tax in the tax year, very much like the installment program that was established years ago for low income people who pay during the current year and then we forgive the additions for the tax.

COUNCILMAN DICICCO: I just, with all due respect, think that this scheme, if you will, in my opinion, of this installment plan is just really going to incrementally bleed the homeowners of this massive, outrageous increase in real estate taxes.

(Applause.)

COUNCILMAN DICICCO: And that is not a solution to the problems of the inequity of the assessment process. All that does is say, well, you don't have to pay me now, but you're going to pay me later.

And I have to believe, having been born and raised in a neighborhood where we had a lot of people who used to lend money out -- I know how their interest rates work -- it really is a

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system based on compounding interest going forward, which adds an additional burden to the taxpayers. It is not a solution.

I just think it's an attempt, if you will, to quiet people down a little bit and let them think that they're really going to get something, when in fact they're getting shafted.

(Applause and cheers.)

COUNCILMAN DICICCO: I did say shafted. Okay.

MS. KAMMERDEINER: Yes, you did.

(Laughter.)

COUNCILMAN DICICCO: Councilwoman Tasco thought I used another word. It was shafted. Thank you. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Are there any other questions for Ms. Kammerdeiner?

COUNCIL PRESIDENT VERNA: Yes, please, Councilwoman.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCIL PRESIDENT VERNA: Councilwoman, my light's been on.

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COUNCILWOMAN BLACKWELL: I'm sorry. Madam President.

COUNCIL PRESIDENT VERNA: Thank you. I would just like to piggyback on what Councilman DiCicco just said regarding the installments.

Aren't these people being hit with a double increase, in that they will have to pay their escrow deficiency with the taxes paid in February, as well as the increase required for their next year's payment?

(Applause.)

MS. KAMMERDEINER: I'm sorry? Did you say escrow? I'm not sure I understand your question.

COUNCIL PRESIDENT VERNA: Well, you're saying that they can pay a certain amount up front. Isn't that what you said?

MS. KAMMERDEINER: The amount --

COUNCIL PRESIDENT VERNA: Explain the installment plan, because that's precisely what the installment plan would be, that they would have to pay in February; would they not?

MS. KAMMERDEINER: February or at least by the March 31st due date on the tax an

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amount equivalent to their tax in 2002, which is basically the amount of tax that they were paying this year. We would be looking for them to pay that amount by the due date, and then would provide an opportunity for them to extend the payment --

COUNCIL PRESIDENT VERNA: As well as the increase required for the next year.

MS. KAMMERDEINER: You're talking about the mortgage companies. I'm talking about the people who pay us directly. And so, we're talking at two different points.

COUNCIL PRESIDENT VERNA: How about the mortgage companies? Aren't the people going to be hit twice?

MS. KAMMERDEINER: They are going to have a situation at their mortgage company where the mortgage company would increase their escrow payment for 2004 and then would be seeking a reimbursement for the amount that they advance for 2003. Yes, I would expect that they would have to deal with both of them.

COUNCIL PRESIDENT VERNA: And we keep hearing about how much more people are going

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to have to pay. I would like to address the people that do not pay. Can you tell us what amounts of delinquent taxes are due for both the schools and the City? I'm sure you know that off the top of your head.

MS. KAMMERDEINER: Actually, I don't know it off the top of my head. I was going to say I didn't bring the numbers with me, but I will bring them with me on Tuesday.

COUNCIL PRESIDENT VERNA: And I'm sure the delinquency is exorbitant. And I'd like to know what are you doing about collecting. Perhaps if we were to collect what is due us --

(Applause.)

COUNCIL PRESIDENT VERNA: -- maybe people who always pay, wouldn't be hit so hard.

MS. KAMMERDEINER: If I may, I'd like to address that more fully on Tuesday, when I'll have the exact numbers.

COUNCIL PRESIDENT VERNA: I would like to know what the delinquency is for both the School and the City.

MS. KAMMERDEINER: Yes. Yes, I will address that.

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COUNCIL PRESIDENT VERNA: Because it seems that the people that pay are always being penalized for staying.

(Applause.)

MS. KAMMERDEINER: I will address that.

COUNCILWOMAN BLACKWELL: Madam President.

COUNCIL PRESIDENT VERNA: I'm finished. Thank you.

COUNCILWOMAN BLACKWELL: Thank you so much. Councilman Nutter.

COUNCIL PRESIDENT VERNA: Excuse me. If we are being asked to look into the installment issue, I think that by the time you get here on Tuesday, I think you have to have a little more information on that.

MS. KAMMERDEINER: Yes, I will.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Miss Kammerdeiner, I need to ask you a couple questions about some elements of your testimony.

Now, earlier I heard you say that

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you didn't have the detailed information from the Board of Revision of Taxes with regard to the 2003 proposed assessment figures. Is that what I understood you to say?

MS. KAMMERDEINER: That is correct. They do not provide that information to Revenue until early at -- excuse me -- mid to late November.

COUNCILMAN NUTTER: And that's notwithstanding the fact that they've already sent out the notices to people?

MS. KAMMERDEINER: That's correct. Because they go through the hearing process with appeals. And they're required by law to certify those values to us by December 1st.

By cooperative agreement, they try to do that a little earlier so that we have a bit more time to actually prepare the bills for mailing in December.

COUNCILMAN NUTTER: Okay. And is it your anticipation that they will certify something different than what they've already sent out?

MS. KAMMERDEINER: If they have had appeal hearings or have received additional information from the owners of properties and have come up with revised assessments from what were on those initial letters, yes, some of what we get in November will be different from what was sent out in those mailings.

In fact, I understand because we operate the mail center for the City, that we should expect to get some additional mailings from the Board that will be adjustments on some of the ones that have already been dealt with.

COUNCILMAN NUTTER: Now, let me ask you this question: In the course of putting the budget together, so the budget is based on what comes over as a certified assessment?

MR. GLANCEY: The budget is based on an estimate that is made in December or January, a year ahead of when we get those assessments because, as you know, the budget comes to you in City Council generally in January.

So during the late fall and the month of January, the Administration works on developing the revenue estimates. My Department works with the Budget Bureau on putting those numbers together.

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COUNCILMAN NUTTER: Right.

MS. KAMMERDEINER: And so those numbers, those estimates, are developed far earlier than we get the actual assessments.

COUNCILMAN NUTTER: Okay. Let me make sure I'm understanding here. Now, the tax year is a calendar year; is that correct?

MS. KAMMERDEINER: That's correct.

COUNCILMAN NUTTER: And actually our fiscal year is July to June.

MS. KAMMERDEINER: That's correct. But with real estate tax, because the due date is March 31st, the bulk of the tax that's due for the tax year comes in in the last six months of the fiscal year.

And so, basically, fiscal 2002 which ended June 30th, most of the real estate receipts that we had were from calendar 2002 real estate tax.

COUNCILMAN NUTTER: You lost me a little bit there. My 2002 calendar year taxes --

MS. KAMMERDEINER: Yes.

COUNCILMAN NUTTER: -- which starts in January of 2002.

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MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: Right? So I'm paying all along. And then June 30th of 2002 comes, and that's the end of FY 'O2.

MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: The start of FY '03.

MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: Right?

Now, when the payments come in in March, are you paying for the previous year or are you paying for the upcoming year, for the year you're in?

MS. KAMMERDEINER: You're paying for the year you are in. Your tax for 2002 was due on March 31st of 2002. If you paid by the end of February, you got a one percent discount on your payment.

COUNCILMAN NUTTER: Okay. So you pay your real estate tax in advance.

MS. KAMMERDEINER: You pay some of your tax in advance, yes.

COUNCILMAN NUTTER: Okay. And then if you're in the mortgage situation, on March

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whatever, or if the mortgage company takes advantage of the discount, they pay your tax, say, end of February.

MS. KAMMERDEINER: Mm-hmm.

COUNCILMAN NUTTER: And then as a part of your on-going mortgage payments in most of that situation, they include your tax payment where you're basically paying them back. They already put the money out.

MS. KAMMERDEINER: That is how I understand most mortgage companies would handle an increase that was not accommodated within the escrow account.

COUNCILMAN NUTTER: Okay. All right.

Now, your testimony on Page 4 about two of the Bills, 020490 and 020491, these are basically the bills that would propose to freeze the assessment; is that correct?

MS. KAMMERDEINER: Yes.

COUNCILMAN NUTTER: Okay. And the testimony is that the Administration opposes both of these bills.

MS. KAMMERDEINER: Yes.

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COUNCILMAN NUTTER: Okay. What I'd like to do -- and there's a little bit of discussion here. But what I'd like to do is, I guess, to kind of juxtapose the present situation to the last time this kind of situation came up here in City Council. There was a bill back in the 1980s, Bill 482, which was a bill that proposed to freeze the real estate tax rates at the 1980 level.

MS. KAMMERDEINER: Mm-hmm.

COUNCILMAN NUTTER: Now, that bill was co-sponsored by Council Members Pearlman, Coleman, Rafferty, Genuardi, Verna, Blackwell -- not our esteemed Majority Leader but Councilman Blackwell, Tayune, Anderson, O'Neill, Krajewski, Spector, Clarke -- not present Councilman Clarke but Councilman Clarke -- and Councilwoman Chernock.

And that bill went through the normal process, and there were public hearings. And what I'd like to read to you is some of the discussion on the day of the vote of that particular bill.

There had been a speech by

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Councilman Pearlman.

And the second speech is by then Councilman Street responding to the President pro tempore, which was Councilman Coleman.

Thank you Mr. President. First of all...

COUNCILWOMAN BLACKWELL: Councilman Street?

COUNCILMAN NUTTER: Yes, this would be Councilman Street. Thursday, January 8, 1981, at the Council Stated Meeting. This is debate on the record on the day of the vote.

First of all, I'd like to join in the remarks that were already made by my colleague, Councilman Pearlman, and indicate that something has to be done about assessments.

And I think that the whole question of a freeze is simply the first step. And I think that, for the record, we need to make it clear and abundantly clear what we are talking about when we're talking about the assessment problem, because simply freezing the assessment is not an answer. It's simply a very, very, very small beginning.

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Because if we don't freeze the assessments, if we don't at some point in time say, hey, stop, and let's take a look at what we're doing, then the situation will never be corrected.

Now it's not enough to say freeze the assessments and then let's bring everybody up to where we think everybody ought to be because that may create more problems for the people that we would like to help than the situation is now.

For example, there are some people in my District -- and I don't know whether or not this is -- a District -- probably isn't a District problem. But there are people that I represent in the 15th Ward who, if their assessments today were raised so that they were on par with the assessments of other neighborhoods, they would be gone immediately.

So I'm telling you now that my vote of support of this ordinance does not mean that one year from now I will be in favor of raising the assessment, raising the actual taxes on the properties of some of the people that I represent so that those people are taxed in the same manner

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that other people are presently being taxed. Now, that is a problem.

And I understand when I vote for this ordinance that at some point in time down the road, and it probably won't be very long, we're going to have to deal with the question of what you do with the senior citizens' properties. Assessment is now 15 percent of market value. But when they assess the whole City and the person's assessment goes up to 50 percent of the fair market value of the property, when that person's taxes would triple, how are we going to handle that.

So then I want us to know that while we say freeze the taxes, that I agree, while we say freeze the taxes, what we're simply doing is saying that we are going to start a process that is going to be long, arduous, and is going to take us all over the State so that we can provide the kind of tax help and relief that people need.

The fastest way I know to recycle these neighborhoods is to implement a freeze. To assess across the board, bring everybody up to 50 percent of market value, and tell those that

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you've got to pay now. It's the fastest way I know of recycling a lot of these neighborhoods.

So I want us to understand that we have a lot of work to do or else what we tried -- or else that when we try to help people, we're going to end up hurting a lot of other people.

Now, there are a lot of people who say that this ordinance is unconstitutional, it's void, it violates state law, we have no business passing it.

Well, I don't know anybody in the City of Philadelphia who is violating more state laws than the Board of Revision of taxes right now because every year...

(Applause.)

COUNCILMAN NUTTER: ...because every year every assessment that goes out, of the 75,000 that are going out now, is in technical and actual violation of the state laws.

And I have a lot of problems with people who tell us we should not pass a law because that law would be in violation of a state law, when they do not do anything or say anything that all the other agencies that are hurting

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people by violating those same laws.

And I have to be very skeptical of a City Solicitor's opinion and of a City Solicitor who comes in and tells us on the floor of this Council at public hearings that it's wrong for us to say that they shouldn't tax, raise anyone's assessment, but it's all right for them to raise some people's assessments, when they raise some people's assessments is in clear violation of state law. And I am not influenced by those opinions.

And I think that at some point in time this Council has to do what it has to do with regard to the laws that we think we're entitled to make.

I was outraged when I sat here and I heard the City Solicitor say that he would advise the Board of Revision of Taxes that they could ignore the law. They could ignore it. We could pass the ordinance and he said that he could tell them they may ignore it, that what the Council of the City of Philadelphia says.

Because it seems to me that when the City Council of Philadelphia makes a law and

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unless and until some authority, some Court somewhere, says that it's unconstitutional, illegal and void, then it's the law. And it's a law, insofar as the Board of Revision of Taxes are concerned.

And the City Solicitor doesn't have the right, nor do they have a right to say we're going to ipso factor avoid and just ignore what the City Council of Philadelphia says is law in this jurisdiction.

It seems to me that when we have -- what we have here goes a little deeper than simply even the whole tax situation, the question of assessments.

Now, we need a fair system. We need a uniform system. But we need a system that's capable of responding to the needs of different categories of people, which means that while we vote aye on a freeze, at some point in time we're going to have to go to Harrisburg, maybe all of us, and we're going to have to deal with uniformity clauses so that those senior citizens out there who need help, so that those poor people out there who need help can get some help without

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the problems that we have right now.

This goes on further and concludes with: So that when we vote to freeze the assessments, we are going to -- we have to understand that this is simply a beginning, and that what we are going to have to do is take a unified approach to changing the state law, to changing the practices in the Collection Department, to changing the practices of the Board of Revision of Taxes, so that we can get a system that's fair and equitable to everyone.

(Applause.)

COUNCILMAN NUTTER: Now, Commissioner, let me ask you a question.

COUNCILWOMAN BLACKWELL: We have a point of order. Councilman DiCicco.

COUNCILMAN DICICCO: Councilman, I find that to be stupid and absurd.

(Applause.)

COUNCILMAN NUTTER: Well, Councilman, I appreciate that.

But I did need to ask the commissioner: Based on those comments about a proposed freeze -- and we probably know that the

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Council did vote to support that bill -- do you think that at that point in time, that that was stupid or absurd?

MS. KAMMERDEINER: No, I don't think it was stupid or absurd.

But I do know that after that there was a Court challenge and there was a Court settlement known as the Coleman Green settlement, that did indicate some of the things that the City Solicitor has used as a basis for his opinion about the inappropriateness of using a freeze or a cap in the --

COUNCILMAN NUTTER: Commissioner, there was a Court challenge, because the Council passed a law, the Mayor vetoed the law, the Council overrode the Mayor's veto, the City Solicitor told the Board not to implement it, and Council went to Court. That was the result of that situation.

And there was a difference made. And so your response, while I do respect it, misses the point. This is a start.

We have many roads to travel. All of these issues are made by lawmakers. We will

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take whatever action we think is necessary as a part of our oath and our responsibility.

But it is not the final word of the City Solicitor, with every due respect to the current Solicitor and Solicitors who have gone past and Solicitors to come, to come and say: Well, we can't do anything; we are locked in; the system is what it is; we are helpless; just accept it; be glad for it; and we'll try to make it a little softer for you, and we'll give you a payment plan. It's the same process 21 years ago.

(Applause.)

COUNCILMAN NUTTER: That's where we are today.

I also had some questions about the proposed payment plan. Now, what impact would the carrying over of the balance, the increment, as you call it... What impact would that have on that particular year's budget?

Because I have to assume that you're making the assumption that whatever ends up being certified, that you're actually going to collect in the February/March time period of what will then be February/March of '03 which will be the

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tail end of FY '03.

What will these deferrals do? Because if you allow people to pay in December of '03, that's actually in the first half of fiscal year '04. What impact will that have on the budget?

MS. KAMMERDEINER: We would expect that, first off, not everyone would be taking advantage of the installments.

COUNCILMAN NUTTER: Why would you expect that? Why would someone not take advantage of an extended payment plan for what they believe to be an onerous, egregious, and outrageous increase?

MS. KAMMERDEINER: Some people may not have what you're describing as an onerous and egregious increase. Some people had small increases and can handle that. Some people who had large increases can financially and responsibly handle it.

Not everyone is going to make the decision to enter into an installment agreement. But if everyone did, it would be the growth amount that would be delayed. Some of it would be paid

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during the fiscal year by June 30th because some people would go ahead and pay it along the way. They wouldn't wait until December 31st.

So, we will have some of that money coming in. That's the part we're looking at, in terms of what the actual impact would be.

COUNCILMAN NUTTER: Commissioner, let me ask you this question: What's the Administration's proposal to reform the City's tax assessment system? Do you have one?

MS. KAMMERDEINER: Not at this time.

COUNCILMAN NUTTER: Not at this time. Do you anticipate having one?

MS. KAMMERDEINER: We would like to work with you on developing that. And that's one reason that we have indicated that we need to take a comprehensive look at the City's tax structure and applauded the idea of having a tax reform commission that would look comprehensively at the obligations and the tax burdens.

COUNCILMAN NUTTER: Now, Commissioner, with every respect -- And, yes, I did work on that matter with a number of other Council members. I mean, why don't we just kind

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of go through the time lines?

There will be a ballot question in November to create the Philadelphia Tax Reform Commission. My hope, certainly out of any of this discussion, is that the voters will support the creation of such an entity.

By agreement, that entity will not return a report to us for a year. Tax bills are due February/March. They will not have a new proposed tax assessment system for a reform of the present system by the time that people's bills come. What are they supposed to do in the interim?

MS. KAMMERDEINER: It is for that reason that we wanted to provide some relief for people, in terms of giving them an opportunity to pay over a longer period of time.

And also we want to be sure that those who are low income, who have a major burden because of fixed income or low income situations, that they have an opportunity to avail themselves of the programs that have been there.

We want to make sure that everyone who is eligible does take advantage of the programs that are currently offered.

I think there are a lot of people who fall into those categories who don't currently take advantage of those programs, and we want to make sure that they have every opportunity to do so.

COUNCILMAN NUTTER: Is there a general assumption that -- And I certainly support all of the programs we have, and if we're going to create additional ones to help people either who have low income, no income, fixed income, to deal with this.

But I am starting to get the impression that there's a bit of a theme running here, that unless you're in one of those categories, there's an automatic assumption that if you have one of these homes, if you're fortunate enough to have on the one hand significantly increased property values, you're not in one of the two or three or possibly four categories that we've talked about, that there's an automatic assumption that basically those other people don't have a problem with a $1,000, $2,000, $3,000 --

(Applause.)

COUNCILMAN NUTTER: -- tax increase, and that they should just kind of, as we say in sports terminology, I mean, they should just suck it up and pay?

MS. KAMMERDEINER: It is that group of people who we thought we would be addressing by giving them an opportunity to pay that additional tax over a number of months, instead of having to pay it all at once in February or March.

COUNCILMAN NUTTER: But, Commissioner, that does not go to the fundamental issue here. We have a system that has flaws. Why would we seek to put a mandate on something that is not working, give people two aspirins, and tell them to send us a check in the morning? Why would we do that?

As opposed to spending our time trying to figure out between now and tax time what the system should be. All that does is institutionalize the inequity, the unfairness, the complete wackiness of a system that either has people getting regular increases where we nickel and dime them to death and then give them a big increase, or -- I'll speak personally -- get no increase for a series of years, and then get a big increase. Neither of those scenarios make any sense.

(Applause.)

COUNCILMAN NUTTER: The properties on my block didn't just recently become valuable. They've probably become valuable over some period of time.

If you gave me a 41 percent increase over the last seven years, I probably wouldn't have noticed that much. But now you want it all at one time. And I'm not just speaking for myself. I mean, I'm on the low end, compared to some of my constituents.

(Applause.)

COUNCILMAN NUTTER: So you cannot say: Oh, the system is fine; be happy that the values are going up, because you only benefit from that if you decide to sell your house. I'm really not planning to go anywhere.

(Applause and cheers.)

COUNCILMAN NUTTER: I mean, if I had money, which I don't -- but if I had money -- not

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in this stock market environment but a couple years ago -- the stock runs up, tremendous increased value on paper, but I don't pay anything until I cash in.

(Chorus of "all right.")

COUNCILMAN NUTTER: So if I buy the stock and it runs to a hundred, I've got an incredible paper gain. I sell the stock. I got capital gains tax, and all the other things. You got all kinds of brand new forms. I've never had to worry about any of them.

This is a system that says: Be happy that your values are going up, and while they're going up I'm going to continue to take and take and take and take. I'm not going anywhere.

(Applause.)

COUNCILMAN NUTTER: And when I die, maybe then I'll have something to turn over to someone. This system is broken.

(Applause.)

COUNCILMAN NUTTER: It needs to be fixed.

(Applause.)

COUNCILMAN NUTTER: So payment

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plans, freezes, deferrals, caps, all of them are very interesting. I'm a co-sponsor on just about every bill floating through here. But they come after reform because you have to have a system that is fair.

People probably should be at a hundred percent. We probably need to lower the tax rate to make it comparable.

Then you start talking about, as the market starts to run, how you deal with those things going forward. So we have some solutions that are Phase II. We don't have Phase I yet. And that's what we need, and that's what we need to be working on. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there further questions for the Revenue Commissioner? Thank you very much.

We will now ask... Is Mr. Thomas Connelly still here? We welcome you forward, sir. Is the Honorable Babette Joseph here?

All right. We will hear Mr. Connelly. After Mr. Connelly we will begin our community testimony.

Is Barbara Capozzi here? We'll have you next.

Lenora Berson thereafter.

Terry Gillen thereafter.

Okay. So we'll call you up and try not to hold you too long. And thank you for your patience.

Thank you so much, Mr. Connelly. You represent a very important Board. We welcome you here, and thank you for your patience. Would you please identify yourself for the record.

MR. CONNELLY: My name is Thomas Connelly. I am the Executive Director of the Pennsylvania State Tax Equalization Board.

As such, we review... In order to fill out our legislative mandates, which are two: Number one is to create a market value of taxable real property that is an instrument of measure that the Department of Education uses in helping to arrive at the basic school aide ratio that affects the 501 School Districts. It affects them, in that it plays a role in the amount of money that they receive from the State.

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The other thing that we do is that for each county, for each of the 67 counties, we certify a common level ratio. That ratio is the legal instrument of measure in a real estate assessment appeal.

Now, in order for us to fulfill our legislative mandates, the counties, all 67 counties, are obligated to submit certain data to us. One of them is the taxable real estate of the county. And we get that certification once a year.

The other item that we get from the counties is that they submit to us a copy of all of the real estate transfers that occur during the year.

Now, what we do is, we basically carry out a statistical sales analysis by looking at the property in each county. Actually, we break it down to the municipality within the county.

We look at how much taxable assessment, what the property breakdown that comprises their tax base, how much residential, residential lots, industrial commercial,

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et cetera. We create an inventory of that.

And then reviewing the real estate sales, we look at the corresponding property-type sales for those municipalities within the county.

I believe the purpose of my being here today is to possibly highlight the fact that we probably, more than any other State agency, have a heavy exposure -- I was going to say involvement but exposure is a better word -- in the assessment offices of all 67 counties, and conversely, the assessment practices that take place within those counties.

I've sat here and I've heard many interesting things. I would imagine that people who have been here as long as I have would like to see this wrap up.

So at this time I will let Councilman Nutter, whose guest I am today, ask me specific questions, or anybody if they're interested.

COUNCILWOMAN BLACKWELL: Thank you very much.

COUNCILMAN NUTTER: I appreciate that, but it's at the Chair's discretion.

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COUNCILWOMAN BLACKWELL: Thank you. And certainly we thank Councilman Nutter for making the invitation, and absolutely welcome you.

Let me again say to members and our guests here that this is a forum for Council Members to question witnesses.

And unfortunately, this is not a forum where the public can interact with the folks who are here at our witness table.

A public hearing will permit anyone who would like to testify to testify, but it doesn't allow you to question the witnesses who are here. We can add your name to the list and we will welcome you. We are very glad to have you. And you can testify. But we have no forum for an exchange between you and us or you and those who testify. That's just the way it is. But we thank you and we welcome you.

Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Connelly, thank you again for making yourself available on such short notice.

But in the course of doing what you

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do and dealing with the 67 counties, could you give us, I guess, a capsulized version of your impressions as an outside entity into the policies and practices, the process that exists here in Philadelphia, and make some comments relative to comparisons to other counties around us.

MR. CONNELLY: Well, with all due respect to the BRT, there is no other valuation function in the Commonwealth of Pennsylvania that operates the way that they do.

COUNCILMAN NUTTER: Why do you say that?

MR. CONNELLY: Because it's my understanding -- Because I am familiar with valuation practices.

I hold a CPE which is a Certified Pennsylvania Property Evaluator. I am licensed to be an assessor in 65 states with the -- I'm sorry -- counties, with the exception of Philadelphia and Allegheny County, which are not covered by that law.

There are set procedures. There are chains of accountability. There are numerical equations. There is, for lack of a better word,

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sanity in what occurs in the 66 counties outside of Philadelphia.

I understand Philadelphia has special problems, they have special needs. I am a transplanted Philadelphian. I spent the first 26, 27 years in Philadelphia. I'm a graduate of St. Joseph's Prep. I'm a graduate of St. Joseph's College. Now it's a university.

I love what has happened to the City. I am looking forward to my retirement to move back here because Philadelphia offers more opportunities than just about any other place in the Commonwealth.

One of the things that attracts me to Philadelphia is that apparently the market value of my property will only be valued at 71 percent.

And out where I live, and in the other 65 counties, outside of Dauphin County, you establish a market value that is representative of the market, that indicates current market value. That does not appear to be the case here.

COUNCILMAN NUTTER: What is the significance of the 70 or 71 percent figure? And

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what from your perspective or knowledge or experience is the reason that the Board of Revision of Taxes here seeks to pursue this goal of 70 or 71 percent, as compared to other counties apparently seeking to value at 100 percent?

MR. CONNELLY: I really don't know. That question needs to be addressed to them. I'm aware of the 71 percent. I was aware of it before today. And then I believe I heard Chairman Glancey allude to that today.

I would assume... I would assume that they do not want to disrupt even more the property valuations that are currently in place.

COUNCILMAN NUTTER: Can't you take people the 71 percent, try to figure out as best as possible, again, in an environment where no matter what you do with tax rates... I think we do have to be honest and say that when you make a change in one part of the equation, it changes other parts of the equation. There will be winners and losers in any of this.

MR. CONNELLY: That is correct.

COUNCILMAN NUTTER: But if you took a person to a hundred percent and figured out some

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number that makes sense, you would correspondingly lower the tax rate from the present .08264 to some other number.

Now, that will still affect some people in a certain way. And it may still result in an increase for some people, as opposed to keeping them at the rate that they are. But you would at least then be at the market and not playing a continual, what seems to be, about a 20-year effort at least of catch up. Is that fair?

MR. CONNELLY: Well, yes. One of the words that I have learned in my occupation is the word obfuscation. And obfuscation is not unique to what goes on if Philadelphia.

But in many counties across the Commonwealth people have no idea what their taxable assessment is.

And I would be confused when I'm talking -- when someone explains to me that the market value, it's really 71 percent of the market value, and then I guess if they're applying 32 percent.

Your suggestion is what we have been

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echoing, and what all of the counties contiguous to Philadelphia, with the exception of Bucks County has done, and that is, that they have reassessed and they have gone to a hundred percent of market value.

COUNCILMAN NUTTER: Now, where does the .32 number come from? Does that come from STEB?

MR. CONNELLY: No. That is the Philadelphia County ratio of assessment to market value.

COUNCILMAN NUTTER: What's the basis for that? I mean, where does that number come from?

MR. CONNELLY: Well, this is established by the BRT. It had been 35 percent.

COUNCILMAN NUTTER: Okay.

MR. CONNELLY: And then...

COUNCILMAN NUTTER: But I'm assuming there's a formula, there's a statute, there's something that governs what that number should be?

MR. CONNELLY: Well, there's something. I don't know what it is. Again, the situation in Philadelphia, although they're all

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good people and everyone has their best interests at heart, there appears to be a fuzzy, I guess, accountability chart.

In the other 66 counties, the assessment process is subjected to voter approval or dissatisfaction, through either the County Commissioners or in the Home Rule counties probably through the Councilmen.

In Philadelphia, the BRT -- and I have to be honest with you. I don't know if this a good thing or a bad thing. What I do know is that it exists nowhere else in the Commonwealth.

The BRT is basically --

COUNCILMAN NUTTER: When you say doesn't exist anywhere else in the Commonwealth, what is this? What is it that doesn't exist?

MR. CONNELLY: The immunity to political pressure.

COUNCILMAN NUTTER: The lack of reporting to any --

MR. CONNELLY: Yes.

COUNCILMAN NUTTER: -- authority that --

MR. CONNELLY: Yes.

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COUNCILMAN NUTTER: -- people vote for people and then say we want you to --

MR. CONNELLY: Yes.

COUNCILMAN NUTTER: -- make sure our trash gets picked up, have our rec centers open, do whatever. I mean, again, not interfering with the assessment process and the formulation which we -- I would believe should not and cannot be involved in that aspect of it. Correct?

MR. CONNELLY: That is correct. Anywhere -- We talk about this when we get together with other assessors and with people that come in from other states to view how we operate in Pennsylvania. It's difficult to explain to outsiders who's in charge in Philadelphia.

COUNCILMAN NUTTER: Well, does that lead to... I guess maybe my last question would be: I mean, in that scenario, does that lead to an environment where -- I mean, our tax rate, at least for as long as I've been in City Council -- and I don't know when it was last changed, but it has not changed in the last ten years, nine months, has been .08264. So, the elected officials here can honestly say that we have never

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raised people's property taxes, on the one hand.

But now this other group of people, who are not elected and are appointed by a third branch of Government, have the authority to deal with the assessment issue.

And in doing their job, the assessments go up, money does come out additional from the person's pocket. And you can call it an assessment, a reassessment, or some other name, but in effect it's a tax increase.

MR. CONNELLY: That's what my father used to say. My mother and father lived at 5937 North 11th Street. And back during the Rizzo Administration, Mayor Rizzo would somehow announce every year that he had held the line on taxes. And yet, my father's tax bills went up every year.

And he said, I would like to have Mayor Rizzo explain that to my checkbook, why my taxes have not gone up but I'm sending more money, so...

COUNCILMAN NUTTER: And then the final part of that is naturally, technically at the moment at least, we have no authority or control over this entity.

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So you have a group of people who have the ability to raise money for the City through assessments, but the average person, citizen, and voter, cannot access either them directly, other than through an appeal or any elected body or individual, to make a direction as to what they should do or how they should conduct their business presently.

MR. CONNELLY: That is correct. It's a back-door tax increase.

COUNCILMAN NUTTER: But in other counties in the Commonwealth, that's not the case.

MR. CONNELLY: That is correct. That is not the case.

COUNCILWOMAN BLACKWELL: Excuse me one moment. The Chair notes that Councilman Darrell Clarke is here. He's in the middle of a job fair from people from all over the country. But we thank him for coming. So, he's stepping in and out. Thank you.

COUNCILMAN NUTTER: Maybe this will be my last question. Based on your -- the breadth of your experience and, again, the 67-county view, are there best practices in the industry that we

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could read, review, or examine, or understand as to how these systems should function and operate? And that's the first part of the question.

And secondly, do you have any reaction to the number of people that we have performing these particular functions? I mean, 43 people doing a job could be a lot of people. 43 people could be minuscule. I mean, I have no way of determining the relevance of that number of people, compared to a certain number of properties. And again, what else goes on around us?

MR. CONNELLY: The answer to the first part of the question is, I'm not aware of any set packages. I think if you want to look at how the other counties, you don't have to go far. You can go to Norristown, whatever the... Media. And what's the other one? Montgomery/Chester. I guess West Chester. But it's not rocket science what they did.

They basically went to a hundred percent valuation. When you go to a hundred percent valuation, you have -- I believe in Philadelphia you have approximately 565,000

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parcels. You have about 565,000 property experts. They not only know the value of their property, but they know the value of what their neighbor's property is.

And what drives people to distraction, it's been our experience, because we get calls every day from all over the Commonwealth.

Again, I want to reiterate: To a certain extent the situation that you have in Philadelphia is not unique. The operation of the valuation process is unique. But what upsets people is when they find out that their neighbor is more underassessed than what they are.

One of the things you have to do is, you have to ask yourself do you want to -- do you want to go to a new system. You've already mentioned winners and losers. What will that bring? I don't know.

You're absolutely correct that if you have this -- if you go to a new system and you raise the assessment so that they reflect current market value, you're going to have a corresponding decrease in the millage. Again the shakeout on the winners and losers, I don't know what will happen.

Your other question -- What was the second part of that about the -- I forget the second part of your question. Number of assessors.

COUNCILMAN NUTTER: It was so long ago I can't remember.

MR. CONNELLY: Yes. Okay. The number of assessors. In Philadelphia, they have -- their personnel are extremely professional. They're extremely capable. I don't know that more of these people are going to do a better job. Quite frankly, their hands are tied.

And -- You know. And, of course, another thing, which you have not asked me, but the law is set up in that the Board of Revision of Taxes has the sole jurisdiction to do what it is -- what it is they're doing.

COUNCILMAN NUTTER: Although that could change.

MR. CONNELLY: It could change.

COUNCILMAN NUTTER: Right. And is different in all the other counties in the

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Commonwealth.

MR. CONNELLY: That is correct. That is correct.

COUNCILMAN NUTTER: Thank you.

MR. CONNELLY: Could I just make a --

COUNCILMAN NUTTER: Yeah, if you have other...

MR. CONNELLY: No. Just a commercial.

COUNCILMAN NUTTER:

MR. CONNELLY: We are the State Tax Equalization Board. We are on the web site www.steb, s-t-e-b, dot state dot Pa. We have all sorts of interesting statistics.

We have a thing on there for a question and answer, and we have our telephone number. So if anybody on this side of the room (Indicating) wishes to contact us, please do. And we respond to everybody, because we don't know if the Governor is trying to trick us to see how we react to citizen input or whatever.

So I thank you for your time, and I wish you well.

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COUNCILMAN NUTTER: Thank you. We need it.

(Applause.)

COUNCILWOMAN BLACKWELL: That you very much, Mr. Connelly. We appreciate your coming in.

Councilman Nutter.

COUNCILMAN NUTTER: Madam Chair, the thought occurs to me that one of the things we are faced with -- and it was highlighted in the newspaper today -- is the fairly lengthy opinion that we received from the Law Department just yesterday.

And without getting into a long discussion with them, knowing that there are representatives here. I know the Solicitor was here a little while ago and may have had to leave.

But I think, to have a complete record, I would at least like the Law Department to put on the record what their position is formally for the record, with regard to the efforts of Council to deal with these particular issues.

COUNCILWOMAN BLACKWELL: All right.

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Could we make that brief? Because we really want to begin the community. They've been waiting all day.

COUNCILMAN NUTTER: Yes; I understand.

COUNCILWOMAN BLACKWELL: And that's always my problem with our hearings. We would like to bring them forward. So as soon as they are gone. Will Ms. Capozzi come right up.

All right, Law Department. Thank you.

MR. FADER: Good morning, Madam Chair.

COUNCILWOMAN BLACKWELL: Good morning.

MR. FADER: Richie Fader, Chief Deputy City Solicitor for Appeals and Legislation. The Solicitor was here earlier. He had to step out.

COUNCILWOMAN BLACKWELL: Yes. We note that the Solicitor was here, and we thank him and thank you for your attendance.

MR. FADER: Councilman Nutter, did you want me to...

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COUNCILWOMAN BLACKWELL: Yes. We would be happy, Mr. Fader, if you would just give an overview of the Solicitor's Opinion with regard to these bills.

COUNCILMAN NUTTER: Just a couple -- I'm sorry. Did you have something you wanted to say?

MR. FADER: I'd prefer to hear specific questions, but however you want to handle it, Madam Chair, Councilman.

COUNCILWOMAN BLACKWELL: Councilman Nutter, would you like to ask specific questions?

COUNCILMAN NUTTER: Just a couple.

COUNCILWOMAN BLACKWELL: We'd certainly like to keep it brief so we can bring the community on, or they'll go against everything. Thank you.

COUNCILMAN NUTTER: Mr. Fader, you heard, I'm sure, the discussion between myself and Commissioner Kammerdeiner with regard to the previous attempt to put in force what at least a couple of these bills would do, with regard to the freeze. And then naturally they are bills that cap, and defer, and the like.

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Now, it's the Law Department's opinion that we have no ability to legislate in this particular area? Is that...

MR. FADER: No, Councilman. The Solicitor's Opinion, which was delivered yesterday, says that with respect to this fiscal year your power is probably very limited.

But with respect to future fiscal years, there are certainly arguments that could be made to defend something like the gradual increase bills that you introduced.

We think they're probably not within the letter of what the First Class County Assessment Law would allow, but we think there are equitable arguments along the lines of the settlement that the Revenue Commissioner referenced, that might be defensible in Court.

COUNCILMAN NUTTER: I was intrigued that... And you always know, at least as a legislator, it's never good news generally if you get an eight- or nine-page opinion from the Law Department. They usually don't take up that much paper to tell you something that you want to hear.

I was intrigued in that opinion that

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there was no citation of a case to back up the opinions that were laid out by the Law Department. Can you expound on that?

MR. FADER: Certainly, Councilman. With respect to the Home Rule Charter we think, although it's never been litigated, we think the Charter is quite clear; and once the budget has been balanced in a fiscal year, that Council can't imbalance the budget.

And with respect to Council's power over assessments, we think, as several of the witnesses before me have alluded to, the First Class County Assessment Law is really quite clear, that taxes are supposed to be based on the current assessments as returned by the Board, pursuant to the complex process that Mr. Glancey and Mr. Connelly discussed. And although there may not be any case that says it, the Statute is really quite clear.

COUNCILMAN NUTTER: Statute's quite clear that the assessments are supposed to be on current value. They're obviously not doing that, right?

MR. FADER: My understanding is

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they're doing the best that they possibly can.

COUNCILMAN NUTTER: I didn't ask you that. I mean, I try to tell the bank that I -- you know, I'd like to do the best that I possibly can to send that mortgage payment in. They find that very interesting, but they still want the money. So let's try to establish here for the fact. They are not following the State Statute with regard to valuing the properties at actual value; is that correct?

MR. FADER: I am not an expert on assessment law. My understanding is they are in full compliance with the Statute, Councilman.

COUNCILMAN NUTTER: Mr. Fader, the Chairman of the Board testified that the policy of the BRT is to be at 71 percent of value. The State Statute says actual value. I think there's a difference there.

MR. FADER: My understanding is that, as a practical matter, as long as everybody's at the same percentage level and if it's 71 percent it doesn't -- there is no uniformity issue, there's no statutory problem. Everybody's getting taxed at the same rate, based

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on their actual current values, as best assessed by the Board of Revision.

COUNCILMAN NUTTER: Can you cite provision in the local taxation assessment for the First Class Cities Act that allows for that?

MR. FADER: Councilman, I'll be happy to look into it, and we'll get you an opinion on the processes by the Board of Revision.

COUNCILMAN NUTTER: Okay. And lastly, for the record, it is your understanding that Council does have some authority with regard to establishing new processes and procedures for the operation of the Board of Revision of Taxes. Is that your understanding?

MR. FADER: Yes. What you alluded to earlier, Councilman, is correct with respect to the powers and duties of the Board of Revision. And I'm not sure where the line can be drawn, but Council has the power to pass ordinances, subject to approval by the voters.

COUNCILMAN NUTTER: Okay.

MR. FADER: That's not with respect to the details of the assessment process, but with respect to the powers and duties of the board.

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COUNCILMAN NUTTER: But again, to make sure that people understand what we can do and what we can't do, if we did in fact believe everything we read in the newspaper, some would be left with the impression that there is nothing that we can do about any of this.

And the fact of the matter is that there are some powers and duties that this Council, with voter approval, can exercise.

MR. FADER: That's absolutely correct, Councilman.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you, Mr. Fader.

MR. FADER: Thank you, Mr. Councilman.

COUNCILWOMAN BLACKWELL: Can we move forward. Request Barbara Capozzi, Packer Park Civic Association, and Ms. Lenora Berson, Center City Resident's Association, come forward and occupy the two seats that are available. We thank you for your patience and we certainly invite you to identify yourself for the record and to begin your testimony. Thank you so much.

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MS. CAPOZZI: My name is Barbara Capozzi. I'm a small business owner in Philadelphia, lifelong resident, realtor, attorney, and president of the civic association in my neighborhood.

I'm also a very practical person. And this is very painful to me, to sit and listen to all this discussion. I really don't know how you all do it.

To me, the most work gets done in the smallest group. So I guess you get ideas from us, and you need to know where everybody is, but I'm sure the real work gets done behind the scenes. I don't know how you do it all, sit and listen to this.

I have not seen the Solicitor's Opinion, but even if it is true that technically the bills that you have proposed are technically illegal, in the sense that they're not binding on the Board of Revision of Taxes because they are an independent agency, the public can't get to the Board of Revision of Taxes.

And obviously, the only way we can is through us pressuring you and us pressuring the

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Mayor to do that for us. So... And that's how I sum up why the public's here. And I'm very sorry to say that isn't more people here.

VOICES FROM AUDIENCE: (Inaudible.)

MS. CAPOZZI: Well, I understand.

Even if the bills are technically illegal, it doesn't mean that City Council doesn't have power, and the real power, to pressure the board to do what's right.

Now, unlike 1981, it seems to me that the Board is a little more willing, and maybe with a little bit more pressure they'll be a lot more willing, to work towards a solution.

I can't believe that if City Council streamlined their bills, passed from 17 to zero, I can't believe that the public could not get behind that, pressure the Board of Revision of Taxes to find the right solution.

As much as I have studied this issue, I don't know what the right solution is myself. But I do know, from my own experience as a business owner, that the tax structure in this city is like a dinosaur, and it really has to change.

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Between the -- real estate taxes is not even the worst. We have the Wage Tax, the Net Profits Tax, the Business Privilege Tax. It just goes on and on.

The tax structure needs to be streamlined and overhauled. I'm sure it's been the same tax structure and the same process for so many years.

It needs to be re-thought in a comprehensive and intelligent manner and revamped for the new century that we hope to say that we are in. And that does take a lot of comprehensive work. I urge everyone to support and publicize Councilman Nutter's November 2nd ballot question. I tell everyone about this and not one person knows what I'm talking about. So, there's an excellent ballot question on November 2nd, and we need to get out and tell people about that.

Here's the problems that I here from people that I talk to every day. Obviously, you know that the system for the evaluations is so confusing that the more you hear it, the worse it seems to be. It's overly complicated, even for those of us who know something about real estate.

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Now, that leads to the appearance of impropriety. Now... And we all know that even if you don't do something wrong, if people think that you're doing something wrong, you might as well be doing something wrong, because that's the way it is. It's the appearance of impropriety that's the most important.

And with this ambiguous very, very subjective system that we have, the little guy, who are the people that I talk to every day, feels like the big guy is getting over on him; and that if he knows the right people, that big guy can somehow get that very subjective system to work for him. And the little people, which is the average taxpayer in the City doesn't know how to do that.

The other problem is that because the Board of Revision of Taxes is not elected, we have no way to pressure them or get to them, so that's why we have to use you.

But it also seems that everyone passes the buck. No matter how many times you tell people it is not the Mayor, it is not City Council that did this... It shouldn't be that

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way. So people do not find that a satisfying answer.

It's not clear to most people exactly what their taxes are being used for. To the average person it doesn't -- it does not appear -- it does appear -- excuse me -- that the City Government is bloated. And that's not just this Administration, it's every Administration, Federal, State and local.

The average guy feels that government is bloated. We hear about tax waste, et cetera, and that the services are not provided as effectively and efficiently as possible.

So, taxpayers feel -- They would feel much better about tax hikes if they really had confidence that the money that they were paying every year was being used in a way that they could actually see.

I support the Council President's efforts to put a cap on the annual hikes because while taxpayers need the budget, I'm sure that the City also needs the budget. And the ten percent cap certainly -- I cannot see how the Board of Revision could argue with that. I mean, that's certainly generous. So, that is -- that's the least that should be done.

There also should be some measure to prevent a hike year, after year, after year. To the average guy who lives in a wonderful neighborhood or a good neighborhood, we feel like we're paying for the rest of the City, et cetera, et cetera, et cetera, and you're paying for the stadiums, and the convention center, and you hear that.

There needs to be a better way -- and maybe that is on line -- for us to know where our tax dollars go. And now that the assessments are available on line, I wonder if the Board of Revision of Taxes is going to set up a hot line, because I have people turning in their neighbors. Well, he has a third bathroom. I mean, I don't know that we really want to get into a system that's that subjective.

In a City that appears to be on its surface vibrant and modern, in many ways it's -- Philadelphia is not. We have a very aging population. We're glad they're all still with us, but they do need special relief, especially people on fixed incomes. And whether that's a method of

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deferral of tax due until -- and re-captured upon sale above, you know, after freezing the tax at a certain rate.

Certainly the PACE program needs to be expanded, if those are the guidelines that are going to be used, or at least it actually needs to be made clearer because there might be more people that are eligible, but it certainly isn't clear to me who those people might be.

Any piecemeal approach will take us right back to 1981 when there was a piecemeal approach but nothing happened after that.

Government often has no choice but to work piecemeal because the responsibility is split between three branches of Government and then also three levels, City, State and federal.

But there will never be any real tax relief unless the people in this room that we look to for leadership say that this is it. We have the same tax structure for 50 years. We really do have to do something about it. So I hope everybody here does push that November 2nd ballot question.

I would like to believe that if the

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Council adopted and streamlined some bills, which would be only obviously a short-term solution, I would really like to believe that the Board of Revision of Taxes would take that advice.

The one question that wasn't asked Mr. Glancey was that if Council did that and passed two bills unanimously, would he and the Board take that advice.

Now, it may be that legally he does not have to, but would he take that public mandate and work with it? And that would be my question for Mr. Glancey. I might come back next week and ask him myself. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

(Applause.)

COUNCILWOMAN BLACKWELL: Ms. Berson, we welcome you. Please identify yourself for the record and begin your testimony. And thank you very much.

MS. BERSON: My name is Lenora Berson, and I am the Chairperson of the Legislative Committee of the Center City Residents Association.

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I know you've heard a lot. I won't read what I have. I'll make it short and sweet. We are absolutely behind you for Council Bills 020490 and Council Bills 020491 which roll back the taxes and put it back to where it was. We support you in that.

We also support you in your efforts to do an overall tax assessment. We don't believe in piecemeal. We think now we have to do it right. And we sure have to look at the Board of Revision of Taxes because that's from another century, maybe even another country like England. So thank you very much. Thank you.

COUNCILWOMAN BLACKWELL: Thank you so much.

Terry Gillen, would you come forward. Welcome. And also Mr. Harry Appel, would you come forward please. Thank you very much. Thank you again for your patience, and we welcome you. Please identify yourself for the record and begin your testimony.

MS. GILLEN: I have copies.

COUNCILWOMAN BLACKWELL: Sergeant-at-arms, we have copies, please, to be

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distributed.

MS. GILLEN: My name is Terry Gillen, and I'm testifying on behalf of the Coalition For Fair Taxes.

We are a group of taxpayers and civic associations working to reform the property tax system in Philadelphia.

I organized the coalition this year after I began to get calls from my neighbors about their tax bills this fall. What alarmed me was that many people assumed that the assessment process was corrupt and that I as a Ward Leader could fix their assessments.

When I tried to explain that the system was secretive and incomprehensible but not corrupt, they didn't believe me. A few said they would rather move out of the City than pay the higher tax.

The BRT tells people to go through the appeals process, but I did that two years ago on behalf of my neighbors. We did what they tell you to do. We went as a group with our little local civic association and our City Council representative.

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We brought photographs and made arguments based on water in the basement and drug houses down the block. But after it was all over, almost no one got their assessment reduced by the BRT.

So this year when the whole thing began again, it started to feel like that scene in the Wizard of Oz, the one where they finally get in to see the Wizard, except that the dog notices somebody standing over to the side behind a screen.

The Wizard shouts: Pay no attention to the man behind the curtain. Eventually, of course, they figure out that the man behind the curtain is the real wizard, and what they thought was the wizard was just a distraction.

So my testimony is that the appeal process is just a distraction from the real problem. And the real problem is that the property tax system in Philadelphia is broken and in need of fundamental reform, and that Council and the Mayor need to fix it.

That's what the Coalition Of Fair Taxes is trying to do.

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City residents need four things from the property tax system: Transparency, fairness, certainty, and value.

Transparency means that people understand how the system works and who is in charge.

Right now the BRT is appointed in a secret ballot by the Judges of the Common Pleas Court, who are not accountable to the voters. So voters don't know to whom they can complain because no one takes responsibility for the problem.

If the system isn't transparent, then people don't feel they can have input, and this is a necessary ingredient for democracy.

Fairness means that taxes are based on realistic property values and that all properties are valued at the same assessment levels. In the current system this doesn't happen.

And now that taxpayers can go on line and compare their assessments with their neighbors, everybody knows that it's unfair. This is what makes people believe that the system is

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fixed.

Certainty means that people are entitled to know that their tax bill will not rise beyond a given level in any one year. Many of my neighbors are being hit with an increase for the third year in a row, and some have had their bills doubled and even tripled.

I hope some that some of these taxpayers will tell their stories today because they are entitled to be heard.

And value means that taxpayers are entitled to get their money's worth for their taxes. I have been at four neighborhood meetings recently, and at every one people questioned why the City is spending money on things like stadiums, convention centers, and City Hall staffers who make over $100,000 while working from home.

(Applause.)

MS. GILLEN: If you raise people's taxes, you have to allow them to have input into the spending side of the equation. So we need to have that debate as well.

Until we can achieve these four

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things, we need an immediate moratorium on tax hikes. We understand that this is a complicated problem. That is why we urge Council members and the Mayor to approve the bills that would impose an immediate freeze on the 2003 assessments.

This would allow a tax reform commission and others to take some time to develop realistic solutions, perhaps with help from our legislators in Harrisburg.

Please do not vote for any quick fixes. Do not approve a simple cap, an installment plan, or a deferral and think that you have fixed the problem.

We urge you to be thoughtful and responsible in your approach to this complicated problem. That is why an immediate freeze, combined with broader reform, is the best approach. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you. We thank you for your comments. We do note that even judges come before us, not very often, but at some point they have to come before us.

Thank you, Ms. Gillen.

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Let me note that Councilman W. Wilson Goode, Jr. is here. We welcome him, and he has a question.

COUNCILMAN GOODE: A few questions for the witness.

COUNCILWOMAN BLACKWELL: Thank you. Mr. Goode.

COUNCILMAN GOODE: Good afternoon, Miss Gillen. When was the Coalition For Fair Taxes formed?

MS. GILLEN: When was it formed?

COUNCILMAN GOODE: Yes.

MS. GILLEN: About six weeks ago.

COUNCILMAN GOODE: So it's a responsible organization. It's reacting to...

MS. GILLEN: It's reacting to the latest round of assessments.

COUNCILMAN GOODE: So, it's not a coalition that was formed to deal with the reassessment process before the actual reassessments came out.

MS. GILLEN: That's correct.

COUNCILMAN GOODE: Are you familiar with the bill before City Council establishing a

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Neighborhood Improvement District on Passyunk Avenue?

MS. GILLEN: No.

COUNCILMAN GOODE: That is a bill that actually would raise property tax assessments. Would your coalition be against that?

MS. GILLEN: I don't know. I'd be happy to look at it and give you an answer.

COUNCILMAN GOODE: Are you against raising property tax assessments in parts of the City or in all the City?

MS. GILLEN: No. We're not against raising property assessments at all. What we're trying to do is make sure that it's done in a fair and equal and clear way so that the voters can understand it.

COUNCILMAN GOODE: My understanding of this bill is that it's actually a property tax assessment imposed by legislators that was not necessarily initiated by the business association or residents but by legislators, and I would assume that you would oppose that bill as well.

MR. GLANCEY: Again, I'm not

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familiar with it, Councilman, but I'd be happy to take a look at it and give you an answer.

COUNCILMAN GOODE: Okay. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Councilman DiCicco.

COUNCILMAN DICICCO: Madam Chair, thank you very much.

My question basically is, is Councilman Goode asked a question about the East Passyunk Avenue Business District, which is in my District.

That is the creation of a Special Services District that is basically created by the shopowners, the property owners on that Avenue, not unlike Manayunk and other parts of the City, Center City, that have Special Services Districts.

The folks there have basically made a decision and are asking Council to improve the legislation that will allow them the authority to tax themselves.

And the reason for that is, the taxes that they're paying now and the money that the City is generating in revenues isn't giving them the level of services that they need, so they

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have no other choice but to tax themselves. So that's really a self-imposed tax, if you will.

And this -- and again, it's been generated by the people who own properties there. This is something that -- It's commercial properties. It's not residential properties. And I just don't understand the line of questioning as it relates to the Tax Reform Commission.

COUNCILWOMAN BLACKWELL: Point of information, Councilman Goode.

COUNCILMAN GOODE: Councilman DiCicco, I understand it is your bill. But it is, in fact, a Business Improvement District, not a Business Services District. Does not follow the same model.

And in fact, because of the amendment offered to Business Improvement District, legislation in Harrisburg by Senator Fumo, it can be a legislatively imposed property tax.

COUNCILMAN DICICCO: It is. It's similar to the Special Services District, insofar as it -- the individual property owners as an organization came to City Council and said they

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want to become a Neighborhood Improvement District.

And as a result of that, they will decide on what percentage of increase in real estate taxes they want to pay that will go back to them so that they can have the level of services that they think they're entitled to now and should be entitled to, but we're not giving them the services.

COUNCILMAN GOODE: So the purpose of the increase in tax assessment is provide more services.

COUNCILMAN DICICCO: Correct, for themselves.

COUNCILMAN GOODE: And you would agree that if a majority of whatever population, whatever neighborhood, decided they wanted to vote for higher property tax assessments for more services, that would be appropriate.

COUNCILMAN DICICCO: Yeah, because I think that really goes to the heart of taxation with representation. I think right now what we're having is taxation without representation. And it's forcing some of our commercial districts and other neighborhoods.

(Applause.)

COUNCILMAN DICICCO: To go out and create these districts. And I just don't understand why that question would be imposed to Miss Gillen, because she has no ability or information.

This is a little piece of a very big City of a business community commercial corridor, if you will, that's deciding that they want to have a district so they can raise additional revenues to do the things that they think are appropriate for their salvation.

COUNCILMAN GOODE: They decided to raise their own property tax assessments for better services. And I think that's completely appropriate to ask a witness who has formed a coalition in response to property taxes.

COUNCILMAN DICICCO: But she has no control over whether or not they -- I think you asked her the question would she be in favor of that. Whether she's in favor of that or not, she really has no authority.

COUNCILMAN GOODE: I was also asking

if she's familiar with the legislation. Thank you, Councilman DiCicco. Thank you, Miss Gillen.

COUNCILWOMAN BLACKWELL: Thank you.

(court reporter change.)

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(Reported by Lisa C. Bradley, RPR)

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COUNCILWOMAN BLACKWELL: Identify yourself for the record and begin.

MR. APPEL: My name is Harry Appel. I sent a letter to my Councilman and he asked that I read it to the general Council.

Many moons ago, as I recall, this City with State and Federal aid instituted a plan to revitalize the historic area called Society Hill from a near-slum condition. Today, this area has been a community for which the entire nation can be proud. Those of us who in the 1960s purchased these dilapidated houses, as we call them shells then, were given several promises: Low cost loans, real estate taxes kept low with small increments In the future -- we didn't get a 10-year tax abatement for those who are doing it today -- and off-street parking, something which never occurred on our block. We, in turn, were to start rehabbing within two years. Many poured mucho money into their houses. At the time, I put in mostly sweat equity. It took me over 25 years to build this, all principally with my own hands.

I believe I speak for many when I say that we did not expect to profit from our enterprise any more than any other homeowner anywhere.

We opted to be near our jobs and businesses and to be able to walk to cultural activities and restaurants. Like many others, our kids have flown the coop and this house was a major portion of our retirement plan.

We did not abandon the City and move to the burbs. But suddenly, those in the burbs want to get away from the clogged traffic and partake of the wonders of Center City living. We are the pioneers. We put this area on the map. Many of us who started the process of restoration are now in the over-the-hill gang, 65 and over. Many have recently seen the pension funds greatly deleted and we are very reluctant to make any major housing moves.

Those individuals who have recently moved into the area should have known full well that they were paying inflated values and would be reassessed on current market values. Don't punish us who started it all and wish only to maintain the status quo for the time that we have left.

In my own case, our taxes were increased in 2001 by 20 percent for 2002. Now they want another 100 percent on top of that. That's 120 percent in two years. I've been told that no area in the nation, past or present, has ever raised taxes so steeply.

Thank you for the opportunity to read my letter.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Ann Rubin, President of Greater Philadelphia Association of Realtors; Ed Schwartz, Institute of Civic Values.

Thank you very much. We thank you for your patience. Please identify yourself and begin your testimony.

MS. RUBIN: Good afternoon. I'm Ann Rubin. I'm the President of the Greater Philadelphia Association of Realtors. And I took the time out of my day to come down and speak to you. I know that you have a position paper from our association, but I think that there are a couple of really practical points that need to be said and made right now.

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I guess you and I will have a conversation.

COUNCILWOMAN BLACKWELL: I'm sorry. I'm checking my witness list trying to move people forward.

MS. RUBIN: That's okay. Besides being the President of the Association of Realtors, I'm a broker-owner of a company that has offices in the five counties, so I have experience with selling homes and appraising homes in a five-county area.

Montgomery county did a county-wide reassessment about six years ago, and there was a very clear process. There was a lot of notification to the residents ahead of time that this was going to happen. It was dealt with in a much slower and organized and, shall I say, accurate and professional manner than the way City of Philadelphia has done this.

There appears to be no real accountability and system in the way the houses in Philadelphia are reassessed. I agree that our assessments are not, in many cases, up to where they should be. But to, out of left field, decide to reassess the properties and throw a large, I'm saying large, tax burden like I haven't seen anywhere else on the residents is unreasonable. It's very nice that Mayor Street wishes to allow a monthly payment plan. People that are paying mortgages have their money taken out and put into escrow. They don't have that option. Mortgage companies are going to see these discrepancies, they're going to require a lot of up-front money in their escrow balances.

I think the whole assessment and taxation process needs to be visited, a whole new plan, such as possibly a land value tax will eliminate a lot of the issues that you're confronted with now. But how it was done, what is being done to the residents, has only a negative impact on everybody except possibly the budget. But ultimately the budget will be affected by the response of the homeowners in the City. So I am in agreement that what has been put out there should be stopped, and instead, the efforts, energies, and dollars of the City government should be to do a valid reassessment of the City in a way different than what they're doing now.

(Applause.)

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COUNCILWOMAN BLACKWELL: Thank you very much, Ms. Rubin. Thank you for coming.

Mr. Ed Schwartz, would identify yourself for the record and begin your testimony. Thank you for your patience.

MR. SCHWARTZ: My name is Ed Schwartz. I'm from the Institute for the Study of Civic Values. I served here for four years, housing director for four years. But as I will bring out in the course of my remarks, the very first issue that I tackled as an activist in Philadelphia for three years, full time, was this set of issues, back in the early 1970s. The first group that I organized here was the called the Tea Party. And so I've been through this issue in a lot of different ways. And you'll excuse me if "I've heard this song before," I have very specific recommendations based on 30 years dealing with this issue and based on seeing what's happened each time it's comes up, so far I don't have a lot of confidence that some of the basic things are going to happen.

My first point goes to something like, you can't say you didn't warn you. What I find astonishing is not that these residents didn't know what was happening because, I agree, this was not publicized well for them, not at all. I agree with that. But last spring when you guys were debated the wage tax, I walked in here with testimony that I bring called The Campaign to Raise Real Estate Assessments. And you sat here and you listened to David Thornberg waving around posters and graphs showing how our properties in Philadelphia were undervalued. And then when I tried to bring in the evidence of the supply side effect, you were all arguing, well, we're going to have a supply side effect and it was going to make up for all these loss revenues. I read you the section from the report that justified it which said the following: "It turns that nearly one-half of the increased projected revenue increase will come from rising real estate assessments."

And the person who wrote that then went on to say he thought this would be untenable.

In April 15th after all of this, because I was pretty angry about what was unfolding here, I did something for my e-mail list. This I wrote in April:

Question: Can we anticipate how much

wage tax cuts will affect property tax assessments? Because, after all, we've had cuts, we've had billions of dollars in Center City.

Answer: The Economy League study does. It predicts that for every 2 percent cut in the wage tax there will be a roughly a 3 percent increase in real estate assessments. This is precisely what happened over the last five years.

Question: Based on this formula, what is likely to happen to real estate assessments over the next five years.

Answer: Since the bill that City Council is about to pass will cut the wage tax 4 percent over the next five years, expect at least a 6 percent increase in real estate assessments during that period.

Could the assessment increases be greater than this?

Answer: In many areas of the City they are bound to be higher. The Board of Revision of Taxes reports on its website that roughly 187,000 of the City's 450,000 properties are now undervalued by the board. And all of these will have to be reassessed.

Well, I said this, and you can argue that maybe a more limited form, but this is what the City Controller Jonathan Saidel said in his tax structure report at the same time. This spring, he says, "This fall as part of its ongoing effort to properly value the City's real property, the Board of Revision of Taxes will notify owners of approximately 190,000 properties, about 40 percent of the total number of residential properties that increased property taxes has increased the assessed value of their homes and increased their tax bills. This reassessment will lessen his problem" -- I want you to listen to the language here -- "lessen the problem of a general undervaluing of the City properties, but more work remains to ensure that the City is properly assessing real estate and guaranteeing that owners of similar properties pay similar taxes."

I have included as appendices to this testimony four pages from the tax structure report that goes through systematically the undervaluing of City properties that the Controller was charging. 80 percent undervalued where you live in Center City if that's where you are. So that you are astonished to this is equivalent to that great scene in Casablanca where the inspector comes in and says that he's shocked there's gambling going on here. Because this has been on the public agenda. And I don't expect these residents to do know this stuff because it's hard. But that's what you're paid the big bucks to do.

On the one hand, to sit here and look at me straight in the face for two hours while I testified, or an hour, whatever it was, at 6 o'clock because you were listening about the real assessments, and to express astonishment that this could happen now and to blame the Mayor when the Controller was urging that, in fact, the Board do exactly what it did. I think that the more complicated a system is, the more obligation you have as people in public life to help them understand what the hell is really going on and not misrepresent it so we can get at the real answers.

And what has happened on all of these tax issues, and I say having been here and lived with them, has left these folks hopelessly confused and misinformed about what the real problems are and what the real remedies have to be or can be.

I want to go to remedies. First, one part you're not going to like -- well, some of you will like. I will start with the a premise of immediate appeals. Now, over the last three weeks, what I've done is to go around the City, my computer, since every single assessment is on-line now. And I will start by saying that we were reassessed in Mount Airy, my property was, I will be paying $200 more in taxes. I will not appeal it because, frankly, given what's happened to the real estate market in my neighborhood, in the last 18 months -- Councilman Nutter says here earlier, well, these are evenly distributed. I don't know what's going on in Wynnefield, but in my neighborhood, a house that went up two summers ago on the market for $175,000, we bid on it for $205,000. We were the fourth lowest bid. It went for sale for $225,000. And now the same kind of houses are going for $275,000. That's all happened in the last 18 months because Germantown Avenue is a better place now where I live, and so our real estate market is suddenly skyrocketing, as it is for obvious reasons in Center City and Society Hill and whatever. But that's not happening all over the City. So what

I've done -- and I've given the raw data. Your staff can do it. The University of Pennsylvania has a neighborhood information system and that system has sales prices from 1995 and sales prices in the year 2000 and the percentage difference. I've listed them all here. What I've been doing is going through a few day, just checking out areas of town to see how the assessments that just unfolded relate to these sale prices. And, frankly, in only one ward did I find significant malalignment, and that was one of the poorest in the City, the 19th Ward and Norris Square. I don't know if that's part of your district, whether you go to the 19th, Councilman. 18th I know you have a little bit. And the reason that's malaligned is in that area, which I've worked in the last four years very intensively, a lot of Latino families would go to Puerto Rico for the winter, sell their house to somebody for a buck, and then come back and buy it back for a buck. So you see a census right there where the average sales price is $500. That's ridiculous. Now you put some CDCs doing new houses for 14,000 or 20,000 or 40,000, and suddenly people are facing assessment increases that do not reflect the real average. And

I've conveyed this to some people on the Board.

Now, in Center City, you have the different part of why the real estate is such a horrendous tax. There are people on Spruce Street -- and I'm in the Inquirer today discussing that because Spruce Street blew my mind. We're going to pay 1000 to $6,000 increases in taxes next year because somebody down the block in the last 18 months that everybody's been talking about sold a house for $375,000.

Now, what I would do in terms of appeals, and I've won a lot of them, is in this environment I would go in and argue two things. One is that a lot of the new houses that have been built have been skyrocketing have conditions in them that do not apply to the older houses. Like some of them have garages, et cetera. Any of you who has a house or property or on your block that is different from what you know to be sold, that is a compelling argument to the Board and you should be making that.

The second argument that I will make publicly is that we are in the midst of a real estate bubble, that all of this in the last two or three years, all of this in Center City, all these incentives and the heyday of the real estate revival has jacked these priced up way high. I'm not sure they can be sustained. And the Board has certainly shown a willingness over the years to wait to see what a housing market would be.

And so the worst problems exist are where you guys -- I'm assuming you're from these areas, and you need relief. This is utterly outrageous and ridiculous. But the way you get it is to go in and argue that the Board, in fact, has taken on a real estate market that's part of a bubble.

I have to tell you, I'm not appealing my assessment in Mount Airy. I think it's a reasonable assessment. I don't like to pay $200, but I'll give you this in terms of the wage tax. I'll give you in terms of the wage tax. See, I make more than enough, so we have gained 5 percent saving in the wage tax over the last five years from 4.9 to 4.5 so I'm still ahead if we're looking at that as a savings. But if you earned $60,000 a year or lower and you're living in my neighborhood, that real estate assessment has just wiped out those savings. So trying to deal with one part of the system and then another part without looking at the whole system is what gets us in a lot of trouble. So the first thing is an appeal.

The second thing which I do not favor is across-the-board freeze on all of these assessments. And I don't favor it for one simple reason: It will cost the School District $8 million. Now, the newspapers reported that the School District was going to get $35 million from this, so I cross-checked it. The reporter -- I don't even know who it was, was including the millage transfer whatever, but I checked with two or three different places, and my judgment is that if you freeze it, $8 million. But I'll give you another thing which has room to maneuver. Both the School District and the City are projecting a 3 percent increase in revenue as a result of assessment increases. It is my understanding that if every one of these assessments were to go through, that would be a 4 percent increase. So it seems to me you've got 1 percent, in other words, a quarter of this, to fiddle around with in some meaningful way and still meet the revenue projections.

I want to tell you, though, you know,

taxes and spending, the hardest vote -- one of the two or three votes I made in this Council related to this issue. The School Board wanted an increase in the real estate tax. And it was responsible. They were saying it was going to be a deficit two years down the road and they wanted to have a lower real estate tax to even out what the increase would be. The problem was we were in the middle, at that point, of the Tax Assessment Equalization Program which was very much what we're going to end up here. That is, we've slowed down the increase. But it wasn't that slow. And those were the days when Roxborough-Manayunk was the hot neighborhood. So all those people were facing what these folks in Center City are facing now. And I put spreadsheets out and I took a look at what was happening in Roxborough-Manayunk, and I decided that if we were to add a real estate increase on top of this assessment increase, it would be like what happened here, throwing kerosine on a fire. So I announced my opposition to the increase and I killed it. And for five or six years after that, the leadership of that School Board wouldn't talk to me because I had taken the money away from them. It's a tough call.

And I'm not sure I was right even at that time. But I damn well know that you cannot deal with these tax issues without looking at the spending consequences. And I think a message that gets sent the very year that we hired a new CEO and we have this new school partnership and we've just extracted $75 million more out of the legislature, now we're going to turn around, and every county in this state is facing real estate assessment increases. And what we have Philadelphia, we take $8 million away from the School District; no. I think we need to solve the problem for people who are really getting it hit hard, and there are ways of doing that that, in fact, you can do as part of a deal, because all of it is going to be extra-legal. None of this is going to be legal. And I'll say something about that as I close. It's all going to be against the State Constitution. So you make a deal and you make it work for these folks. And then we work out how to move forward.

Now, as far as dealing with the system in Philadelphia -- you know, Jonathan Saidel and I have not exactly been dancing partners. We've had some pretty visible fights. But when he came out with a proposal for the land tax, I came here last spring and testified for it, said you've got to look into this. And part of it is when I was in the Mayor's side of the government, our Finance Director wanted to propose a real estate tax increase and base it on a land tax. She came to Council with it, was too vast to deal with it, Council didn't deal with it and we never heard of it. And then Jonathan came out with it in his report, and there are a few other people around town I respect who've been saying, we've got to look at this.

So now he came out with his report. You have to look at his recommendations as a two-sided coin. On the one hand he was urging assessment increases, on the other hand he was urging a land tax that would ease the burden on the real estate property owners who just live in their houses and put more of the burden on the people who are sitting on vacant or underdeveloped property. Now, I don't know how much we might generate from that and how much of a redistribution we can make, which is precisely why if we're going to really deal with the system we need, in fact, to take a really careful look at it and run the numbers. And I've been in conversations, not only with his staff, but with David Glancey. There's a lot of discussion over the summer about how you even develop a database to determine what the land values of Philadelphia properties are.

I was pleased -- I got a letter from Jonathan Saidel yesterday. I was pleased to learn that Councilwoman Blackwell and some of you have introduced, again, a bill to look at the land tax. I think now is the time -- you know, it's fine to get us all to come back and testify. You've got to get the experts down here and really start running these numbers because, I mean, there's a point at which I don't know what to make of it. But I think we need to know what to make of it because that is at least one thing that you can do within the Constitution that show some promise of saving.

Now, the final point I want to make is that fair taxes are unconstitutional in Pennsylvania. Unconstitutional. Fair taxes are taxes that are levied in accordance with people's ability to pay. We understand that in relation to federal tax. Higher income people pay a higher tax rate than lower income people. That's unconstitutional in Pennsylvania. Now, I learned that 30 years ago when I was doing the Tea Party.

Some of you may remember that I walked to Harrisburg as a housing director on behalf of housing. That was the second time I walked to Harrisburg. The first time was back in 1975. I walked to Harrisburg with a couple of people with petitions for graduated income tax. Needless to say, we did not exactly get met with a throng of enthusiastic legislatures just waiting to vote our way. And 30 years later, not much has happened. But one thing has happened. And, frankly, it is Senator Fumo who is responsible for it. It is Senator Fumo, I believe, who managed to get the State Constitution amendment to permit the program for older residents of Philadelphia and in the Commonwealth to avoid these horrendous kind of assessment increases that they would have to pay. So that showed it could be done if somebody single-mindedly decided to do it. I have already now talked to two or three legislatures about this since all of this began, one as recently as Sunday night, because all of this stuff about real estate tax reform, the only way we are going to be able to get flexibility in this system is to at least allow localities to do some of the things that you want done, which is to be able to say if you're earning this amount, you should be able to get a lower tax rate than that amount. That's the only way we're going to be able to do any of this. If we were to get this session of the legislature to vote for that, we have the political something to do that, then with the new Governor you could have the next section of the legislature to do it the next time, and that freedom would be ours starting right next year. I don't pretend that's easy. But I do say, having looked at this for 30 years and having lived with one inequitable period -- and this happens all the time. Councilman Nutter asked the staff person about, you know, what did the guy say from staff as to what was wrong with our system. What he said was that we have a valuation of 70 percent instead of a hundred percent. Okay. That means when I look at my real estate form, it works out pretty nicely. They have a dollar amount they think my house is worth, but I automatically in my head -- I know how to do arithmetic in my head -- I add 30 percent and that's right. That makes it that much more complicated for everybody how to figure out what's going on. Now you have to do two calculations and then figure out 30 percent of that and then figure out .8.5 there will be graduate degree program for people to figure out reassessment program. And that by itself makes it unfair.

But let's say we raised it to 100 percent and let's say that everybody cinchonized this agreement. So now in fact we have all properties valued at 100 percent and the property tax rate was lowered by 30 percent so we start base even. Does anybody seriously believe that three years down the road if the property values in Mount Airy and in Center City and various part of South Philadelphia and some part of your district skyrocketed and there had reassessments under this system, under this inflexible, can't-tax-people-at-different-rate system, that the same crowd of people wouldn't be in this room screaming bloody murder? I love this guy saying that we're alone. Why do we have all these real estate revolts in the suburbs? It's over this. Why did Proposition 13 happen in California? It was over this. It's all the property owners sitting in their homes and the property values are going sky high and they can't afford it.

I was flown out to San Mateo County by a group just this past year where the property values have gone to $600,000 a house. It's the highest real estate price in the country and they're trying to figure out what to do with that.

No, this is an inherently unfair tax. It is riddled with inequity. It is not based on people's income. It is not based on people's ability to pay. It imposes taxes on people who sit in their homes and they want a home, not a home as some kind of mutual fund. And then suddenly they have to pay the price of a development program down the street that has suddenly said that if they sold their property or took a home equity loan, they're going to get a fair deal. What the hell is fair about that? Nothing.

But if you'll pardon my expression about being a little bit cynical here, this has been raised again and again. And I'm very hopeful that this energy of this group can perhaps get something going that's meaningful. But unless we get the State Constitution changed, your efforts to get into court will deal, I think, a political deal and that might be some good. But I have not seen a formulation of anything here that wouldn't be in violation, as I understand -- I'm always open to persuasion -- but of the Uniformity Clause.

COUNCILWOMAN BLACKWELL: Thank you. Mr. Schwartz, would you entertain a question? We have Councilman DiCicco.

MR. SCHWARTZ: Sure. Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Collen Puckett and Walter Lowthian, Queen Village.

Is Malcolm Lazen, Society Hill Civic Association here? Judy Applebaum. Sandra Rosenfeld. You're next.

Thank you for your patience. Please identify yourself for the record and begin.

MS. PUCKETT: Good afternoon. My name is Colleen Puckett and I'm President of the Queen Village Neighbors Association. My husband and I bought our first home in Queen Village in 1986. We fell in love with the neighborhood and four years ago bought a larger home two blocks away in which to raise our two sons.

Queen Village is a tightly-knit, middle to upper middle class community of long-time residents, young professionals, and families with children. In other words, just the type of residential mix the City says it needs to attract and keep if it hopes to survive. So what does the City do to show us it cares? It slams us with outrageous property tax hikes based on reassessed values that most of us will not benefit from until we sell our homes, if then. But make no mistake, the City is not the only one to assess values. All of us who choose to live in the City constantly reassess the value of a living here versus living somewhere else. We are the ones who compute the cost/benefit ratio of private school education versus free high quality suburban public schools. We are the ones who engage in the game of figuring out how much money right off the top we would save in reduced car insurance, wage taxes, off-street parking, and all the expenses that come with living in Philadelphia simply by driving across the bridge. And that's not even getting into the quality of life

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issues and like of decent City services. Is it really worth $20,000 a year to me to be able to say I can walk to the Ritz Five? How many times can you go back to the well before the well runs dry?

More than anytime in my 10 years of serving my community, I'm hearing talk from many, many neighbors that this could break them and force them to move out. All of us want to do our fair share, but before we shoulder our burden, we need to know that we will not get bushwhacked every year. We need to know that the taxes are computed fairly and consistently applied. We need to know that someone is accountable to us, the taxpayers. And we need to know that a return for paying the highest taxes in the country we will get quality City services.

Queen Village Neighbors Association fully supports Council bills 490 and 491, which would base property taxes on last year's assessments. We fully support public discussions around tax reform and would encourage those discussions to include a full airing of City Controller Jonathan Saidel land tax proposal. We support Terry Gillen's four pronged approach to tax reform and Councilman Michael Nutter's proposed charter change amendment to create a Tax Reform Commission. We applaud all of Council for having the courage to tackle this complicated issue. And I'd like to extend my personal thanks to my 1st District Councilman Frank DiCicco on leading the charge. He truly cares for and understands neighborhoods.

Now I'd like to turn it over to my neighbor Walt Lowthian who is going to describe for us how inconsistently the Board of Revision of Taxes applies its own regulations using real life examples from our neighborhood.

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Lowthian, identify yourself for the record. Thank you for your patience, sir.

(Applause.)

MR. LOWTHIAN: My name is Walt Lowthian. I live at 427 Catherine Street. I'm a professional engineer in process engineering, having had a 35-year career. I'm life-long liberal Democrat. Raised in northern Delaware. Returned to Philadelphia four years ago with my wife. Moved to Queen Village in August of 2001.

The thrust of my testimony is not aimed at a reduction of property taxes, per se. Instead, it's intended to demonstrate that the BRT, the Board, does not follow its stated policy in what, as I understand it, is state law. In that, the law requires annual review and revision indicated of market values and use of comparable sales to estimate market value revisions for all the houses in the neighborhood. The consequence of the Board not following -- and the testimony below will get into specifics of that, there's the consequence of chaos of market values and resulting property taxes. The resulting unfair distribution of taxes among close neighbors. And separately, the apparent higher taxation of smaller properties based on the building area.

What I have done is look at my block, the 400 block of Catherine Street. Something about the block: 25 row homes, one of which is just completed, a new one, has been deleted from the data. The rest are 70 to, say, 170 years old. Half the side of the south side of the street is a small park. There was a substantial housing turnover in the past four years. Of the 24 homes, there's been

15 sales since January of '98.

First, my personal experience, my journey here today started, as you might expect, with a steep rise in our taxes. However, it is what I discovered digging into our specific case that is important. I will use my house as an example to start, but only to illustrate.

We bought our house -- and I see a typo. It says "out house." Oh, well. It's not taxed like an outhouse. We bought our house in August 2001 with a tax rate of $1,428. Low, I thought at the time; I was right. Proposed 2003 taxes are more than triple to 4435. That's entirely based on the market value increase.

From what I can determine, the house was completely rehabbed in 1974, a back deck added around 1994 and some replacement windows in that time period. To get the house ready for market, the previous owners painted, replaced an oven and a range, did some cosmetic fix-ups of a bathroom. Yet the BRT decided the market value catapulted from 54,000 to 167,700 in one year. If the BRT had been doing its annual duty effectively, the market value and consequent taxes when we bought would have been much higher, perhaps affecting our decision to buy. One of those two market values, the earlier or the one we have now, at least is wrong. Either it was too low previously, and I emphasis this, and the City was not getting its fair share, or it's too high now and we're facing an unfair tax. Actually, I'm betting that both numbers are bad numbers.

After reading some Inquirer articles that began to unravel the confusion of BRT terminology and procedures, I eventually found my way to the phila.gov website and the BRT postings for properties. I looked at all the properties on my block to get some idea where I stood. I was appalled, not so much of the fact that we clearly won the market value lottery, but at the extreme apparently irrational variation of the market values from property to property.

I called the BRT phone number for the property evaluator assigned to us. Nice fellow, patient with my questions, despite my confused repeats. But he said some things that in retrospect struck me as, well, different from the procedures BRT said it used. I asked him how he knows to reevaluate a property. He said mainly construction permits and sales, particularly high sales like mine. And I want to say that the house cost was $340,000, a bit over 200 per square foot which was more or less the going rate at Queen Village at that time. He then told me the evaluation could have been higher. He had my curiosity. Yes, if our house were classified as a new rehab, it would have been about 211,000, not the 167,7 for the old rehab. Old, new, what was that about? How did he know it was a rehab? The price? Again, it kind of stopped me. How did he arrive at the market value, I asked. By applying a percentage times the sales price of the house. I asked for a list of property types or conditions which were in the related percentage, but he said it got complicated.

Well, it sure was complicated to me. On one hand, the BRT statements concerning the so-called equalization process; on the other hand, the property evaluator talking about event triggers for specific properties. The BRT says it uses property values to determine neighborhood values to apply to other houses. He tells me my taxes are, with some figuring, based on my purchase price. And I seem to have read in the Inquirer that the house's sales price cannot be used as a determination of the market value. Several neighborhood properties around my house should be used for that.

This term "market value," by now I know there's a world of world of difference between the market value of a property in real estate terms and what I now call the BRT market value. The BRT quotes the Supreme State Court defining market value as the price in a competitive market a purchaser willing, but not obliged, to buy would pay an owner willing, but not obliged, to sell. In other words, real estate market value. Yet the data for our block shows a much different story. While properties are selling in a $200 per square foot range, the BRT market value on our block averages around $70. Another block, 200 Fitzwater which I looked at yield similar results. Yet most people in making their appeal will probably consider market value as being the real estate value. Instead, it's best to look at the BRT market values for neighbors to get an idea of what the BRT is saying market value is in the neighborhood.

Now, I'll turn to the data that is in the handout, and there's a number of figures. And

I'll, for the audience, try to describe a little bit since they don't have copies. The Figure 1 is a graph of the real estate taxes per square foot for all of the houses in the block. And I think the best way to describe that is a shotgun pattern. The proposed taxes range from 79 cents per square foot to $2.91 per square foot. Theoretically, this can be due to property conditions, but a short look at Catherine Street will convince you otherwise. One of the properties, for example, 840 square feet, was an utter shell with a tax rate of 1.64 per square foot. Higher than all the properties of all of the houses in the 2,000 square foot range at the right side of the chart.

The next figure is basically the same chart but with an average tax line inserted. And that line was calculated by the computer program for the data so it's automatic, no monkeying around on my part. The thing I'd like to emphasize with this is that the smaller properties are being taxed more heavily than the larger properties. For example, 1,000 square foot house on the average taxed at $2.21 per square foot with a range $1.62 to $2.91. The average for a 200 square foot house is $1.50 per square foot with a range of $.79 to $1.59.

The Figure 3 shows the BRT market values as they've increased over the past three years. I think in looking at it you'll see that there's not a steady rise in all the different properties. It's rather helter-skelter. Over the two-year period there's an average of a 31 percent rise in our block. Seven houses had 0 percent increase; 9 houses, between 1 than 20 percent; and then one each 52 percent, 69 percent, 88 percent, 94 percent, 105 percent, 186 percent, and 211 percent. Strangely, four of the properties have reached an identical tax rate of $2.91 per square foot. Looking at that data, one has to say, is there's some other criteria behind the scenes if we're coming to the exact penny. The increases for 2003 are basically a similar pattern.

Figure 4 shows the Figure 3 data in another way. So that pictorially you can see the variety of increases over time.

Queen Village marketplace has had numerous sales, as I pointed out, over the past three to four years. In that time period, in the time period indicated by BRT as being the current revision, that is, November '98 to 2001, there were six sales on our block, plenty of information to provide to make informed estimates of the market values. Yet, in each year, only half of the houses were revised. In the two-year period, seven had no increase, and five had two increases.

The final figure is real estate taxes for 2001 through 2003. These taxes are directly proportional to the market values. That's how the taxes are going up. I would point out on the right-hand side there are four columns that are about 2.91 for the proposed taxed this year. And I would ask anyone to look at that and justify why those properties had tax increases on top of already high taxes. That's an illustration of the lack of rationale that this data presents. In comparison, the most right-hand column, the property 436 address, is about half that amount, about $1.50 per square foot. Yet, that house was rehabbed and is basically same size as its neighbors.

Two others, I would note, No. 428 and No. 430, at the time, these were shells. 428 as a shell sold for $105,000 last year which is more than my step-daughter and her husband paid for a complete rehab, about the same size, near Porter and Broad. 428 since sold for $309,000. The price per square foot rising above $300.

Summary and conclusions to the data. Given recent real estate market, there's no way that every single property in our block should not have been increased incrementally for 2002 and 2003. If the Board followed its policy, all those properties had to go up.

The BRT revision, it's called Equalization 2003, does not work as the Board publicizes, does not appear to meet state law, does not equalize in an equitable manner, and saddles some individuals with unreasonable taxes.

Capping the tax increase at, say, 10 percent or even freezing it does nothing to fix the basic problem. Even without increases for 2003, the tax rates are widely variable and therefore unfair.

Likewise, making market value increase a revenue neutral event does nothing to correct the inequities of the current tax base or the increase for properties.

Allowing installments to pay for the tax increase indicates that the basic problem is simply not understood. There are many large increases which are just unjustified.

Now, I could, in closing, turn to some thoughts and opinions that I have after this mathematical exercise. I'd like to pose a couple questions for lawyers:

If the Board does not systematically review or does not review taxes annually, does it have the right to catch up when it just gets around to it?

If the Board systematically does not review all properties in the neighborhood, does it have the right to target individual properties? That is, does an increase of a few houses have any legitimacy when, in fact, all houses should have been increased?

If the Board is not operating to law, what are the remedies?

Next, many people are concerned that a specific condition of their property will unfairly tax them. I almost wish this were true. But that level of accuracy in the estimation is absolutely lost in the chaos of the current market values. The system is so badly broken, in my opinion, that it will be sometime before we can enjoy arguing over details.

Regarding the Board's work, about three years I spent nearly a year investigating putting an Ace Hardware store on South Street across from the new Fresh Fields. The demographics persuaded me that the southeast quadrant of Center City, that is, Society Hill, Queen Village, Bell Vista, Washington Square West, was the right place. My partner and I walked essentially every street, color coding, blue, green, yellow, orange and pink for economic health, from posh to bombed out. In a few weeks we got to know 150 to 200 blocks reasonably well. Neighborhoods and micro-neighborhoods can be identified and rated. And as an aside, unfortunately, that venture didn't come to past.

Last year I went house hunting and we bought in Queen Village. I didn't have a clue about house values at first in Philadelphia, but a spreadsheet of several hundred homes overlaid on my Ace neighborhood investigation worked pretty well. I was confident about what were high prices and what were bargains. What I'm saying is comparable properties in neighborhoods can be established.

So I'm not pleased to hear the Board having only 40 or so people do revisions for 485,000 properties. At, say, 75 properties per block, that's about 160 blocks per evaluator, maybe 200 blocks. Given a year's time, a good neighborhood knowledge, and up-to-date sales figures can be gathered. Used in an effective computer model, this should provide timely, equity revisions with some time left over to actually go out and look at properties that are being appealed.

The current process of dinging the daylights out of a few people will drive those people out. Then there will be another round and another. Did someone design the equalization process to drive folks from the City?

I look at my house. Clearly under-taxed for quite a few past years. Lucky previous owners; poor City. I wonder how much legitimate revenue is lost to the City while at the same time we're driving people away from high taxes.

(Applause.)

MR. LOWTHIAN: People I talk to expect to pay their fair share and they want to believe that the City cares enough to take care of their money. Their money. Both in collecting and spending. When that belief falters, and it is, I believe, people leave, at least those that can afford to.

There's lots of talk about the real estate boom in Center City. Think about why there is a boom. People are moving in. They want to be here. They want to raise their kids here. They want to work here. They want to enjoy here. They want to spend their early retirement years here. Look at the people. That's the boom. Don't drive them away. They're making this City become a new City. Keep them here. Draw them here.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman DiCicco.

COUNCILMAN DICICCO: Mr. Lowthian, I just want to thank you. You have probably supplied me and the rest of my colleagues with more information on the process than we have been able to get in the last several weeks.

There are 49 evaluators; I think you just qualified No. 50, and we'll see about compensating you.

(Laughter.)

COUNCILMAN DICICCO: This information is extremely helpful. We will be using this in our discussions in the hearings next week with the BRT. You have really helped us -- I mean that sincerely -- with some of the questions that we need answers to. I just wanted to take this opportunity to thank you.

I just have one brief question. Early in your testimony, you testified that when you spoke with your evaluator, your evaluator said that one of the ways in which they reevaluated your property, he said mainly by construction permits and sales? I have a problem with construction permits because we did a bill in 1997 that says if you take out a building permit and you make improvements to your property, we will no longer be penalize you for that. So that's certainly something that will be of value next week, because if that's what they're doing, they're certainly going against the law that we passed back in 1997 to encourage reinvestment in neighborhoods. Not being an attorney, but I think that would help us in our lawsuit if we get to that about the non-uniformity of the way this whole process is being done. So thank you again. It was long, but it was very worth the effort. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much. Sandra Rosenfeld. And also Judy Applebaum, Washington Square West Civic Association.

Next, Jonathan Goldstein, are you here?

(No response.)

COUNCILWOMAN BLACKWELL: I assume not.

Goldia Myles, are you here?

(No response.)

COUNCILWOMAN BLACKWELL: I assume not.

Julie Welker, is Julie still here?

(No response.)

COUNCILWOMAN BLACKWELL: Julie is gone.

William Whiting, resident, Washington West. William Whiting, you will be next.

Thank you for your patience. Please identify yourself for the record and begin.

MS. ROSENFELD: My name is Sandy Rosenfeld and I live in Center City. I'd first like to thank City Council and the former speakers today for their voices of sanity, reason, and intelligence. I've been to several meetings, and it's not until today that I am feeling somewhat enlightened by being surrounding by sanity. So thank you.

COUNCILWOMAN BLACKWELL: Thank you.

MS. ROSENFELD: And I also think it's quite gratuitous that I'm following two speakers from Queen Village because what I want to say -- and I'll just be two minutes. Most of us remember what happened in the '70s. I lived in a shabby little place in Society Hill that hadn't been yet become Society Hill. And several blocks away from me was what was beginning to be called Queen Village and the developers were coming in and some yuppies were coming into move. And the people in Queen Village were very upset. Why were they upset; people were coming in and making improvements in the neighborhood. Well, they were upset because they feared that the real estate taxes would go up. I thought it was rather irrational on their part. Well, it wasn't irrational, it was very real. And many, many people who had lived in houses for 40 years were literally taxed out of their own neighborhoods. They didn't even have installment plans then. And if they had had installment plans, it would not have helped.

I don't think we can let that happen again. Many seniors, many retired people are living on fixed incomes. They may not have incomes of $17,000, but if they have incomes of $25,000 they're not eligible for the Pace Program, but they still can't pay these astonishingly high tax rates.

I'm compassionate for all people who have received high rates, but I think something has to be done. We can't have another Queen Village. We can't have another 40-year residents being taxed out of their own homes. Having a home is an American dream, it should not become nightmare. And that's what happening. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Is there anyone else here from Washington Square West?

Ms. Applebaum.

MS. APPLEBAUM: I'm Judith Applebaum and I'm the President of the Washington Square West Civic Association. I'm here today representing property owners and the tenants living in Washington Square West. Others are speaking to you about neighborhood percentage, increase in equities, and I'll present the examples of the inequities even within a given block. While similar examples do exist in Wash West, I would like to address the problem from a different perspective.

Who are we in Washington Square West? We are teachers and students, lawyers and accountants, small business owners, architects, stay-at-home moms and dads, office and government workers, service industry employees, retired persons, old and young, gay and straight. We are the ones who pay our wage in school taxes. We clean our streets, maintain our homes, plant community gardens, call the police for help when we see something not right in our neighborhoods. And we work hard with our neighborhood schools to make them the best so our children can excel and we can use the public school of Philadelphia. We shop at local stores to help support the small businesses in our neighborhood. We are the ones who stop and help the lost tourist -- and tourism is a big important industry in Philadelphia -- and who take time to volunteer for the community organizations. Are we the people you want to force out of Philadelphia by making it economically impossible for us to stay? Let me elaborate.

Most of us purchased our homes using the tried and true economic formula that we were all brought up on, you spend one-fourth to one-third of your monthly income on housing. Well, to homeowners in Wash West and to the tenants that means the cost includes the principal, the interest, our insurance, and the taxes. We carefully selected homes that we could afford, given that formula. Now, none of us were so naive to believe that our taxes would never go up. However, we believed that they would rise incrementally and reasonably at a rate that roughly corresponded to the rises in our incomes and the property tax hike would also rise in that reasonable rate, perhaps tied even to a cost of living increase. Older adults in the neighborhood planned their retirement incomes with the same expectations in mind, and up to a few weeks ago our expectations were correct. Then the envelope arrived.

Allow me to use my husband and myself to illustrate. And by the way, I never received my envelope, but everybody else on my block did, so I being a responsible citizen called the Tax Department. Well, first of all, they couldn't find me because someone in the department four years ago when I bought my house failed to change the name on the deed in the computer. A very wonderful civil servant stayed with me and 45 minutes later found another place where the deed had been changed and recorded and assured me she would make the corrections. Then she said, "Call the Board of Revision of Taxes." So I did. Guess what? They couldn't find me either. They finally did find me and said, "Oh, Mrs. Applebaum, we sent a letter, Judith and David Applebaum, 1421 California Street, San Francisco, California." I said, well, that's very nice, but that's the address of the person who I bought the house from and where he moved to. So I still do not have the letter, but, again, a very nice civil servant spent time with me on the phone and explained to me what my taxes would be. And I imagine that eventually I will actually get the letter. I'm sure I will get the tax bill.

All right. So getting back to my husband and myself. We're both educators, and over the last two years we received increments in our pay up between 2 to 4 percent, which is what we normally expect to receive. There are years when we get nothing. The Board of Revision of Taxes, however, believes that we can afford in the same time period an increase of 28 percent in our taxes. Which, in fact, is one of the smaller rises in the neighborhood. But nonetheless, 28 percent.

Now, why does the Board think that I can afford this 28 percent increase? Well, they tell me that on paper my house is worth a great deal of money, and theoretically, probably, it may well be if I were selling my house. The problem is, I'm not selling. I don't want to sell. And, in fact, I could not afford to buy my house now at the amount of money that the City is telling me the house is worth. So I would never have move into Philadelphia.

And another aside, I was talking to a number of Realtors in the neighborhood because I walk my neighborhood all the time, and there is a proliferation of for sales signs in the neighborhood. And the Realtors are telling me people are putting their houses up for sale because they can't afford the new taxes. But you know what? There are no buyers because people can't afford to buy the houses, A, at the inflated rate, which we all know is going to come down; and at the inflated taxes which we're not all sure are going to come down.

So as I said, most of us have been in our homes for a while, and we are not buying these houses at 300,000; 400,000; $500,000. We could not afford to buy those houses. The formula for property tax must take into account how long people have lived in their homes as well as a realistic economic status of the people are living in their homes. If these increases are allowed to stand, you will make it difficult, if not impossible, for many of us to continue to support the cultural and civic organizations, the restaurants, the theaters, the museums, the small businesses in our City. For others, in particular are young families and people on fixed incomes, you have sent them an eviction notice. And please, make sure you understand that, you have sent them eviction notices.

(Applause.)

MS. APPLEBAUM: So I ask you again, on

behalf of all of us, not only in Washington Square West, but in all of the City of Philadelphia, are we the people you want to force out of this City? Do you really want to create a City of the very poor and the poor and the very, very wealthy? I sincerely hope that your answer to that question is no. And I strongly support Bill 490 and Bill 491 and hope that you do as well. Thank you very much.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Whiting, would you identify yourself and begin your testimony. Thank you again for your patience.

MR. WHITING: My name is William Whiting. I live in Washington Square West. And I don't have a lot of facts and figures to state my -- my testimony is somewhat emotional, but I believe in what I have to say here.

I'm a 25-year resident of Center City Philadelphia and a homeowner. I'm faced with the real possibility that I'll be forced to sell my home and leave this City. Now jaw dropped when I opened my adjusted real estate tax bill and discovered my real estate taxes had nearly doubled for the coming year. We're living in a period of inflated real estate values where Trinity, not large enough to accommodate two people, let alone a family, can cost over a quarter million dollars. No one really believes these properties are actually worth these figures even though some have sold at those prices. The market will correct itself. Remember as we go slipping down the slope to recession, the stock market used to be worth a lot more at one time too, and all aspects of the economy are interrelated.

The Philadelphia Board for Revision of Taxes is being completely unreasonable in reassessing the value of our homes at the peak of an inflated market. What makes this matter even more galling is the fact that Philadelphians get next to nothing for their tax dollar. The City is generally filthy, caked with litter, the school system is a disgrace, roads are in a shambles, and God forbid you should need to have a street lamp replaced. But increased property taxes won't correct any of these problems; we'd be naive to think so. Strong creative leadership in City Hall might correct these problems.

The first thing that needs to be done is a full recall and moratorium on raising property taxes until a fair and intelligent system can be put into law. No citizen should ever receive anything close to a 100 percent increase in taxation on their property. It is completely outrageous and unacceptable. This is the sort of the action that drives people from their homes and makes Philadelphia an unappealing place for drawing new residents. Where does the Tax Board think of the money is coming from? Do they think our earnings have kept pace with the inflated real estate values? Is the point to force us from our homes? Is the City of Philadelphia supposed to be in the business of monetarily abusing its citizens to the point where it's more attractive to leave the City than to stay. Like the disastrous business privilege tax effective frightened away all levels of industry, property taxation that borders on usury will cause Philadelphia to lose the residents it needs the most, the working middle class.

Furthermore, people who are forced to pay these inflated taxes will have to make other sacrifices to do so. Mainly in the form of less patronage in Philadelphia businesses, shops, and restaurants, many of which are already in trouble.

I'm self-employed. And frankly, I just get by. It took everything in my power to buy my house I'm living in. I was already living in this home as a renter before I became the actual property owner, so I've been there for 20 years. As a self-employed person, I was forced to make a much larger down payment than any 9 to 5 worker is required to put down. I struggle to make all my payments by the due dates. And now I face a tax increase that equals the burden of two and one-half months of additional mortgage payments on top of my existing budget. I'm not in a financial position to do many of the restorations I'd like to do to my home, and now I can't afford taxes on it. But this is my home and I finally own it and I'll be damned if I'm going to let the Tax Board make me fold.

(Applause.)

MR. WHITING: A person's home and sense of place is something sacred. Any government body endorsing a tax formula that disregards the individual's ability to pay is condoning it to radical abuse of civic authority.

I suggest, and none too suddenly, that wise City politicians interested in re-election might be quick to take the side of his or her constituents and propose a 3 percent yearly cap on raising property taxes to be shared by property owners city-wide across the board.

In addition, a tax scale formula for raising and adjusting property taxes need to be established based on the preceding year's cost of living index. Now, I'm using low figures, but I think if I use high figures, you'll hike it anyway. For example, 0 percent increase when cost of living remains, 1 percent if there's a low increase; 2 percent if there's a moderate increase, and a 3 percent cap if there's a high increase in the cost of living.

Let's not be naive. Once the bubble is burst on the current real estate, does anyone realistically believe that Philadelphia Board for Revision of Taxes will be so benevolent as to actual lower our property taxes? I tend to doubt it.

If the City is looking for someone to over-tax, why not over-tax the property owners who have lots of derelict buildings. On my block in

Washington Square there are three house laying vacant and abandoned, two of them for at least 20 years. Rats have been seen coming and going from one of these properties, and an another dwelling was broken into by punk kids who used it as a club house while terrorizing our neighborhoods and robbing our homes. All of those buildings are owned by wealthy Californians who presumably use them as part of a tax write-off. Put an end to this sort of behavior by making it more financial attractive to rehab those properties or sell them to someone who can but don't penalize those of us who stuck it out during the blighted days in this town and remain as productive, hard-working Philadelphia residents. Thank you.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you both very much.

Is Alexander Devore here? Alexander Devore.

Is Eugene Miller here? Mr. Miller.

Sam Silver. Mr. Silver, okay. Come forward please and welcome.

We thank you for your patience. Please

identify yourself for the record and begin your testimony.

MR. DEVORE: Hello. My name is Alexander Devore.

COUNCILWOMAN BLACKWELL: Good morning. Welcome.

MR. DEVORE: I'm a resident in Society Hill, Queen Village at Front and Lombard. Councilman DiCicco is my councilman. I want to thank him for -- I understand he introduced this meeting. I'll keep it brief. Just to reiterate what other residents have said, this tax assessment penalizes people to stay in the City.

And I was very pleased to here Councilman Nutter, he said an hour and a half ago about the stock market. This is the exact idea that I have. And I hope you can get that idea passed. I think it's an excellent idea. You should only pay the tax when you cash in. It does no good to know that the property value has gone up if you're not cashing in. If someone has made a call to sell their house in Center City in the last couple of years and they cashed in a very fast, red-hot market, then they're sitting on a lot of money, then they should pay the tax on that.

COUNCILMAN NUTTER: If you would allow, let me mention one thing about that. While in theory that is, I think, an example that we should try to pursue, if you took that example strictly, the City would to some extent not enjoy some of the benefit financially. And I don't believe the government should generate revenues for the government sake or because we like having a lot of money. We're supposed to have a balanced budget. We take, input out. But if you have that kind of situation where we only saw the benefit, at some future point in time, some people may sell in 10 years, some people may sell in 50 years. We would in effect potentially stay rather stagnant in terms of total revenues elected. So there's a fine balance here, I believe, between our ability as a government to provide services to get some benefit from the rising property values while at the same time not taxing you out of your home. Somewhere in the middle of that discussion I believe is a real answer. So similar to the stock market, we shouldn't get all of the benefits as it's happening at that moment because you won't, technically, I think be able to afford it. But we do need to get some of that value, and that's why we talked about these concepts of caps where you know on a regular basis how much you might have to pay the next year. That does not stop your property from appreciating over that period of time, but you the taxpayer would only pay a certain percentage even though that additional appreciation that's going on. I want to make sure we're at least laying that out.

MR. DEVORE: Well, I thought it was a very good idea.

COUNCILMAN NUTTER: Well, I appreciate that. I'm hoping that it's still a good ide.

MR. DEVORE: The City with it power it has to issue bonds. It could kind of -- I'm sure it could do something in the meantime. There's always going to be people who are going to be selling or dying or transferring a property to a relative, so you're always going to get that revenue. It would be more fair to collect revenue after someone has made a gain. But if someone is staying after they have laid down roots, especially a long-time individual, you should not be penalized for staying in the City. Only someone who cashes in.

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COUNCILMAN NUTTER: You raised an additional interesting point because we also do actually benefit at the end of the transaction because when your property value escalates and when you decide to sell, there's one other tax. It's called the real estate tax which is a percentage of the sale. So when you bought at, pick a number, 50 and if you're lucky enough to sell at 250, whenever those years go, it's 3 percent on the 250. So we're benefiting on that part of the transaction. We're also benefiting over the years as you're enjoying that run-up in value. And I think that we need to also take into consideration the impact of the real estate transfer tax in terms of what the City is getting out because we're really on both sides of -- we're benefiting on both sides of that transaction. We need to examine all of that.

Go ahead. I didn't mean to interrupt you.

MR. DEVORE: That was a very important point. Well, it's kind of tex stocks. Many financial analysts, if you follow CNN, Money Line, if you watch that, if you follow the financial markets, many, if not most, financial analysts believe that there is a bubble in the real estate stock market. They compare it -- to the real estate market just like there was a bubble in tex stocks. It might not go down as bad, but it's probably going to go down at some point. Sooner or later it will go down. Whether you're going to compensate people for that, I don't know. I think you might not. But what is going to definitely send real estate property down is this sock-it-to-you tax assessment that penalizes someone for buying a house in Center City. It's very great disincentive. Look, I know how people think who have lot of money. I rent out apartments. I talk to someone who drives a Rolls royce, he shops at Brooks Brothers. He likes luxury stuff, but he also wanted a cut on the rent. He wanted me to come down on the rent for him. I understand that. But for someone to pay a lot of money in Center City -- and they're also going to be contributing a lot of taxes when they move into the City. And they have subsidized the construction, all the construction jobs. It used to be the case 15 years ago, there was vacant lots everywhere in Center City, in Queen Village, vacant lots all over the place. Someone had to buy. So when someone's going buy it for $800,000, wealthy person I assume, they have made all of those jobs possible, all of those construction jobs possible. And then they're going to be going out to restaurants, making an injection of capital and money into the City. But if they're going to be penalized -- they're already going to paying a higher amount of wage tax, a tax on stock dividends. And if they're going to be socked a very great assessment on their property, it's like, what's the point. They might like luxury, but it's just too much. It's too much. And it would be a disincentive for them to buy and lay down roots in Center City.

COUNCILWOMAN BLACKWELL: Thank you so much.

Mr. Silver, would you identify yourself for the record and begin? Thank you for your patience, Mr. Silver.

MR. SILVER: My name Samuel Silver. I'm a Center City resident where I have been for 42 years. I bought a house in a block which the entire block was a total slum. There were only three or four houses occupied. The rest of the houses were empty. Those that were occupied had broken windows and broken doors and they were fit to be torn down. I and serial other people as individuals -- this was not done by a developer, it was done individually. But in the period of about three years or so the entire block was rehabbed. I did my own house over. I did not do the work. I had the house completely gutted, completely renovated for which I never got a 10-year tax abatement or any abatement.

Today, I am the only one in the block of the original people in the house. I moved into my house in 1960. All renovations on the block were done between 1958, '59 and '60. I'm the only person of the original group of people living in the block. I keep getting the tax increases every year. I am a retired person. I was a state employee for 30 years. And I'm hearing today what was always a problem between Philadelphia and Harrisburg for all the years I worked for the state. There was no coordination between Harrisburg and Philadelphia, and the argument always was you cannot treat Philadelphia like the other 66 counties. Philadelphia is an entity in its own, like its. But apparently, the problem still exists.

I'm sorry the gentleman who was here

from the BRT who was here earlier, I'm sorry he is not here today. At the meeting we had the other, and night, there was also a representative there and I questioned him specifically about appraising properties. I asked, him how do they do the appraisal, do they do it from the desk on the computer or do they make the actual visit to the property. He told me definitely they visit the properties. I challenged him on that and asked him, I said, If that is the case, I live in a Trinity house, the did he mention of the lot are 15 feet by 22 feet. That's the full dimension of the house, 15 feet by 22 feet, Trinity house. The paper I got back with the appraisal on my house showed that my property is a three-story house multi-family dwelling with apartments. I asked him, how could you possibly have a multi-family dwelling in a lot 15 by 20 feet? He said it must have been an administrative error. I said it sure was an administrative error and how many more such administrative errors you make? He had no answer for that.

Insofar as the size of the property appraisal, I forgot to mention to him that within my

15 to 22 feet I have an alley way, a passage way, which is -- it's called common easement. It is my property, but I cannot close that alleyway off because it is the access to a house behind me, which is not any part of my property. But the people in the back of me use that passage way as their entrance to their property. They have no other entrance because the entrance which was at the rear of that house which was originally the front of the house, I hope I'm not confusing you. But every other house on our block has an address of a half. There's 2010, 2010 1/2; 12, 12 1/2, 18, 18 1/2 because of that alley way which leads to the houses behind which were at the time of construction Lombard Street was not a favorable address to use and literally turned the houses around and made the entrance from the small street I live on with access through the alleyways. But in the meantime, I am taxed on that little piece of property which other people are using. It's a small incident perhaps, but it all adds to the picture.

I think, as all the people here have said and as you people on Council have all agreed I'm sure. The problem is in the system, the entire system. I think -- and as you said, Mr. DiCicco, the gentleman and I -- we'll call him the gentleman despite of your remarks about him. I question why he is in the position he is to begin with not live willing in Philadelphia and having that high position.

But again, I believe the problem regarding this tax increase is fault of the entire system, is not just one element. It's the entire problem of the relationship with the City and the State and the BRT. Should we look into, I think, and probably replace also.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Silver.

COUNCIL PRESIDENT VERNA: Mr. Silver, may I ask you a question? Have you called your assessor.

MR. SILVER: No, I haven't.

COUNCIL PRESIDENT VERNA: I would suggest you do so. I believe his number is on the form that you received so that you could have your situation corrected. And at the same time I would put in an appeal just in case you don't get in any satisfaction talking to the assessor.

MR. SILVER: As a result of the hearing the other night, I filed it with you.

COUNCIL PRESIDENT VERNA: But at the same time I would also suggest you call the assessor.

MR. SILVER: I will.

COUNCILWOMAN BLACKWELL: Councilman DiCicco.

COUNCILMAN DICICCO: Thank you. Just to follow-up on Council President's comment. One of the things that at the town meetings that I've had where the BRT had a representative, everyone, all of those folks represent the BRT spoke to the fact that the assessments are based on the square footage. What they do, at least this is what I was able to ascertain, in most instances they'll drive down the block. Most of the frontages are similar in size 14, 15, 16 foot. They assume that they're all at the same depth. They do not come into your house. In the suburbs, the evaluators literally go throughout the property and they measure the square footage. So when you do file the appeal, following up on Council President's recommendation, I would suggest that you measure the usable floors, not counting the basement if it has a basement. The 15 by 22 bt 3 or whatever it is. You know, many houses, the first floor is longer than the second and third floor, et cetera. So you need to do that when you do the appeal.

MR. SILVER: In my particular case, I have a house on one side of me; on the other side, there is no house. So he could easily see the length of the house.

COUNCILMAN DICICCO: That's assuming if he actually physically came out to your property. We'll give him the benefit of the doubt and say that they at least drove or walked by. That being said, again, what you need to do is measure the square footage 15 by 22 by 2 or 3, whatever it is, do not include the basement in the square footage. Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Mr. Silver.

Thank you, Council President and Councilman DiCicco.

Ebony Dugan and Diane Showers.

Is anyone else here who would like to testify?

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(No response.)

COUNCILWOMAN BLACKWELL: All right then. We will hear the testimony from these two witnesses, and after that, we will recess until Tuesday, October 1.

Ms. Dugan, thank you for your patience. Ms. Showers, thank you for your patience.

MS. SHOWERS: I'm Diane. The name is Berdine on my deed to the property but I go by Showers.

COUNCILWOMAN BLACKWELL: Talk a little louder. We can't hear you.

MS. SHOWERS: My last name on my deed is Berdine. I dropped my married name, so I'm Showers now.

COUNCILWOMAN BLACKWELL: Okay.

MS. SHOWERS: I am a 27-year homeowner. I consider myself worse off than senior citizens and those other persons who are on a fixed income because I have no job at all and I simply cannot afford any increase in real estate taxes. I can't even afford the ones that's already in arrears.

Up until I worked for the Fairmount Park Commission, my real estate taxes were paid every

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year in full. I lost my job with the City at the Fairmount Park Commission after complaining about the public relations director sexually harassing working poor women. The ringleaders, Carl Gallatig, Personnel Director; and Barry Bessler, Chief of Staff felt that it was his right to harass these women and I complained and loss my job.

COUNCILWOMAN BLACKWELL: How long were you there?

MS. SHOWERS: Two years.

One of the biggest scandals to hit this was that of City workers living in these park mansions. And the harasser was living in one of these mansions which enabled him in particular to climb the economic ladder. I have not had a full-time job since working at the Fairmount Park Commission, and I am here today seeking some type of relief or some type of solution to my dilemma.

COUNCILWOMAN BLACKWELL: Thank you.

Madam President.

COUNCIL PRESIDENT VERNA: I was wonder if you ever filed a complaint of harassment.

MS. SHOWERS: Oh, that's big joke. Starting wit city level --

COUNCIL PRESIDENT VERNA: Where did you go? Who did you complaint to?

MS. SHOWERS: To everybody. Everybody including female members of City Council and told them about this.

COUNCIL PRESIDENT VERNA: I don't know that you contacted my office, but I'd like to know who, what authority did you go to who would be appropriate action?

MS. SHOWERS: Well, I filed a complaint with Pennsylvania Human Relation Commission, and they told me that -- Verlina Dolson (ph) is her name. She told me that I should have been written up for insubordination for writing what I did about the supervisor.

I applied for unemployment benefits, and they told me that if I had left the job like they told me to do then I wouldn't have had this problem.

On the federal level, because I wanted to go to court, I was told that federal law -- the State Supreme Court ruled that it's okay to do one thing to a woman anywhere in the country, it's okay as long as you do it one time.

So on the City level I had no help, and

that's including, current Mayor and former Mayor Rendell.

On the state level, she told me that, you know, for filing this complaint against this man who routinely harassed these women, that I should cited for insubordination. And again, the federal level, they said that it's okay, it's in law.

As a matter of fact, I just got back from Miami and I ran into former District Attorney Ron Castile, and he told me that, yes, he's on the Supreme Court and this is true. Yes, they are to do this to women, they're allowed to harass or do whatever they want one time. That's on the records. That's a law.

COUNCIL PRESIDENT VERNA: Thank you. I just feel -- how long did this occur?

MS. SHOWERS: This was in 1997. I haven't worked since.

COUNCIL PRESIDENT VERNA: I think there's a status of the limitation involved --

MS. SHOWERS: I'm going to continue -- this is the cradle of liberty, Philadelphia, it's the so-called cradle of liberty. In my opinion, in this City we have a lot of backward thinkers.

Whatever City I go in, that's Miami; Birmingham, Alabama, they have forward thinkers there. So that's why they're able to progress and make the type of advances that they've make. For some reason, this town is filled, in my opinion, of backward thinkers and that's why this thing was allowed to happen.

COUNCIL PRESIDENT VERNA: I'm not an attorney, so I don't know if the statute of limitations has run out.

MS. SHOWERS: Well, statute of limitations, that doesn't even matter. The law says that you're allow to do this to women. The Supreme Court ruled a case with a woman who -- as a matter of fact, the attorney said you can't even go to court. He said, if you go to court, you'll loss. And that's based on a Supreme Court ruling.

In the meantime, since losing a job, my real estate taxes are in arrears with penalties and interest being applied and now this increase.

COUNCIL PRESIDENT VERNA: Thank you.

MS. SHOWERS: It's so many women on City Council, it's just amazes me how nobody is outraged that this man could do this at the Fairmount

Commission, a park that has -- the Fairmount Park Commission has a history of abuse, starting with the Mayor, with the regatta incident, with them living in park mansions. I mean, the harassment there, it's unbelievable that you all as a woman outraged.

COUNCILWOMAN BLACKWELL: Ms. Showers, maybe if you would pull out copies of your papers again and contact your District Councilperson. I remember you saying parts of this in other hearings on other issues, and then we'd be glad to revisit it.

MS. SHOWERS: Well, I mean, in the meantime, I lost all pensions. I'm a widow. I lost my husband through suicide.

The man who did the harassing, he just got his 25 year watch and everything else. I mean, the only thing that -- the only punishment that he received was to learn how to conduct himself when away from his wife.

COUNCILWOMAN BLACKWELL: That's my suggestion, that you pull your papers again and then resubmit them to us because it's been a while since we've reviewed.

MS. SHOWERS: All right. I'll do it.

COUNCILWOMAN BLACKWELL: Thank you.

Ebony Dugan. Ms. Dugan, identify yourself for the record and begin your testimony. And thank you also for your patience.

MS. DUGAN: Hi, my name is Ebony Dugan. I'm a property owner in the east section of Philadelphia and basically I'm here because I was outraged. I'm a landlord. I have tenants residing in my property. And if they increase the real estate tax, not only will it affect me, I have to increase the rent for them, and I don't see how individuals on fixed income would be able to give me a sufficient amount to pay all the bills.

Also, when I bought my house when I was 19 years old, initially the Eastwick Section of Philadelphia was relatively comfortable to a certain extent. Over the years, I saw the drastic change, a large group of individuals moved out and a large group of individuals move in. And I don't want to specify anyone. I'm just saying that there was a drastic change in the neighborhood. Sanitation became a problem. There wasn't trash being properly disposed and other various issues, crime elements, a lot of things increased, and the City wasn't enforcing things should have been enforced the way they were when I initially moved into the neighborhood.

So now in 2002, I find out that they're raising the real estate tax, and I don't see why because, if anything, my property value decreased instead of increased.

Another thing I was concerned about, I heard that there were some environmental dumping in the Eastwick Section of Philadelphia. Years ago the houses were built over toxic dumps. And some people in the neighborhood have children who have various disabilities. And also, because I grew up in Southwest Philadelphia, my brother was also a victim of a birth defect. And the doctors told my father that it had a lot to do with the toxic problems that occur near the airport section, like, over from Southwest Philadelphia extending to Sharon Hill.

I don't understand why we're being penalized. People who live in that section, they're not properly assessing the property value or anything at all because all those issues, especially the environmental issue. Now it's turned into environmental racism because we have to smell sewage every morning. And I send my daughter to school where my parents live because I don't want her to have to inhale that nasty odor and I don't know what kind of effect it will have on her later.

Also, I'm here on behalf of my parents. They own property in South Philadelphia as well. They had to abandon the property because there's a terrible influx of crime and just various issues that plague certain underprivileged neighborhoods. And my dad couldn't come here today. Basically, you know, he's working. I'm here on his behalf to let City Council know that if they're going to increase real estate taxes, they should take into consideration certain areas. And just the fact that it doesn't make sense.

Over the past 10 years Southwest Philadelphia -- just the whole Southwest Philadelphia has drastically, the whole neighborhood is going through a recession. I don't understand why we're being penalized as well.

There were some other issues I wanted to address. Just give me a second because I wrote everything down. I wasn't prepared to come here today and testify; however, when I was informed what was going, I felt as though it was mandatory for me to come here.

Another issue I was concerned about, because before they decided to increase the tax rate, I was thinking about purchasing property in Philadelphia again. But now that I see what the City is going to do, I don't see how it would be feasible. I can barely afford to maintain my property as is and it just wouldn't make sense.

COUNCIL PRESIDENT VERNA: Have you filed an appeal with your tax assessment that you received?

I'm led to believe that an appeal form was also inserted in the same envelope.

MS. DUGAN: No. Actually, because my tenant's property retrieve my rent, they may have got it before me, so I don't know. That's why I'm here today. So if that's the procedure that needs to be done, I would like that.

COUNCIL PRESIDENT VERNA: If you will see Maryanne Mahoney who is sitting right here, she'll get an appeal form for you.

How much have your taxes gone up?

MS. DUGAN: Well, presently, the last

time I made an agreement with L & I, the Tax Department, I think it was in the rage of like 700 per year.

COUNCIL PRESIDENT VERNA: An increase of 700?

MS. DUGAN: No, that's now. With 75 percent increase, I have no idea. I guess, I'm assuming it's going to be almost like doubled.

COUNCIL PRESIDENT VERNA: Well, do you know if your assessment have gone up?

MS. DUGAN: I know every year when I go down to make an agreement, it seems like I'm paying more and more and more. I don't know the actual ratio. I don't know the actual percentage.

COUNCIL PRESIDENT VERNA: If you have just maybe another 10 minutes, if you would go with Ms. Mahoney, she could tell you if your reassessments have gone up. If so, she will give you a form, an appeal form, and I suggest you fill that out.

MS. DUGAN: Okay, thank you.

COUNCILWOMAN BLACKWELL: Thank you very much, Madam President.

Is there anyone else who would like to

testify today?

(No response.)

COUNCILWOMAN BLACKWELL: We thank you very much.

This hearing is recessed until Tuesday, October 1st at 10:00 a.m. We thank you all for your patience and for attending these hearing. Thank you.

Thank you members of the Finance Committee as well.

(Deposition concluded at 3:10 p.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 September 25, 2002, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE ON FINANCE

Dave Deik, RPR
and Notary Public

Lisa C. Bradley, RPR
and Notary Public