COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, March 20, 2013
1:25 p.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

RESOLUTIONS 130088, 130090, 130093, 130097, 130098, and 130099

\- - -

COUNCIL PRESIDENT CLARKE: Good afternoon, everyone. We're going to start now. Thank you all very much.

This is the Committee of the Whole. Today's hearing we will be hearing Council Resolution No. 130088, 130090, 130093, 130097, 130098, and 130099. This is a continuation of yesterday's hearing.

At this time, Mr. Christmas, I'd ask you to please read the titles of the resolutions.

THE CLERK: Resolution 130088, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ to collect the delinquent real estate taxes owed the City and School District by owner-occupants, the effectiveness or shortcomings of existing and proposed procedures, and the additional measures and resources required to improve the system for collecting delinquent real estate taxes owed by owner-occupants; and

Resolution 130090, authorizing City Council's Committee of the Whole to hold public hearings to examine the City's efforts to collect delinquent real estate taxes owed by owners of residential investment properties and the additional measures and resources required to reduce real estate tax delinquency; and

Resolution 130093, authorizing City Council's Committee of the Whole to investigate and hold public hearings reviewing the system utilized by the City of Philadelphia to collect delinquent real estate taxes, the effectiveness and shortcomings of the existing system, and the new methods and resources proposed by the Administration to increase the collection of delinquent real estate taxes; and

Resolution 130097, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ to collect delinquent commercial real estate taxes owed the City and School District, the effectiveness and shortcomings of existing and proposed procedures, and the additional measures and resources required to improve the system for collecting delinquent real estate taxes; and

Resolution 130098, authorizing City Council's Committee of the Whole to hold public hearings on vacant, tax delinquent properties in the City, the impact of such properties on the City, and the procedures that the City currently employs and proposes to employ to collect delinquent real estate taxes from such properties and the efficacy of those procedures; and

Finally, Resolution 130099, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ based on accepted best practices to collect delinquent real estate taxes owed the City and School District of Philadelphia.

COUNCIL PRESIDENT CLARKE: Thank you so much, sir.

For our first witnesses, the Chair calls Alan Butkovitz, the City Controller, and Craig White, CEO of Philadelphia Gas Works.

(Witnesses approached witness table.)

COUNCIL PRESIDENT CLARKE: Good afternoon, gentlemen.

CONTROLLER BUTKOVITZ: Good afternoon.

COUNCIL PRESIDENT CLARKE: Have you submitted testimony?

CONTROLLER BUTKOVITZ: I believe we have.

MR. WHITE: I have not.

COUNCIL PRESIDENT CLARKE: I was going to ask if you did, just ask you to just kind of summarize your presentation. We have a long witness list and I'm going to ask everybody to do that. Yesterday we didn't get an opportunity to get everybody in.

CONTROLLER BUTKOVITZ: All right. Well, in a nutshell --

COUNCIL PRESIDENT CLARKE: But, sir, Mr. Butkovitz, do as you please, sir. You oversee our book, so whatever your pleasure is, sir, please feel free.

CONTROLLER BUTKOVITZ: In a nutshell, uncollected taxes and enhancing revenues has been probably the principal focus of our office for the last eight years. So we have recited some of the high points of that, such as the tax amnesty, which City Council enacted over objections of the Administration, which recovered over $70 million in collections, an expansion of the tax clearance -- well, we also recommended at that time an expansion of the tax clearance system and the construction of a data warehouse to allow for more varied

3/20/13 - WHOLE - RES. 130088, etc.

methods for ensuring tax compliance.

We have in 2009 made the first use of the 1937 law authorizing the Controller to garnish wages of City employees who were delinquent in their taxes. That has yielded over $3 million in back taxes. We've identified a number of other areas of accounts receivable, $132 million in delinquent water and sewer, $70 million in uncollected court fines, $70 million in uncollected fines and fees for litter and false alarm, $50 million in outstanding bills for emergency medical services, and at least $2 million in uncollected wage taxes due to the underground economy.

I didn't know Mr. White would be joining us. We wanted to commend PGW for the legislative changes that were accomplished 15 years ago and PGW's outstanding record in reducing a stubborn and intractable collections problem. And I guess the point there is, if PGW could do it, the City could do it generally.

3/20/13 - WHOLE - RES. 130088, etc.

We also will salute the Patrick Kerkstra series in the Inquirer and are recommending that until -- that the Revenue Department should identify the delinquent properties which are investor owned, and until they do, the City ought to --

(Councilman Johnson clapping.)

CONTROLLER BUTKOVITZ: Okay. Until they do, the City and Redevelopment Authority should be expediting their efforts to move property from City ownership into the hands of developers.

Law and Revenue should be working more closely together to ensure that the number of properties that are listed for Sheriff Sales are increased.

You got the general idea.

COUNCIL PRESIDENT CLARKE: We got the point. Thank you.

Mr. White, and then we'll open it up for questions.

MR. WHITE: President Clarke and members of Council, thank you for inviting me today. I'm happy to be here.

And, Mr. Butkovitz, thank you for those kind remarks.

In the context of what you're addressing, I must state right up front that natural gas collections are a little different than obviously your tax collections. We have the ultimate ability to shut off gas, and that is a significant incentive for people to pay their gas bill.

But having said that, I'd be happy to describe some of the practices that we've employed over the last ten years that really have -- there may be some applicability, and certainly the expertise we have at PGW, we would be more than happy to send any of our folks down to assist or discuss some of the things that we're doing now, and I'll just briefly go over this.

But as I said, we do have the ability to turn off gas, and that has a significant impact. We also have since

3/20/13 - WHOLE - RES. 130088, etc.

2003 fallen under the regulation of the PUC. The PUC demands that we take certain collection practices very seriously, and if we do not, they will intercede. So certainly we have another hammer that requires us to do some of the things that we do, but within that context, we've employed some strategies using technology and otherwise. But let me go through the four areas that I think are very important.

First of all, we did change the regulation at the state, along with the help of many of the State Representatives and State Senators and other politicians, but the purpose of that change in legislation was to encourage people who can pay their gas bill but choose not to to actually pay it. And what we did was, we received the ability to require deposits. It established new shut-off and turn-on policies. So we had another -- a much more aggressive approach than what we had in the past.

3/20/13 - WHOLE - RES. 130088, etc.

The second item is effective use of technology, and what we did at PGW, we automated our outbound calling, and we've got specific messages for specific situations. We don't give everyone the same message, and I'll get into that a little bit later, but we uniquely craft a message for your particular situation, and I'll describe in a moment how we identify that situation.

The other thing we do is, we do 24/7 bill receipt -- or your ability to pay, I should say. You can do that over our automated phone system or you can do it on the web. So there's an ability to pay your bill at any time.

We also have an automated lien management system, and we can place a lien on a property automatically. We place more liens than we ever did before because we have ability to do that, and obviously we can place multiple liens if there's multiple situations at the same property.

The third prong in our success is a reduction in accounts receivable. And we have two reasons primarily why we have receivables run up, and that's due to meter access issues and obviously customer behavior, people who choose not to pay.

We created what we call our landlord cooperation programs, and what we've done there is, we've given the landlord an opportunity to avoid a lien at their property by virtue of giving us the ability to get into that property, and if there's a meter that needs to be replaced because it's not running correctly or because there's something else going on, maybe something untoward, a theft or anything of that sort, we can then shut the meter off and stop the bleeding so the delinquency doesn't continue to grow.

The other thing we do -- and I think this is probably the most unique thing we do in our entire program -- we do risk-based collections, and we evaluate the level of risk to you paying your bill based upon your bill payment history. Now, obviously you could add in other things like your credit score and so forth. We choose not to do that because we have to pay for that. But what we do is, we look at your history, and we can determine if you're going to pay your bill late, we might have one collection strategy for you. The phone call to you may be different than the consumer that we believe is not going to pay us at all. So we employ different strategies based upon the behavior that you've exhibited over time.

The last thing I'd like to mention today is our ability to increase revenues, and that had to do with the fact that we had to ascertain who was inappropriately taking gas, stealing gas. We also had to identify what meters weren't running appropriately. We've employed technology that allows us to determine whether or not there is an unusual level of gas being used at a property or underused at a property. We can distinguish that, and it leads us to identify what properties may have either a meter problem or a theft issue. And in combination with our landlord cooperation program and in combination with some of the basic blocking and tackling that we do, we're able to stop the bleeding. If we have a problem with a customer, we get that gas off and we get them in a position where they have an opportunity to pay us. And we do quite a few things on that score too as far as giving people the ability to pay, payment agreements and things of that nature. Of course, once again, these are mandated by the Public Utility Commission.

The last thing we do -- and this is the last thing I'll talk about -- is write off reactivation. And we have customers that have not paid us, moved, we've written that off, and then they move into another property. We find if it's the same customer, we reactivate that write-off. That delinquency is there and we go after that delinquency.

So, I mean, to sum it all up, the most important part of our program is the fact that when we have the ability to move, we move immediately, and we don't allow it to grow. We don't allow it to get worse. And we give people an opportunity to get back in a position where they're paying their bills. We have programs. We do a lot of things to provide education so folks know exactly what programs are out there so they potentially can get either LIHEAP funds or Crisis funds. They can get on our CRP program. So there's a lot of ways where they can get back into a position where they're able to pay their bills.

COUNCIL PRESIDENT CLARKE:
Thank you, sir.

Mr. Butkovitz, I have a

question. First, I want to thank you for responding very aggressively to our request to look at some of the issues up in the Temple University area with what we believe to be cases where there were a number of construction entities or individuals who were not necessarily licensed and there were some questions about whether or not they were paying the taxes, and there was apparently -- there were allegations of cash payments without recording.

Can you talk to me about your efforts in terms of ensuring that there are appropriate collections on those taxes for those type of activities in those neighborhoods?

CONTROLLER BUTKOVITZ: This has been an extremely frustrating subject for us for about eight years, because first of all, the Revenue Department is impenetrable. Really it's their responsibility to enforce these and our responsibility to audit. So our first instinct is to look at the underlying records and see what's happening, and we constantly run into a wall. They claim that the underlying information is confidential, protected under federal law. So basically we're in the position of taking their word for it. And I don't think that -- we don't think that's satisfactory.

We've explored various discussions -- I mean, for example, if the City adopted tax forms that did not allow the incorporation of items from the federal tax forms, we wouldn't run into this issue, but it seems a little bit silly. I think this should be resolved at the highest levels since tax delinquency and non-collection is a major issue.

I know Councilman Kenney has done some personal observations and inspections of contractors who show up in front of some of the supply stores with out-of-state and out-of-Philadelphia identification buying supplies and then don't have business licenses in Philadelphia. Revenue departments in other cities regularly employ procedures such as checking the Yellow Page ads by businesses that are looking for business in the City, and they compare that with business tax filings. That's not done in Philadelphia.

So that instead of being received with welcoming arms with the idea that these are good ideas, which is what I would expect, we are generally met with a defensive posture. I mean, about two years ago, we did a review of sales tax payments. We sent some undercover people to a variety of grocery stores around the City, and we found a high percentage of non-reporting of sales tax revenues. It was like 82 percent non-reporting. So we reported it to the state. We reported it to the City. The Secretary of Revenue of the state sent us a letter saying, This is a great report, I commend you for it. The Philadelphia Revenue Department said, How in the world did you find this? You must have somehow illegally accessed confidential IRS data.

Well, that attitude needs to change, right?

COUNCIL PRESIDENT CLARKE: Okay. Thank you. And, again, thank you for -- although it wasn't your primary responsibility to go out and take a look at what we believe some of the questionable operations up in that particular neighborhood.

Mr. Controller, what do you think about the City naming a chief collection officer or a tax czar? I don't know what it will ultimately be referenced as. Do you think that that's a good idea?

CONTROLLER BUTKOVITZ: The real question is, is the City going to put its money where its mouth is? Because the truth has been that the City has been stripping away its financial resources over the last few years. I mean, we've seen -- you know that there's an outcry when there's a closure of a firehouse. It's less obvious when you take longer to fix a pothole or repair a rec center, and it's much less obvious when you do not replace necessary financial personnel. For years we've had an issue trying to get the City's financial statements where they're supposed to be because they're operating at an unsafe low level of personnel. I think that's also true in the collection and the revenue area.

During the Rendell Administration, we had a better record of collections, and they were very, very creative about different kinds of procedures. You recall at one time Nick Panella or Panarella was retained on a contingent fee basis and had an extraordinarily high success rate. Now, he ran into trouble, he ran into legal trouble later in an unrelated issue, but it was a high priority at that time, and if you don't have cash to hire employees, then you have the ability to do things like contingent fees.

We've been contacted by people who have ideas who believe that the current accounts receivable of tax liens may be marketable on a dollar-for-dollar basis if certain laws are changed that would increase the profit margins for the people that would be interested in purchasing that.

So this has really not been a very high priority by the City over the last few years. The City has been struggling to complete its mandated functions within the budget. And you know the adage in business is that you have to spend money to make money. That's really true here.

COUNCIL PRESIDENT CLARKE: So getting back to my question --

CONTROLLER BUTKOVITZ: Well, the question was whether we should have a chief -- I tend to not be somebody that believes that a lot of chiefs make things any better. We have a structure that -- we already have a Revenue Department structure. The Department is committed to this and if it is budgeted adequately and it's a real priority, then you don't need new titles.

COUNCIL PRESIDENT CLARKE:

Okay. Thank you.

Mr. White, again, thank you for being here today. Real quickly, during the course of the conversation yesterday, there were references to certain collection methods and talked about selling liens and traditionally -- and, again, you do have the ability to simply cut individuals' gas off or companies' gas off, but there still remains uncollected debt. And there was an issue with respect to Sheriff Sales, and sometimes at Sheriff Sales if the lien is purchased, you and other departments are kind of like left holding the bag, because once you do the Sheriff Sale, it kind of, correct me if I'm wrong, kind of supersedes other liens; is that correct?

MR. WHITE: Well, it depends where we are in the order, but we would receive -- we could possibly receive recovery of the gas delinquency in that case.

COUNCIL PRESIDENT CLARKE: I'm sorry. Say that again.

MR. WHITE: I said I believe that in that instance, PGW would be in an order of delinquent recipients, and if there were sufficient funds, we would get paid.

COUNCIL PRESIDENT CLARKE: That's contingent on it being sufficient funds. In the case where the real estate lien is X and the City -- well, the Sheriff during the course of the sale is not able to achieve that level, then you would not --

MR. WHITE: Potentially we wouldn't get our full payment.

COUNCIL PRESIDENT CLARKE: So

you basically have to -- you essentially have to -- it will be required that the City reaches its maximum lien for relationship to real estate taxes, and any subsequent revenues associated with that sale would then go to the other lienholders.

MR. WHITE: Yeah. If I may, Council President, we find that just sending a lien letter has a huge impact on payment, and I couldn't even begin to tell you the significance of having the ability to lien, because you can't see all the folks that pay because they know you can lien, let alone those who pay when they receive a lien letter before you even lien them. And then, of course, once a lien is placed, we receive funding if there's a refinancing. And with rates falling as they have, there's been a lot of refinancing.

Now, where it gets a little difficult is, obviously in certain sections of the City and certain areas,

3/20/13 - WHOLE - RES. 130088, etc.

real estate transactions happen a little bit differently and there may be a change of individuals in a house without necessarily all the paperwork that typically is required when you sell a property, and that's where it gets a little complicated. But certainly the lien tool is something that you eventually receive your payment.

COUNCIL PRESIDENT CLARKE: One last question, then I'll call on the members.

When we had conversations with the Water Department prior to the implementation of their new rate request increase, they talked about the number of properties in the City that essentially were offline, meaning that they were vacant properties; therefore, no longer utility services, and they talked about the fact that if a significant number of those properties came back online, their ability to reduce the overall rate because you'd have more people paying into the system would be advantageous to their ability to do that, to reduce the rate because you have more people paying as it relates to revenue being generated by the company. Would the same thing hold true on gas, the gas company?

MR. WHITE: I don't believe so. I started in 1980. We had 520,000 customers. We have about 505,000 now. So there has been some churn, but there hasn't been a significant loss in the number of customers over all of those years.

So, yes, there are probably different properties that are vacant and there are newer properties that have replaced them, and certainly if vacant properties came back on the natural gas, it would increase our revenue streams, but I can't say that over a period of time, we've had a significant loss in the number of customers. We've had gains that replaced the losses.

COUNCIL PRESIDENT CLARKE:

Okay. Thank you, sir.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Excuse me, Councilman. One second, please.

I just want to say, because we weren't able to get everybody in yesterday on the first round, we'll try to keep our questions as condense as possible, because I really hate using this thing.

COUNCILMAN JONES: So there's a five-minute restriction for freshmen, seven minutes for --

COUNCIL PRESIDENT CLARKE: No, no, no.

COUNCILMAN JONES: No? All right.

COUNCIL PRESIDENT CLARKE: Part of the challenge is, we have a lot of people here today to testify and I want to make sure that everybody gets their questions in on the various rounds so we can get people in, because we had to end it abruptly yesterday. It's a very important issue. This is in no way referencing your questioning, sir. I want to point that out. You just happen to be the first in line.

COUNCILMAN JONES: That's all right. I knew it wasn't directed at me. I'm very brief in my comments always.

COUNCIL PRESIDENT CLARKE: That's absolutely true.

COUNCILMAN JONES: Mr. Kenney. My watch been broke.

So thank you, Mr. President, for allowing us to ask questions.

Thank you, Mr. Controller, for coming over spending time with us.

And, CEO White, thank you for your efforts. As a gas commissioner, I've seen the improvement that has been made on collection and, therefore, ability to provide better service to the clients.

I guess a couple of things that I would ask of the Controller are, in our collection efforts, whether it's liens on licenses, contracting licenses or wage garnishments, what are the arsenal that the City of Philadelphia legally has to come after some of the folks that are robbing us of our resources, in another way to put it? What do we have on the books? What do you suggest this body can put on the books to encourage collection of outstanding taxes due to us?

CONTROLLER BUTKOVITZ: Well, of course, Councilman Henon, Councilman Kenney have been working on changing regulations to improve monitoring of contractors. I mean, right now it's largely a self-regulating situation. If you want to be a good citizen and you want to get a business license, we know to check up on you. If you don't, particularly on construction, demolition projects like that, Philadelphia is really the Wild West. We're constantly called out on the sites. Council President talked about some of that activity up in North Philadelphia. A lot of apparent unlicensed and, therefore, no ability for the City to tell whether they're getting their tax revenue.

So that would help enormously. It would also help if we were able to review tax returns or the data that businesses submit to the City, because the only thing that we can check right now is whether somebody has a business license. So if somebody reports to us that activity is going on, they have a business license, maybe they report $50,000 a year, they're doing $500,000 a year in business, the response of the Revenue Department is, we can't tell you, we can't share that information to you. That problem needs to be resolved, whether there are confidentiality agreements or other --

COUNCILMAN JONES: So if I may.

So the first level of this is data sharing, in other words, that we could interdepartmentally --

CONTROLLER BUTKOVITZ: The best resource you have is the tax returns and the reporting that people who are doing business with the City file. And basically that is inaccessible. So we're operating under an honor system where a lot of people are not honorable.

COUNCILMAN JONES: So, again, you launched an initiative where people's wages, City workers that had outstanding indebtedness, would be checked. What about -- you also have the ability to not approve contracts for those --

CONTROLLER BUTKOVITZ: I wish we did. We don't have the ability to not approve contracts.

COUNCILMAN JONES: To hold up payment?

CONTROLLER BUTKOVITZ: We review contracts to determine if they are within the Council appropriation and whether they're legal and whether all of the legal forms have been satisfied, and then we have to pay them.

COUNCILMAN JONES: So even if they owe us, we must process a contract payment?

CONTROLLER BUTKOVITZ: No. If they are delinquent on City taxes, we get a hold from the Law Department and we execute that -- we will hold back payment under that directive.

COUNCILMAN JONES: So similar to that and liens, do you have any recommendations for us that we should -- I got the data sharing issue, but are there any other tools within our arsenal to induce people to pay?

CONTROLLER BUTKOVITZ: I think some of the things that were alluded to in Kerkstra's article in the Inquirer such as the ability to cross-reference some of this. So if people are delinquent on real estate taxes, the ability to cancel or hold their professional licenses or their business licenses. Some of the legislation the Council President is pursuing in Harrisburg to allow liening on properties that are outside the City of Philadelphia for tax delinquencies that occur inside the City of Philadelphia. I think those are all on the right track.

COUNCILMAN JONES: I just wanted to get that out there so that there's some concurrence about possibly Councilman Kenney's recommendations from your office.

CEO White, you talked about behavior of customers and their predisposition to pay or not to pay and treating them slightly differently. Can you elaborate on that so that if there are things that we can learn from that as a city and maybe add that to our arsenal of the continuum of collections.

MR. WHITE: Certainly. I was mentioning we use something we call risk-based collections, and what that indicates to us, we score every customer and we have a risk score as to what their propensity to pay us and when, and we determine from their back history -- from their history, I should say, that say Customer A is slow pay, but we're going to get paid. Well, then we won't utilize resources that we don't have to use and spend money that we don't have to spend to address that customer when we may have another customer that has shown historically that they are not going to pay us. If they go more than ten days late, they're probably not going to pay us. And in that instance, we'll approach that differently.

Now, how you would apply that to the tax problem that you're dealing with, I'm not certain, but I will say that the historical payment of the gas bill allows us to make a pretty good -- is a pretty good indicator as to how you're going to pay your future bills, and that's how we do it. We score it and we have a different outbound call for that consumer and we may take different steps. Certainly it's very expensive for us to send a crew out to dig up the street to shut off your gas, but if we determine that you're slow payment, you're going to pay us, your history has always been you're going to pay us, we may not spend that money.

COUNCILMAN JONES: One thing that has been brought to my attention -- this is my last comment, and this is to both, but more to the Controller -- is that I don't know if we're doing the best job as a city in making options of payment, resources available for payment, known to all citizens.

It has recently come to my attention that it often is in the best interest of collection agencies not to let individuals know about prompt pay, and the way that payments are made to principal versus interest versus penalty aren't made clear to them. So it almost is incentivizing them to drag things out longer, get more payments out of them. And I'm very concerned about full disclosure of information for all citizens to know what they can take advantage of by way of payment plans. It's something that I would encourage all of us to take a look at.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you.

Given the fact that the two of you live and breathe this issue through your work, are there other municipalities that do a better job than Philadelphia?

CONTROLLER BUTKOVITZ: I think every municipality does a better job than Philadelphia. I think that was the point. I thought that was the point --

COUNCILWOMAN BROWN: So which one would you look to that we could glean --

CONTROLLER BUTKOVITZ: I would go back to the Inquirer series. I believe they cited Baltimore and -- I'm trying to remember the other cities that were cited, but basically Philadelphia was linked with Detroit as the two worst cities in the country on this issue.

COUNCILWOMAN BROWN: Forgive me?

COUNCIL PRESIDENT CLARKE: Point of order?

COUNCILMAN JOHNSON: Point of order. I'm sorry, Council President, being out of line. I was just saying in a similarity with Detroit is, Detroit went bankrupt, just for the record so people will know. If we don't get our fiscal house in order, I mean being compared to a city that went bankrupt is not a good thing.

COUNCILWOMAN BROWN: Okay. Thank you.

COUNCIL PRESIDENT CLARKE: Are

you done, Councilwoman?

COUNCILWOMAN BROWN: Yes, for now.

COUNCIL PRESIDENT CLARKE: Thank you.

The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Council President.

And Mr. Controller and Mr. White, I appreciate your time today testifying and educating us. I think education is important. As Majority Leader Jones had just indicated, what kind of education are we doing or where do we fall into the litmus test on how good of a job are we doing as a city to educate our citizens on programs and availabilities and opportunities that we have for either prompt payments or delinquency payment plans I think is critical. And so far with the hearing yesterday -- and we're going to find out today -- that that has been consistent on where we are, how I believe that it may or may not be in our interest to -- people may not be as proactive as others in educating the citizens on what their opportunities are. Because at the end of the day, we want people to be on payment plans or pay in full the delinquencies so we can shift things around so the motor keeps running smooth.

Mr. Controller, you had mentioned a few things, and I'm going to ask both of you, but you already have been speaking on it on areas that need to be worked on, but I think it's been consistent that we need to invest in our priority departments. It seems like technology and making that investment in an area that we're going to have a better return on our investment. So if we're going to invest in technology and data collection, I believe -- and I'm not sure, Council President. We have an Office of Property Data. I don't know if that here in the City of Philadelphia --

I'm not sure other data that goes along with that, if it's just property data, but as Councilwoman Sanchez was stating yesterday, we have the opportunity if we're going to make these investments and prioritize these investments, let's do it right. Let's have a data warehouse that has not just property data but other municipal delinquency data on there. So when we pull up a property, it either has owners' names or the LLCs that everybody hides behind or other kind of shelters where it's hard to collect when somebody has a portfolio of delinquencies. So I think it will be in our best interest to make those smart investments as we're shifting dollars around and making cuts every year.

Mr. White, on your early detection and outreach for delinquencies before it actually becomes a delinquency on algorithms or patterns of customers, when they reappear -- first of all, how long does it take before you write them off? What's your time period before you write it off as a delinquency on your balance sheets?

MR. WHITE: We've altered that over time, and I can't -- I'll have to get back to you on the exact amount of time we're using at the present, but we have so many less customers that have gone to write-off over time that we've been able to change that.

If I may add to your earlier comment, though, you have to spend money, but you have to do the cost-benefit analysis to know that you're spending the money and you're going to get the value out of that. And there's none of the programs that PGW implemented that we didn't have the cost justified before the Philadelphia Gas Commission, and we couldn't just, Let's take a shot, let's spend half a million dollars and put this in and see if it works. We had to justify that the revenue stream or the opportunity coming from that would justify the expenditure. So I would just encourage you to consider that when you're looking at different programs.

COUNCILMAN HENON: Without question, there will need to be a cost analysis on any kind of investment that we make here in the City of Philadelphia on our collections and prioritizing our resources. And it seems like you kept in mind -- like you're going to have 90 percent of the people covered with the programs and the investment that you make, and the other ones will be sort of on a case-by-case circumstance or individual basis. So I'm sure -- did that come into play when you were taking a look at the program and patterns and histories, taking a look at the larger base? So the City of Philadelphia, we should be taking a look at the 91, 92, 95 percent as opposed to special circumstances where we can keep things on a turnkey type of operation and we don't get different answers from different departments on our collections.

MR. WHITE: Well, if I understood your question correctly, when we approach it, we basically -- you're going to fall into one bucket or another. At the end of the day, are we collecting a hundred percent? No. We're somewhere between 95 and 97 percent. But historically we were at about 92 to 93 percent. And each percentage point to us was about $9 million to the bottom line. So we don't just dismiss any category. Not saying that you're indicating that, but a delinquent pattern will fall into one category or another, and we will have a strategy for every one of those categories.

CONTROLLER BUTKOVITZ: If I may make one specific suggestion. There's one property we've been tracking on Juniper Street for months, which is constantly being listed for Sheriff Sale and then being removed from the Sheriff Sale list by the Law Department. Nobody

3/20/13 - WHOLE - RES. 130088, etc.

knows why these things come and go off the list. I think the Council could require that there be some specific -- a form filled out and a specific reason why something is being removed from a Sheriff Sale list. You're talking about prime real estate. You're not talking about putting anybody out of their home. It's commercial real estate. They are delinquent. The property can fetch a much higher price than the amount of the delinquency. It's exactly what you're talking about, and these things mysteriously appear on and off the Sheriff Sale list.

COUNCILMAN HENON: One last question, Craig, Mr. White. Great job on the success of PGW and the long road that it has come to making it a positive asset here for the City of Philadelphia and its residents.

Mr. Controller, I'll be real quick. PGW has the authority, they can shut gas off. What does the City have, in your observation, as an audit? What kind of authority do we have? Because I know a few Councilmembers, including myself, have been kind of a little confused on tax delinquencies and the ability to get a benefit from the City, whether it's a housing inspection license, whether it's issuance of other types of licenses within the City, abatements, approvals, zonings and so forth.

Is there, in your observation, any authority that the City has that would prevent somebody to receive a benefit from the City and what it has to offer being tax delinquent?

CONTROLLER BUTKOVITZ: For the most part, City licenses are not contingent on tax delinquency. I mean, we have that in state law. I think if you're behind in your child support, your license as a lawyer, your professional licenses, can be cancelled for that. We don't have that in the City.

3/20/13 - WHOLE - RES. 130088, etc.

And the second point I would make is, I think Philadelphia Gas Works has established a tough reputation. I think what Mr. White was saying is people know that if you get behind on your gas bill, you're going to be in an automated system that there's going to be an escalating series of sanctions that are in fact going to happen. In Philadelphia, it is very discretionary and it varies in terms of who enforcement action is taken against and who it isn't, and, therefore, there is a lot of belief that we can carry these things a long while before we have to take it seriously if you're a tax debtor in Philadelphia.

COUNCILMAN HENON: Well, we need to change behavior, and I think L&I has been doing a much better job coordinating at least with several offices that I'm aware of at cross-checking data. But we do need to change behavior and send that same message as the gas workers have.

Thank you. I have no further questions.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. President. Sorry I couldn't stay yesterday, because I said this yesterday, but the line of questioners were just too long and I had an appointment I had to be at. But I was listening to the testimony downstairs this morning from the Controller specifically relative to this appalling lack of cooperation within the Revenue Department. I mean, I've sat with the Revenue Commissioner in my office with Rob Dubow, and he told me everything is fine, nothing needs to be changed, everything is running smooth.

One of the biggest problems we face in collections is the use of companies, construction companies in particular, and other types of industries in the use of 1099's making everybody a subcontractor. They do it in the nail salon industry where you have 22 positions and the people are working all day long and they're doing nails and they're doing feet and they're doing other things, and at the end of the year they get a 1099 form. They're responsible for paying their taxes. It's impossible to follow those people around.

The other issue is attitude. If you can't -- if the Controller or some other agency can't get a copy of the tax form, I mean, how are we supposed to cooperate with each other? L&I doesn't talk to Revenue. Revenue doesn't talk to L&I. The Controller can't get information he's looking for. And this whole attitude of cooperation that you're seeing now is all a result of AVI. If it weren't for AVI and setting a tax rate, we'd be in the same situation we've been in for years. So unless people start in the government because we can -- and I admire all the bills that have come forth and the time put into these hearings, and we could come up with a whole list of things to change, but unless they're going to implement them, it's never going to happen.

The attitude -- the taxing authority that you refuse not to -- that you always pay is the IRS. The IRS, nobody plays with them, because you know what's going to happen. Everybody plays with us. Even if you go into the suburbs and you try to set up a roofing kettle or a construction operation, they're on you. They're on you. Where's your licenses? If you don't have them, they'll take your truck, they'll take your tools, they'll lock you up if they have to.

Here it's just like, you know, go to Home Depot any morning at 6 o'clock in the morning and see all the unpaid taxes that are flowing through earnings earned in Philadelphia that are flowing out of the City and out to the suburbs or

New Jersey and we don't get a finger on them, and no one seems to care.

So, I mean, the Controller's work in North Philly, I was banging around North Philly this last number of months and people putting roofs on a house at 2 o'clock in the morning with a blowtorch. There's no one to stop them, and no one seems to care to stop them.

So, I mean, I admire all this effort and I hope we come up with a whole list of things that we need to implement, but unless there is a will in the Revenue Department or in the Administration to do anything differently, we're going to be in the same boat we're in and we're going to be talking about raising or setting a millage rate, a tax rate, based on money that we're not collecting in every sector of the economy. So we're asking residential homeowners to pay more real estate taxes because we can't collect not only the delinquent real estate taxes but the money that's flowing out of the City

3/20/13 - WHOLE - RES. 130088, etc.

every day and not being accounted for.

So, I mean, I admire the Controller's commitment and I admire his people's work, but without cooperation, it's crazy. And I don't understand why they don't have a motivation to share information. I really don't. I mean, have they said anything to you why you can't get a tax return?

CONTROLLER BUTKOVITZ: They're defensive. It really is shocking to me, because you'd think that they're in the profession of being angry and upset and wanting to collect a hundred percent of what's out there.

COUNCILMAN KENNEY: Give me my money.

CONTROLLER BUTKOVITZ: Yeah.

COUNCILMAN KENNEY: That attitude doesn't exist.

CONTROLLER BUTKOVITZ: No, it does not.

COUNCILMAN KENNEY: Up until recently, because now we're talking about a 1.32 millage rate, and that's when it starts to exist.

But I just think we need to have a different attitude, and I don't know how you change attitudes about tax collection. I really don't.

The issue of tax liens that you had alluded to, Alan, earlier, what's the value of a tax lien? Where does the value exist? We lien the property. We don't have the money, so we lien the property for non-payment of taxes.

CONTROLLER BUTKOVITZ: It means you come ahead of other creditors who may bring judgments against that person.

COUNCILMAN KENNEY: And what you're saying is the value of that potential dollar-for-dollar sale based in the position --

CONTROLLER BUTKOVITZ: To the third party?

COUNCILMAN KENNEY: Yes.

CONTROLLER BUTKOVITZ: I mean, I've had a contact that says whatever our total amount of tax liens are, $500, $600 million, they said that they believe it is purchasable for that face amount. They're going to outline that proposal to us in the next few weeks, but basically they're talking about a model in New Jersey where New Jersey allows, at an 18 percent interest rate, allows third parties to pay taxes for people, and if the people catch up, if the people want to redeem it, they have to pay 18 percent interest to the third party. After three years of non-payment of taxes, they would be subject to eviction from the property. So there is -- potentially this money is not lost and worthless.

COUNCILMAN KENNEY: Because yesterday's testimony of, I think, the Deputy Revenue Commissioner went through the whole litany of what they need to do in order to get to a point of actually liening the property - notification, municipal court, paying fees, all that stuff. Would you argue that the avoidance of all those fees and all that time would be avoided if in fact we sold them dollar for dollar to a third party?

CONTROLLER BUTKOVITZ: Well, I think we're talking about two different things. I'm talking about the accrued liens that are already in existence.

COUNCILMAN KENNEY: My understanding is, there's annualized delinquency that happens -- it's not necessarily old debt.

CONTROLLER BUTKOVITZ: So you have to add the new lien.

COUNCILMAN KENNEY: It's new debt. So there's a flow of new lienable property every year.

CONTROLLER BUTKOVITZ: Yes.

COUNCILMAN KENNEY: So we enter into a process where we send letters, maybe we make -- I don't know whether they make calls or we go to Municipal Court and we file this, we file that, and every one of those steps has a cost associated with them.

CONTROLLER BUTKOVITZ: Yes.

COUNCILMAN KENNEY: So the sale of that directly to a third party, who would do all the things we're doing to collect the money, we're not doing. We just get the money up front.

CONTROLLER BUTKOVITZ: Right.

COUNCILMAN KENNEY: So is that something you would recommend us looking at?

CONTROLLER BUTKOVITZ: I think you have to determine the impact on the different classes of people that are going to be affected for that. It's one thing where we have these accrued liabilities over 10 or 20 years, these large amounts. Now, there may be people who have a financial problem in one year and they get delinquent in their taxes, and I think as Councilman Jones alluded to, once you sell them over to the private market, they're facing very harsh consequences and nobody to talk to.

COUNCILMAN KENNEY: But I'm

sure there are -- and we have ways of protecting people in peculiar circumstances.

CONTROLLER BUTKOVITZ: Right.

COUNCILMAN KENNEY: But overall, I mean, do you think everyone that doesn't pay --

CONTROLLER BUTKOVITZ: If people are protected --

COUNCILMAN KENNEY: Do you think that everybody that doesn't pay their real estate taxes are in a peculiar situation or there are people that just don't pay?

CONTROLLER BUTKOVITZ: Right, but that's why I have some reservations about it on a brand-new-this-year-delinquents-for-the-first-time basis. I don't have those same reservations for people who have had a lengthy history of not paying their taxes.

COUNCILMAN KENNEY: How about property owners who are out of town or out-of-town property owners who own multiple properties that they're delinquent on, maybe they're rental units.

CONTROLLER BUTKOVITZ: The only people I think really merit special consideration are occupants who are having financial difficulty making ends meet.

COUNCILMAN KENNEY: Right. But do you know or -- we could find out, but do you know sitting there now what the percentage of properties have one owner, multiple properties --

CONTROLLER BUTKOVITZ: No.

COUNCILMAN KENNEY: -- and what condition their tax situation is in?

CONTROLLER BUTKOVITZ: No, I don't.

COUNCILMAN KENNEY: All right. Because, again -- but thank you for your work.

I mean, you guys have done a great job at PGW. Why they're even looking to potentially sell it is a mystery to me, but the way it's been running lately and for the last number of years is, it's been an art form. So we appreciate all the work you're doing there.

And, again, Mr. President, I think attitude change about the ferocious way you go after your money I think is what's needed, along with some other changes.

So thank you both for your testimony.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. I agree that the sense of urgency on this issue was created as a result of AVI, and we just have to have a sense of urgency as it relates to coming up with a real solution, implementable solution. So I agree with you a hundred percent.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Mr. President.

I wanted to take advantage since we have these two guests with us to talk a little bit around the water delinquency, and we didn't get into it, but Controller Butkovitz talks about the 132 million in delinquent accounts for water and sewer charges. Is that number that you are getting, is that just principal or is that interest and penalty also?

CONTROLLER BUTKOVITZ: I think that's the accrued amount of everything at this stage. It's been a growing number.

COUNCILWOMAN SANCHEZ: Okay. I just wanted to know if that was principal.

I wanted to take advantage of Mr. White and the great work that PGW has done. Yesterday I mentioned it in passing to Commissioner Richardson that I didn't want to get into the conversation because I have my issues with the water debt situation.

Mr. White, you have -- because one of the issues with collections Revenue brings up is when we have the moratorium. But you are also subject to the moratorium.

MR. WHITE: That's correct. December 1 to March 31st.

COUNCILWOMAN SANCHEZ: Right. And you're still able to collect. Because one of the requests from Revenue has been around do we lift the water moratorium that coincides with yours, because people need water for their heater, but this hasn't been an impediment for you to increase your collections. So what are you doing differently than we do with our water?

MR. WHITE: Well, certainly if we have a customer that stops paying us on December 1 and doesn't pay a single bill, we are being impacted by the moratorium. What we're doing differently now than what we've done in the past is, we are teed up for the very first day that we can do a shut-off, we will be ready with the maximum number of shut-offs that our workforce can handle. So we are --

COUNCILWOMAN SANCHEZ: Is that April 15th?

MR. WHITE: I think it's April 15th, subject to check.

And the fact of the matter is, we will put out in advance of that all the appropriate PUC required notices and, therefore, we've met all the legal requirements, and on that very day we can take certain steps. And we've employed our risk-based collections, so we know what customers we want to shut off because we believe we will get the most bang for our buck.

COUNCILWOMAN SANCHEZ: When you sent out those notices -- I know one of the areas that I'm impressed around the work that you do and PECO has done is around LIHEAP, making sure people are applying.

MR. WHITE: Absolutely.

COUNCILWOMAN SANCHEZ: I have been told that there's still a lot of money on the table that people have not applied for this year. So when we talk about folks, there's still a lot of people that have not applied.

So on that, do you find that those notices required by the PUC, is the rate of return in terms of people coming in, does that generate a lot of folks coming in or are you seeing an increased number on April 15th? I mean, has that process minimized the rate of shut-offs you have to do on April 15th?

MR. WHITE: Well, typically because of the winter moratorium, we have more work than we can handle through the month of April, and by the time we get closer to the end of the summer, we catch up on that work. And the fact that we no longer look at it from the standpoint that the largest -- if you have the largest delinquency, that may not be the

3/20/13 - WHOLE - RES. 130088, etc.

first customer we go out and shut off, because we may have risk -- we may have determined that the risk of non-payment is very low on that customer even though they have a large bill through the winter period, whereas a customer that has a much smaller bill, they've indicated in the past that they're not going to pay us, so we may take different steps.

But the fact of the matter is, coming out of that winter moratorium, we have more delinquency than we can handle for quite a while.

COUNCILWOMAN SANCHEZ: Are you finding -- one of the things that was impressive to me last year I believe was PECO wrote off a lot of money from their books. They went back and if people got on payment plans and were on a payment plan, LIHEAP, they wrote off old, old debt. The City, through amnesty, we've done reductions of penalties and interest, and now we are not posting old debt, but do you think as a practice for collection, we should consider if people come on payment plan, come online, reducing some of the principal debt, especially on that old, old debt as a practice? And I want the Controller to also respond to that.

MR. WHITE: We have two different situations. If a customer is on our customer responsibility program and they have existing debt, that becomes what we call pre-program arrearage, and if they continue to pay their bill for 24 months, they actually -- that entire arrearage is forgiven. So it takes a significant amount of months of on-time payments for that to be forgiven.

With respect to all other customers --

COUNCILWOMAN SANCHEZ: What's the percentage of that? I mean, what's the number? Can you give me an example? Because I think it's very important if we're talking about increasing collection strategies that all this be on the table, because as great as amnesty is, the fact of the matter is some homeowners are going to need a level of forgiveness, and as a city, we haven't entertained that yet, so...

MR. WHITE: Well, we have 70,000 customers, 70,000 to 80,000 customers on our customer responsibility program at any one time, and we have about 400,000 total residential heating customers. So it's a fairly large percentage, about one-fifth. And because folks are on a program that they can afford to pay, they have a much greater propensity to be able to pay those 24 payments and, in fact, have that -- get a fresh start. But, of course, for those customers who are not on the CRP program, if their delinquency is, say, written off after a period of time and, as I mentioned earlier, they then become a gas customer again, we will reactivate that write-off and we will attach that to the account and we will make them responsible for that amount.

COUNCILWOMAN SANCHEZ: Controller, what do you think about something like that, where people, particularly as we're looking to keep people in their homes, some sort of situation like PGW? Again, we use it a lot. I have a lot of my constituents in that, where 24 months of good faith, we consider writing off some of the principal debt.

CONTROLLER BUTKOVITZ: I agree with the program outlined by Mr. White, but there has to be some indication of good faith by the utility users or else everybody is going to figure this is a new game, that if you just don't pay your bill, you forget about it, we'll forget about it too, and that's too often been the history in Philadelphia.

COUNCILWOMAN SANCHEZ: So 24 months, which is what they use, is that a good barometer for you?

CONTROLLER BUTKOVITZ: I have a

lot of confidence in everything PGW management has done over about the last 15 years, so it's working there. We've recommended them as a model for many of the City's collection problems.

COUNCILWOMAN SANCHEZ: Thank you.

I think that this is an area as we're talking about folks in poverty and low-income folks that we need to consider as a Council, because amnesty for commercial and some of those things work, but for owner-occupied homes, this may be a vehicle for us to use to get folks a fresh start by implementing something like that. And as a municipal government, we haven't looked at it, and it's one that because of the track record PGW has had and some of the work that PECO has done, I think we are going to need to do if in fact we want to wipe off bad debt from our books at one point. And I know in some cases we borrow off of our bad debt, but I definitely think that this is something we need to look at. I know the CLS folks are already thinking about all the clients they're going to bring to us.

I just think it's time, and it has to be part of the strategy. So thank you very much, and thank you, PGW, for sharing your experience with us.

Thank you.

MR. WHITE: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

My question I guess is, we see that there is a collection rate and a discrepancy, whether it's 85 or 91, whatever the rate is, for real estate taxes, and Controller Butkovitz, every percentage point -- I don't know if you did an analysis or would you know. Every percentage point that we increase it from like 85 to 86 or from 91 to 92, do we know what that equates to?

CONTROLLER BUTKOVITZ: It's about $12 million.

COUNCILMAN SQUILLA: Twelve million dollars?

CONTROLLER BUTKOVITZ: Right.

COUNCILMAN SQUILLA: So if we could do -- if it was 85 to 95 percent, that's $120 million.

CONTROLLER BUTKOVITZ: Right.

COUNCILMAN SQUILLA: And that's just basically on current taxes that they're collecting.

CONTROLLER BUTKOVITZ: Yes.

COUNCILMAN SQUILLA: So obviously if we even do a better job of doing the collections, if we include that into our budget process, that could in turn help us lower our rate.

CONTROLLER BUTKOVITZ: Right. Of course, the Inquirer series pointed out that in almost all cities, the actual collection rate was about 99 percent in one year.

COUNCILMAN SQUILLA: Right. Well, that's our point. I think that's why we really wanted to have these hearings too, to find out why we were so low and then what we can do to improve that, and also because we do see an analysis of collection by the Administration, what they actually put into the budget. They perceived last year, I think it was, 87 percent. I don't actually remember the percentage. But knowing that we could collect more would be a way to actually add more money to our revenue stream and, therefore, help us to lower the amount of millage rate that we actually need to meet that goal.

CONTROLLER BUTKOVITZ: Well, the only difficulty with that is that until there's an experience of having been successful at that rate, there's a problem with projecting it, because 1991 Philadelphia essentially went bankrupt and we had PICA as the state oversight board, and if we have to err in any direction, the philosophy has been to be conservative, to be cautious, and to underestimate revenues and overestimate expenses, because you don't want to be in a hole where you ran out of money at the end of the day, whereas if you have a surplus, Council and the Mayor have been very creative at understanding what to do with surpluses.

COUNCILMAN SQUILLA: Well, from what you understand from last year, did we have a surplus?

CONTROLLER BUTKOVITZ: We have a surplus in our -- yes, we do.

COUNCILMAN SQUILLA: Do you have an idea of what that amount was?

CONTROLLER BUTKOVITZ: No. No.

COUNCILMAN SQUILLA: Also, when we talk about delinquencies, we hear of a strategy to change that and that the Revenue Department is going different ways and also giving some more work out to outside firms. Do you know like if best practices throughout the United States of whether they do it in-house or outsource the collection of real estate taxes?

CONTROLLER BUTKOVITZ: I don't know.

COUNCILMAN SQUILLA: You don't know?

CONTROLLER BUTKOVITZ: No.

COUNCILMAN SQUILLA: Do you have an idea?

MR. WHITE: Councilman, the only thing I can tell you is our experience. In 2001, we weren't billing 50,000 customers and we were probably billing the over 450,000 maybe correctly half the time. And the fact of the matter was that people have a day job, so we did bring in some support. We used a firm to work with our people, and we set up a separate unit within the organization where we actually plucked key personnel, put them into that unit, worked with a consulting firm. We didn't turn it around overnight. It took us five, six years of diligent work. We had a burning debt just like you're -- I mean, what I'm hearing today that you have, but we didn't turn it around overnight. Our percentage increased over time as we implemented one program after another. But we had to prioritize what we thought was the most important step first, and we went after that one and completed that. While all hell was breaking loose around us, we were working on this one diligently, getting it out of the way, ticking it off, and going to the next one.

So it wasn't something we did overnight and, like I said, we needed the help of an outside firm, because your people have responsibilities outside of just the mere fact that you have a huge problem that you have to turn around.

COUNCILMAN SQUILLA: When you did that, did you have a capital investment?

MR. WHITE: We did both. We were spending operating dollars and capital dollars. We put systems in to enable us, in certain instances, to enable us to do things that heretofore we couldn't do. We had to change our phone system. We had to upgrade our billing system. So we had a number of large computer-related capital investments, but for the most part, there was a lot of process and procedure that we had to nail down. And you made reference to best practices. That's absolutely key. You have to know what the best people are doing in that area, and as Mr. Butkovitz said, as reported in the newspaper, there were other cities that are doing it very well. I guess I would relate that to the gas situation. We looked at utilities that were doing it well.

COUNCILMAN SQUILLA: And do you have a rate of return? In other words, you spent so much money looking to collect either delinquent taxes or current taxes. Do you have like a dollar-for-dollar approach where if you spent $10 million, you realize that you gain $10 million back?

MR. WHITE: We actually have the oversight of the Philadelphia Gas Commission, and the Gas Commission ensures that we have to have an adequate return. Many of our projects had rates of returns in the 30 percent range, which is huge on an investment. Anything that was a closer call, if the rate of return was rather slim, we would err to the conservative side, and if the determination was, well, let's do the other ones first before we attack this one, that's what we did. So we took on the items that had the greatest opportunity first.

COUNCILMAN SQUILLA: And do you have an actual number from what your investment was to what you were able to collect, or no?

3/20/13 - WHOLE - RES. 130088, etc.

MR. WHITE: I can't tell you what that is, but I will tell you that our investment with the outside consulting firm probably was in the $20 million range. But just to give you an idea, after Katrina and Rita, we were collecting at 86 cents on the dollar, and now we're collecting at 96. Every percentage point is worth about 9 million, 8, 9 million for us. So you can see we gained our investment back very quickly.

COUNCILMAN SQUILLA: Okay. Thank you very much.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Councilman Kenney.

COUNCILMAN KENNEY: Just a point of information on Councilman Squilla's question relative to the rate of return on the investment in technology. Yesterday the Revenue Commissioner testified that over five years, they were going to earn $240 million. So divide that by five and that's what should be in the budget in revenue collection. It seems to me if you're going to testify that that's what we're going to raise, then you should at least account for it in your revenue projections in your upcoming budget and five-year plan. So that was his testimony, not ours.

Thank you.

COUNCIL PRESIDENT CLARKE: You're correct, Councilman. That would always help, particularly in this room.

Gentlemen, I want to thank you very much for your testimony. You've been very helpful, and I anticipate that we will see you again very shortly.

MR. WHITE: Thank you.

COUNCIL PRESIDENT CLARKE: Right now I'd like to call Matt Stanski from the School District of Philadelphia, Andy Toy, and Rick Sauer.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: Good afternoon.

Mr. Stanski, I think your name was called first. So you'd like to identify yourself for the record and proceed, please. And I think you heard what the Council President said. If you have written testimony, it will be made part of the record, and if you can summarize, we'd appreciate it.

MR. STANSKI: Absolutely. Matthew Stanski, Chief Financial Officer for the School District of Philadelphia.

Obviously delinquent tax is not an issue that has occurred overnight. Current delinquent taxes owed to the City that help fund the School District are currently at $184 million, and obviously it's no secret that the District right now is struggling financially. We had to obviously borrow $300 million this year just to meet our current obligations.

The District relies almost for all of its budgeting purposes on State and City revenues, and of the City revenues, 91 percent are real estate and use and occupancy taxes, which equate to $780 million. So it's obviously key for us to collect as many of those taxes as possible.

We are encouraged by the Mayor's announcement of his new collection strategy, but we also believe that that collection strategy must be implemented with fidelity. Right now we are meeting with the Revenue Department monthly to discuss our current outstanding delinquent real estate, use and occupancy, liquor taxes, and school income taxes to monitor the progress of getting those balances down, but we also believe that the effort is twofold. One is, one, collecting on the current delinquent taxes, but then, two, working to increase the rate of current taxes that are due, so increasing the collection rate.

We believe that looking at this

3/20/13 - WHOLE - RES. 130088, etc.

from two directions and with the strategies that have been outlined by the Mayor in his new collection strategy, we are hopeful that we can start collecting on some of this money. And, again, this will be a small piece to help the District regain financial sustainability moving forward.

And I would like to thank you for the opportunity to speak with you today and be happy to answer any questions.

COUNCILMAN GREENLEE: Thank you. We'll hear from all three and then we'll have whatever questions.

Andy. Mr. Toy, sir. How are you?

MR. TOY: Good afternoon. Happy spring, everybody. I'm Andy Toy or Andrew Toy and I'm here representing basically myself as a concerned citizen, somebody who worked in the Commerce Department of the City about over 15 years, and over that time, had a lot of personal experience with vacant and delinquent properties and how they really impact neighborhoods, both in community development and in terms of small businesses trying to expand or fix properties next door.

What we often found was that when we started investigating properties, they were very far tax delinquent, and there were a couple ways to go, either Sheriff Sale or condemnation or try to find the owner. Many times owners were not to be found. Other times when they found out that their property was available or the neighbor was interested, they would try to charge an extortionary price for that property. So we ended up many times pushing properties through the Sheriff Sale system, but in order to do that, because the system was so slow, it took the owner -- the business person $800 as a deposit, and that process could take one or maybe two years or more, and what really the outcome is is that it

3/20/13 - WHOLE - RES. 130088, etc.

disincentivizes people from actually pushing properties through that process that the City should have been doing in the first place.

So because we were on the front lines of this battle, I worked with the Law Department, folks in the Law Department of the City, and we pushed through in 1992 a state law that required a couple of things. And the person unfortunately, Andy Bralow, which those of who you were around back then, in the Law Department passed away shortly after the law was passed, but we worked really hard to get that thing passed, and the momentum was lost in particular in the Law Department.

There were two major -- a number of major facets to the law. One was that it eliminated the right of redemption for any properties that were either unoccupied or not occupied by residences as a residential property. So those people could not come back and claim their property nine months to 11 months later when somebody had been fixing up their property just because they had owned it and not paid their taxes.

And the other component of the law that I think is kind of interesting was the requirement -- two other components. One was the requirement of a registry that required people to register with the City, and if they moved, they'd have to let the City know exactly where they moved to. Otherwise, the City was not responsible for sending them notice that their property -- that their taxes were due or their property was coming up for sale. Because what would happen sometimes, people would claim that they never got notice and then the process would have to start all over again, and that was a key way of getting around it for some people.

And then the third thing, which was most important, was that the City was supposed to, required to -- and in the act, it says "shall" -- institute the Sheriff Sale process after one year of tax delinquency. And obviously that hasn't happened in many years. And these changes, if enacted, would have garnered significant additional tax revenues up to now, but, more importantly, I think it would put property owners on notice to make sure that if they're not paying their share, that something might happen, something will happen.

And from a policy standpoint -- and I attached a couple things here. One was interesting. From 1993, Governing Magazine actually gave Cleveland, Ohio an award for recapturing urban land. And it's exactly what we're talking about today, 20 years later. It took us 20 years to get there, but I think that's a significant step. It's a significant step, and it was right here, and we were talking about it back 20 years ago unfortunately and a couple other pieces of information, October 2000, this article or booklet by Frank Alexander, Renewing Public Assets for Community Development, done for LISC in 2000, which talks about bringing properties back online.

So we know it can happen in New York and Cleveland as models, and the Cleveland's Mayor at the time said the City that controls its land is going to control its future. We believe that, and I think we all understand that.

And the last thing I'll say is, we've seen properties in Philadelphia that have sat vacant for many years, and what happens is that the first year that somebody is tax delinquent, if we push hard, we can often get that person to pay their taxes. By year ten, sometimes those taxes are actually worth more than the property and we lose that opportunity. We lose the opportunity to collect. And then the other thing that happens is, the properties often fall down from disrepair over time and lose their values. So we actually lose value there as well.

So it's so important for us to move quickly on properties. And over the years, I have personally seen -- and I'll just sum up here -- the Sheriff Sale work for both large and small redevelopments, from the Schmidt site, which I helped to bring to foreclosure, to small side properties, side yards that are now parts of businesses and homes, improving properties, businesses that are hiring more workers, encouraging population growth, and paying those additional taxes. We need to make those up-front investments now, because the payoff is great in the future. And I would say that we should stop redlining those neighborhoods that are lower income, because we know that it's done in Center City Philadelphia. If you don't pay your taxes, your property goes up for Sheriff Sale or the City starts foreclosing on you, but it doesn't happen in many neighborhoods in the City, and to me, that's a form of redlining, and I hope that we can, with your leadership -- and thank you, Councilman Henon, for allowing me to come here today -- with your leadership and the Administration's leadership, that we can really make a difference on those and push this process forward.

Thanks.

COUNCILMAN GREENLEE: Thank you.

Mr. Sauer, and then we'll have questions.

MR. SAUER: Good afternoon. Thanks for the opportunity to testify. Rick Sauer with the Philadelphia Association of Community Development Corporations.

I guess I just wanted to start by applauding Council for taking a close look at the whole issue of property tax delinquency. We know it's a major issue impacting the City. And what we want to encourage you to do as you look to fix this problem is to look at it also in the context of fixing the City system for dealing with vacant properties, because we know that vacant, tax-delinquent properties are a big part of this problem and we need an overall solution to help put those back into productive use and on the tax rolls to generate the revenue that we need to provide the City services and fund the School District.

Clearly, for decades -- I think this was referenced earlier -- if you haven't paid your taxes, there hasn't been a lot of repercussions or if you haven't taken care of your properties, there haven't been a lot of repercussions, and as a result, we've had a number of properties spiral downward to the point of abandonment and vacancy and tax delinquency, and there hasn't been really a consequence to those owners for letting their properties slide to that point. And I think it's always been -- already been referenced, the recent PlanPhilly/Inquirer series, but at least 11,000 tax-delinquent properties are owned by entities or individuals that don't even live in Philadelphia, so they're not owner-occupied homes. I think maybe it was the overall number of 57,000 properties that are tax delinquent are not owner-occupied.

So while we know there's real concerns in making sure that low-income homeowners can remain in their homes, there seems to be a need, especially at a time when we're facing dramatic increases in property taxes, to really make a priority to be aggressive in going after absentee landlords and property owners and making sure they're in compliance with paying their taxes.

Clearly, blight and tax delinquency go hand in hand, but I think what we've seen -- and not just the current Administration but in the past --

there's been a policy of only foreclosing on higher-value properties that are tax delinquent when the City believes they can recoup their costs and generate revenue, sort of what Andy Toy was just referring to here. And so while revenue generation may have historically been a key purpose of foreclosure because it was inconceivable that owners are going to walk away from their properties that were worth something, I think we're in a different situation these days, and we need to really think about how tax foreclosure can be an opportunity to get vacant properties back into the hands of responsible owners who are going to get them back on the market, into productive use, and actually be an asset for our community and our city.

So we want to recommend a couple things along these lines to move tax-delinquent, vacant properties back into productive use. First is that the City should strategically foreclose on vacant, tax-delinquent properties that are blighting neighborhoods, and, secondly, that they should sell these properties to new, responsible owners.

Right now you go to Sheriff Sale, you can own a number of other properties that are tax delinquent or have other code violations and you're not prevented from being the high bidder and getting additional properties, even though you may have a poor track record on the past. And so we think it's important that the Sheriff Sale process adopt similar policies that -- the citywide disposition policies went into effect that now governs dispositions by the Redevelopment Authority, the Department of Public Property, and PHDC where you have to be current on your taxes in order to acquire property from the City.

We also think that creation of a land bank is a critical way to facilitate the process of moving blighted, tax-delinquent properties into the hands of responsible owners. And it's not just a matter of dealing with the public inventory that we already have that's scattered across multiple agencies, but a way to strategically acquire privately owned tax-delinquent properties, assemble them, where appropriate, with the public inventory that we already have to create development opportunities that will really impact communities in a positive way.

So we want to encourage City Council -- we know there was legislation introduced recently -- to move a land bank forward and create it here in Philadelphia. Several Councilmembers have signed on and supported that. And we think it's important to have a hearing on that bill soon so that we can move that process forward and really have a more proactive strategy to getting both publicly owned as well as privately tax-delinquent-owned properties back into productive use and tax-generating properties here in the City.

So thank you.

COUNCILMAN GREENLEE: Thank all three of you.

Councilwoman Brown.

COUNCILWOMAN BROWN: Yes. While we seek to do better at all that's being discussed, how and what do we consider for those on the fragile side of the ledger, seniors who are in desperate places for reasons that we understand? What do we factor in, think about or include given the work that CLS does well already? That's a constituency or population that too often falls in a very, very desperate place. What would your recommendations or thoughts be about that, that particular group?

MR. TOY: Well, my response would be that there are some safety nets in place already, but we have to make sure that that is indeed there, that people can make payment agreements, if necessary, and push their tax delinquency or their taxes out a little further, especially if they're on a fixed income. That would absolutely be something you'd want to protect people from.

COUNCILWOMAN BROWN: Okay.

MR. SAUER: I wholeheartedly agree. I believe there was a hearing on legislation just the other day that dealt more with payment agreements and with payment plans, so that if you can't afford to pay it all in one lump sum every spring, that there's opportunity to do that throughout the year. And I agree with you, we have to make sure that not just seniors but other low-income homeowners in particular have the opportunity to stay in their homes and face the rising taxes.

COUNCILWOMAN BROWN: Do you think -- what grade would you give us? Because when you look at the many citizens that are going to be severely impacted in Councilman Squilla's and Councilman Johnson's district and others in a more scattered way, how well are we doing?

MR. SAUER: With regard to?

COUNCILWOMAN BROWN: Those fragile populations and the awareness of the protections.

MR. SAUER: I think for some time it's been very difficult for people to identify what the opportunities are to enter into a payment plan, and so there needs to be a lot of public education around those opportunities and a lot better access to information around what those opportunities are.

COUNCILWOMAN BROWN: And if you had to ID those who can assist CLS and the Philadelphia Corporation of Aging on the awareness of those protections, what other agencies might you consider?

MR. SAUER: I mean, we would certainly offer our network of community development corporations throughout the

City and the housing counseling agencies to get the word out. So we're very supportive of that and willing to help out.

COUNCILWOMAN BROWN: Okay.

Andy?

MR. TOY: And there are occasions -- I mean, I've seen where an elderly person is living in a house that they just cannot really maintain and would be better off if there was some place in the community where they could actually live, but sometimes there's no other place, senior living quarters, in the community and then they have to move far away. But that's a major issue for many people trying to age in place or age in the community. We should be looking to the state for some of that funding out of the senior funding that they get from our lottery basically.

COUNCILWOMAN BROWN: My five minutes up?

COUNCILMAN GREENLEE: I haven't

been timing, but you can ask another question.

COUNCILWOMAN BROWN: A followup to a separate conversation Councilwoman Sanchez and I were having yesterday around PHA. For this particular constituency, might an opportunity exist to link up with all of these new homes that are going to be coming online by PHA and some linkage or some signal or some red flag from those of us who are serving seniors to connect seniors like in the circumstance you just described, get linked to PHA to capture those type of persons in desperate situations? I mean, of course, it's asking again for us not to operate in silos.

MR. SAUER: So if I understand your question correctly, I think, yes, if there are low-income homeowners, including senior citizens, that no longer desire or think it's appropriate for them to be a homeowner, creating affordable rental housing opportunities for them is really important and providing the supports they might need in the community are important. Whether that's through PHA or through other opportunities for affordable rental housing I think is important, and I know it's a priority of the City as far as funding development of new housing to address the lower end of the rental spectrum for those residents that have those type of needs.

MR. TOY: And many CDCs are developing low-income senior housing as well or a mix of senior and non-senior.

COUNCILWOMAN BROWN: Okay, then. That's good to hear.

MR. TOY: The more we do, the better.

COUNCILWOMAN BROWN: Okay, then. Thank you. Thank you both. And the work that you do is incredibly important, because decisions that are made in halls like this are great, but I'm of the view that trench, groundwork is so vital to facilitating change as well. I mean, you're on the front line where you get a chance to see it up close and personal, and it's important the work that you do. Thank you.

Thank you, Mr. Chairman.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you all for coming, and Rick, thank you for the work and your guidance as we worked on this land bank situation. I wanted to go to your piece around Sheriff Sale, because I note that in the package of bills both from President Clarke and myself, the Sheriff Sale issue has come up. In his particular case, there's a bill that he put forward around tailoring Sheriff Sale around end use.

What has been the relationship of the housing community development world and the Sheriff Sale around the disposition policy? Has there been conversations in the past with the Department of Sheriff formally around their process?

I think you brought up a really good point around as much as we have all of our checks and balances and tax clearances in place, we've never asked the Sheriff's Office to adopt any policies as it relates to Sheriff Sale, because they operate in that silo of we're just selling the houses.

Have there been communication either with the previous Sheriff or this Sheriff around that?

MR. SAUER: There have been some conversations in the past, and obviously the Sheriff is an independently elected official, so it's a little bit different from the Administration here. And I know there's been some improvements in the Sheriff's Department to address situations.

I guess our concern is that if

there's a push right now to put more properties through the Sheriff Sale process, let's make sure when those properties are coming out the back end that they're actually getting back into productive use that we want to see happen and it's not just a speculator coming in who is going to buy a property and sit on it for five or ten years to wait for the market to flip before they either sell it themselves or rehab the property. Let's make sure there's some real plans and that they don't have a history of being a bad property owner elsewhere in the City already.

So I see there would be no reason why the Sheriff Department couldn't put some procedures in place to either pre-screen buyers or require a minimum level of threshold or certain criteria, just like other City agencies have done already. And we certainly would be supportive of that.

That being said, I do also

think that the Sheriff Sale or tax sale process can be an important means for acquiring vacant, privately owned property in the City, and it could be more cost effective and, if structured right, a very effective way to deal with that private inventory, where we have limited tools and resources to address that side of things right now. So it's great if the City has their front door open now and we have 10,000 vacant properties within the City agencies, various City agencies, but if we can't address a significant portion or strategic portion of those 30,000 privately owned vacant properties, we're going to be spinning our wheels. So it's not like we can do one or the other. We need to look at both, the privately owned vacant inventory as well as the publicly owned vacant inventory. And that's where I think a land bank can bring those two things together. The state authorizing legislation provides some new powers or tools to pull properties out of the Sheriff Sale process to get them into a land bank so that you can integrate them with some of the other public inventory.

If the City agencies already own 80 percent of the vacant properties on a block and there's four other privately owned vacants, why wouldn't you want to try to assemble that into a fully developable site versus leaving a few vacant lots or a few vacant buildings in a new development, which you see happens in the past.

So I think we have a great opportunity here as we look at this to deal with that private inventory as well.

COUNCILWOMAN SANCHEZ: Thank you.

MR. TOY: I would agree on the lank bank issue as well.

Just one other point I think for the Sheriff Sales. They seem to be oftentimes sort of insider -- inside baseball, because you have to know what to do. You have to bring actual cash to the transaction. I think if we made it easier, people could actually use a credit card or look online and find the information very quickly and it was advertised, you would have the common people, maybe somebody that lives on the same block as some other property that's vacant and would be able to renovate that property. They would actually jump at the chance, but oftentimes it feels like it's sort of a behind-the-scenes kind of transaction and people don't know about it.

So the more transparent and the more information we can get out to the public on what the sales are, especially if we're going to drive more properties through there, it's important that we get more people to come to those sales and not the same old crew.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you, Mr. Chair.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

Being no other questions, thank you, all three of you. Thank you for your testimony.

Next I'd like to call Allan Domb and Joe Grace.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: Good afternoon. We have written testimony from both of you, so if you'd like to summarize any statement and proceed. Whoever would like to go first.

Mr. Domb, if you'd like to go first. Please identify yourself for the record and proceed.

MR. DOMB: Sure. My name is Allan Domb. I'm the 2013 President of the Greater Philadelphia Association of Realtors. I was President 23 years ago and they recycled me back.

Anyway, I'm here regarding, I guess, delinquencies, like everybody else, and we gave out a paper on our position on delinquencies, but I'll just give you a few highlights of it.

I'm representing GPAR, Greater Philadelphia Association of Realtors. We're in favor of AVI. We realize it has to be applied fairly and equally and uniformly. We also realize it's a big job, because any appraiser -- you call in three appraisers for any property, you're going to get three different numbers. So this is not a perfect system. It's a system that needs to be worked on. It could take two or three years to get it right, but it is a good start. We're not in support of any properties being assessed above market value. We believe fair market value is the way to go.

We've surveyed over 400 areas across the country. Real estate taxes in these areas average 1 percent of market value. So if a home is worth $200,000, the taxes are $2,000 a year; 400,000, $4,000 a year. We think that's fair.

We're in favor of AVI, providing the rate is 1 percent, but we offer ways to get to the 1 percent rate through making City government more efficient.

We realize the budget for real estate taxes is about 1.16 billion, and we understand that about 240 million would be needed in order to get the rate closer to 1 percent. We've been told by many sources delinquency rate averages 85 percent, and Kevin Gillen from the Fels Institute is going to do the research on that. And we've also been told that of 15 percent delinquents, 82 percent consist of investor owners with multiple properties outside the City of Philadelphia and commercial property owners. Only 18 percent are actual homeowners in the City. Staggering, and it's embarrassing actually.

Therefore, our suggestion is simple. Two options. And we realize the first option may not be that easy. But there was a question I think that Councilman Squilla asked Controller Butkovitz, and the question was, I think, in privatization, what's the collection rate? In other cities across the country that have privatized, it's 95 percent collection rate. The Center City District, which I realize is a different level of collection, collects 99.2 percent.

So we suggest privatizing collection of real estate taxes to get it to 95 percent and the last 5 percent is sold as tax lien sale certificates like the State of New Jersey.

We met with last week Jerry Sweeney and Paul Levy and discussed these ideas with them, and one of Paul's comments to me was, Check the cities of Newark and Camden and see how the tax lien sale certificates are doing in those cities. And the City of Newark, which I believe is in worse shape than Philadelphia, is collecting 95 to 97 percent of its taxes through state tax lien sale certificates. We need to do something like that. If privatization is not an option and we're collecting 85 percent, then we should sell the last 15 percent in tax lien certificate sales.

On March 29th, we've invited every Councilperson to a seminar we're putting on with Ira Lubert, who is an expert in the tax lien sale certificates. We invite everybody to come. This is not a democratic or republican venue. It's a venue to help the City of Philadelphia collect its real estate taxes.

The City also has currently, we're told, a range of numbers of $500 to $700 million of delinquencies, past delinquencies. We recommend the sale of these delinquencies. Whether we get 200 or 250 million, we recommend the sale.

We also on the third point is, the number keeps climbing. We're told now it's 60,000 vacant homes in the City of Philadelphia and parcels of land. We suggest selling that for whatever price can be achieved and having those people pay taxes and those blocks where those blighted homes live on become a better place to live for the people that live in those neighborhoods. I was told by Councilwoman Sanchez that one blighted home affects the value per property $7,500. If you have a block with three blighted homes and they get sold, that whole value of that block goes up in value.

We're recommending overall keep the rate to 1 percent. These three points will save over $250 to $300 million. But I think overall we feel AVI is an opportunity for the City of Philadelphia to reexamine all taxes that are delinquent. There's 16 different taxes in the City. It's time that we institute efficiencies in City government, which we as business people who work in the City of Philadelphia have enacted these in our businesses, especially in the last seven, eight years with the economy not being that great. There is no business in the City of Philadelphia that could survive with a 15 percent delinquency rate in their current business. Nobody could survive that.

So overall, we stand ready to -- GPAR stands ready to be part of the solution and a resource to you in resolving the City's problems with assessing and collecting property taxes, and we look forward to working with you.

Thank you.

COUNCILMAN GREENLEE: Mr. Grace.

MR. GRACE: Thank you, Councilman. And thank you for the opportunity to be here. I'm Joe Grace, the Director of Public Policy for the Greater Philadelphia Chamber of Commerce. And mindful of the Councilman's request, I will not read my testimony.

COUNCILMAN GREENLEE: Thank you.

3/20/13 - WHOLE - RES. 130088, etc.

MR. GRACE: Which has already been entered into the record. I'll just make a couple of points and then open up for questions.

The Chamber of Commerce supports the Actual Value Initiative. We think it promotes fairness. We think it promotes a sense of equity in treating all taxpayers equally across the City, be they residential or be they commercial. But fairness also includes making sure that all taxpayers pay what's due and owing to the City. And it's clear the City can do a much better job collecting delinquent property taxes than it has.

We've all heard comments today about the Inquirer news series in the past week, more than 102,000 properties or parcels delinquent on their property taxes. The City now owed more than $515 million in taxes, interest, and penalties. Clearly, something is not being done right, and it's not fair to taxpayers who are paying their fair share.

With a collections rate of 85 percent or just a little over 85 percent, we're lagging ten points behind all other major American cities. We have a 21 percent increase in the last three years in the total amount of money that is owed to the City in delinquent taxes and interest and fines.

This is not a new problem. The Tax Reform Commission in 2003 said this about how the City was doing ten years ago at collecting delinquent taxes: Philadelphia must do more to collect revenues from individuals and businesses that are either ignorant of their tax obligations or consciously choosing not to pay what they owe the City. Improving enforcement and increasing the penalty for non-compliance will allow the City to finance tax reform and lower the burden faced by all Philadelphia residents and businesses.

We support the Mayor's

initiative to expend resources on both increasing staff in the Revenue Department and enhancing the IT ability and capacity to better collect delinquent taxes. And I think the Mayor said in a news conference in January he believed that investment over the next five years could generate $250 million in collections over the next five years.

We specifically support the work of this Council in highlighting this very real problem here in the City, and we commend the Committee of the Whole and every Councilmember for paying attention to this important problem.

We specifically support several other measures that City Council is advancing that we think go to the heart of these issues. We support Council President Clarke and Councilman Greenlee's initiatives to place advertising on City-owned property to raise revenues without raising taxes in the City.

3/20/13 - WHOLE - RES. 130088, etc.

We support the Council President's proposals to move thousands of vacant parcels of both land and property into entrepreneurs' and developers' hands to redevelop them, to create jobs, affordable housing, and put properties back on to the tax rolls for Philadelphia.

And we support Councilwoman Quinones-Sanchez's proposal for a land bank to help speed and facilitate this vacant land and orderly disposition and development of property.

So we think there are issues that we can do and that we can be very supportive on to see the City put more properties back on the tax rolls and do a better job at collecting delinquent taxes.

Lastly, I would just say that the City has raised taxes, increased taxes, unfortunately on the real estate and the sales and the use and occupancy tax by just about $275 million over the last four years. If the City collected one half of the delinquent taxes, interest, and fines that are now owed to Philadelphia, that would be about $257 million, and that could have eliminated or could eliminate the need for those kind of tax increases. We think that's better for the creation of jobs, for every homeowner, every business, and every citizen in Philadelphia.

Thank you.

COUNCILMAN GREENLEE: Thank you.

Councilman Henon.

COUNCILMAN HENON: Thank you, Mr. Chairman.

Mr. Domb and Mr. Grace, I appreciate you coming in and respect your professionalism and years of service to both of you here to the City of Philadelphia. I have several questions for both of you.

One, I believe as a body we recognize and understand the need to better our tax delinquency and our services here. In doing so, in prioritizing them and bringing us up to technology -- because it seems like everybody has stated it's the technology and that investment which is going to have a better return, in which the schools get their funding, which lowers the millage rate. And I don't think there's not one person in this body who doesn't want the lowest possible millage rate for our -- or AVI. So that's for sure.

You had mentioned in referencing the tax delinquencies what it does to the neighborhoods, as per stated in the Inquirer reports and Kevin Gillen's, and I think there's a lot of merit to those findings in, I guess, the deplorable conditions and the property values in our neighborhoods. I think one report has showed that, Patrick Kerkstra along with Kevin Gillen, that where there's a block with tax delinquencies, the neighborhood declines in value 22 percent; is that correct?

MR. GRACE: Yes. That's what I read.

COUNCILMAN HENON: And from my data searching and my office over the past year, year and a half, I certainly drew the correlation with tax delinquencies, property maintenance violations, blight, and the decrease of property values also by 20 percent. So I'm glad that it was affirmed through a study like that. And in essence, what we're doing by not enhancing and bettering our collections on our delinquencies, we're lowering the value of the properties in the City. Instead of heading towards prosperity, we're going in the opposite direction.

So as, one, Allan, in the realty industry, I got to get a question. Talking about Sheriff Sales and the surplus of public property that we have, many of which, thousands of which, are either residential properties or vacant properties or vacant land and homes that we have on our rolls, what kind of -- what effect would it have if we bulk-sold property like Montgomery County or what kind of effect on the market would we have if we had resales on the spot on Sheriff Sale? And I don't know that system all that well, but from a market view and your perspective, what kind of impact would that have on the market?

MR. DOMB: I think it actually could be a positive. If this was a business, you said to me there's 60,000 parcels that have to be dealt with, I don't know that the City of Philadelphia is capable at this point of dealing with it. I would hire a private company like a Sheldon Good or private auctioneer to come into each Councilmanic district, let them pick a hundred homes, auction them off all at one shot in 60 to 90 days, advertise it. They do it all the time, public auctions. It's a private company.

Let them make their fee. You pick -- whoever can pick the properties and want to put into the first pool of a hundred, but you can have 1,500 homes sold very quickly. You could probably work through the inventory pretty systematically that way. It could be owner-occupants. It could be investors. But now a blighted home gets occupied. Create an incentive for them to develop it within the first 12 months. Even if you get peanuts on the value, what you're getting is an occupied property that changes the neighborhood.

One other thing I wanted to mention to you on delinquencies. I've been in business 34 years. We did all of our collections ourselves. The last four weeks I said, I'm not doing this anymore. I turned it over to a third party, all of our collections, and it's amazing how well a third party privatized is collecting for us. Because everyone knew me and would say to me, Hey, Allan, can you give me a break. I got tired of doing that. I said, You know what, the third party is the buffer.

I'm just suggesting this. From the City's perspective, you need a third-party buffer.

MR. GRACE: I would add one thing to either something that Allan said or, Councilman, it may have been in your question, but the City wouldn't only realize the value of getting properties back to make them more productive if we moved them, the vacant properties that we're holding on to, they're not on the tax rolls. I think the Council President spoke about this when he introduced with some of you that package of bills several weeks ago. The City is spending close to $20 million a year maintaining all these vacant parcels that are not on the tax rolls. So not only are there tax revenues not realized because they're vacant, but we're spending close to $20 million a year maintaining this vast inventory of vacant property. So there's -- we can go up on the revenue side and we can go down on the expenditure side by moving some of these thousands of vacant parcels into hands that want to develop them to good use.

COUNCILMAN HENON: And to add to that, there's additional expenses that have occurred aside from the 20 million. I mean, you have a larger liability cost on our insurance and the coverage of the responsibilities that we have with these properties, and a lot of them may or may not, depending if we get to them -- one bad weekend or a night, you never know what condition it's going to look like in the morning. So we're opening ourselves up to a ton of liability if the inventory continues to grow as it has been.

MR. DOMB: One more comment. I think there's 10,000 parcels that are vacant, and I think 7,000 of them are valued at less than a hundred dollars each, because they're in areas where you really can't build on the parcel because of the economics. If homes are selling for 75,000, you can't build a new home for less than 75,000 and sell it in the market. But those lots should be sold to the next-door neighbors for whatever you -- a hundred dollars, $200, whatever you can sell them for, and let the next-door neighbor expand their lot, pay taxes, now have a row home that has a backyard and maybe parking and a place for their kids to play in, fenced in, and now maybe they don't move to South Jersey or other locations. They stay in the City of Philadelphia with a unique home. And by having a row home with a big, full-sized lot next to it creates a higher value for that home down the road. But you keep them in the City. The main thing is to change the neighborhoods and keep them in the City.

MR. GRACE: And a higher value means -- that's exactly the point. It means over the long haul, more revenue for the City, because the properties don't -- that was the point of that Inquirer news series. Properties don't destabilize and the values don't slide because of all this vacancy and delinquency.

COUNCILMAN HENON: We certainly don't want to be a race to the bottom here in the City of Philadelphia, and infrastructure isn't just your bricks and mortar. I look at infrastructure as families and people who are trying to raise their family here, who want to get a chance at owning their first house or coming back to the City. So that's the infrastructure that we all want to see survive and thrive and prosper here in the City of Philadelphia, in addition to -- and collecting $250 million. So if that's collectable and that's over five years as per the Revenue Commissioner, I mean, that is additional revenue that could provide other services for many people here in the City.

3/20/13 - WHOLE - RES. 130088, etc.

MR. DOMB: There's 174 million a year just in the real estate taxes annually that we could collect if we did exactly what the State of New Jersey does, 174 million a year that we do in New Jersey. And New Jersey is collecting it, and Florida is doing it too. And there are companies in Philadelphia, by the way, who are buying these tax liens from Jersey and collecting on them. But we should be doing that. We shouldn't be in this business. We should be in the business of getting the revenue and putting it out to the services that need it.

MR. GRACE: And that's not pie in the sky, because as the Inquirer in that lengthy series pointed out and I think that the Controller testified just a little earlier this afternoon, many major American cities are collecting close to 99 percent, 98, 99 percent of the property taxes that are due those cities. So when we're at 85.5 percent, obviously all that revenue is being lost.

MR. DOMB: There's really two big pieces. The big piece is the outstanding past, which I'm hearing is 500 million to 700 million. The annual piece is 174 million. And as the annual piece doesn't get collected, it just keeps adding to the past, and that's the problem.

COUNCILMAN HENON: And I just want to be clear in my last question again. If we turned and moved a lot of our surplus over to private investments, which are people who want to purchase homes for whatever value, whatever that system, so that amount of insurgence of surplus here, that would not -- supply and demand, that wouldn't bring down values? What would that do to the market, the real estate market?

MR. DOMB: It might attract more people to come to the City. It might attract people who want to buy a home.

3/20/13 - WHOLE - RES. 130088, etc.

We have a high percentage of renters in the City. We might be able to convert some of those -- with the interest rates today are the lowest level they've been in 60 years. When I started in the business, interest rates were 21 percent. Now they're 3 and a half to 4. So buying a row home in Northeast Philadelphia for $50,000 and having a 4 percent interest rate is $2,000 just on interest a year. It's a joke. The payments are so cheap. You could actually get a lot of people invested in the City and do a whole program of converting people who are renting and showing them how they can buy and become homeowners.

COUNCILMAN HENON: I agree. I think we have a great opportunity that is in front of us right now if we address it smartly, and I think we need to do it now.

MR. GRACE: Just a very quick -- and I know in the interest of time, but I'm not a real property expert like Mr. Domb, but for some reason, I'm looking at Councilman Johnson and addressing Councilman Henon's question. A blighted parcel of land in Point Breeze is dragging down the values of the surrounding neighborhood, and whatever is done with that parcel, if it's moved into legitimate hands, is better and it's going to enhance the value of that block and hopefully put the property back on the tax rolls.

COUNCILMAN GREENLEE: Thank you.

Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Councilman.

My question is sort of, I guess, on the guise of Councilman Henon's questions about grabbing a bunch of these properties and disposing them in a professional way. We see now with the Sheriff Sales we have no -- at this point there's no control. If somebody does buy them, there's no development, plan of development. So we also do offer, I guess -- there is a chance that people can go to Sheriff Sale and also land bank themselves, which is not what we're trying to do. So it can defeat the purpose.

But with, say, our PRA or whoever, land bank, disposed of these properties, say we give them to a bunch of realtors throughout the City and they dispose of them. Is that something obviously that the City can mandate that there would be a plan of development and a timeline for this development in order for it to happen?

MR. DOMB: I mean, I think the best way to mandate something like that is through incentives. I think Council President Clarke had a bill that incentivizes people to develop within a certain time period. I think you got to do what we do with the private business. We incentivize people to perform. And I think you do the same thing when you're selling these parcels and properties. You incentivize them to take action.

MR. GRACE: I support a hundred percent. Allan beat me to the same point. We have to incentivize.

COUNCILMAN SQUILLA: And if that incentive isn't met, the City would then -- the property would then be returned to the City.

MR. GRACE: Absolutely, yes. It's my understanding that's what that one piece of legislation that the Council President introduces does in terms of having them in development districts.

COUNCILMAN SQUILLA: Now, would you just from your own -- I know the Sheriff Sales is a different issue, but do you think something like that as far as Sheriff Sales would also be a positive, or too hard to manage?

MR. DOMB: Positive as far as selling them and not having incentive on a Sheriff Sale? I don't know that you necessarily would have to do that in a Sheriff Sale, depending on the property. And I think the key on the Sheriff Sale is to unload it into private hands of -- if some private person is going to have to start paying taxes, you're going to see action. They're not just going to sit on the property and not pay taxes. So they're going to start taking action.

COUNCILMAN SQUILLA: Not the way the system is set up right now, because our land taxes are so low. So if you could get them, you could actually land bank them for 20 years and pay hardly any taxes.

MR. DOMB: Well, you have two properties. Then you're dealing with land and you're dealing with buildings. Those with the buildings have higher taxes. The land you got to do an incentive on to get them to develop it.

COUNCILMAN SQUILLA: Okay. Thank you.

COUNCILMAN GREENLEE: Thank

you, Councilman.

Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Mr. Chair.

I just wanted to thank both of you for your testimony. A couple of small statements and a question.

Allan, you talked about AVI, and I wanted to get an idea of what's your reaction in the real estate community regarding the new assessments and its impact on the actual business. I met with some developers, real estate agents, in my neighborhood, and a couple scenarios were, you know, you're in the middle of a deal and last week before the assessments came out, Church A was worth 400,000. Get this assessment today, Church A is now worth 1.5 million. Real estate agent and the owner of the church, now they're going back and forth.

I just want to get an idea from the real estate aspect the impact on these new assessments on your particular profession.

MR. DOMB: First of all, I will say this. I think it was Councilman Kenney who mentioned this to me. He said that of the assessments, about 35,000 of your 500,000 parcels under a 1.25 rate would have about an increase of a thousand dollars a year in real estate taxes, which while it's high, it's not the end of the world when you put it in the big picture. But I think overall AVI, it's a good thing. There are clearly problems. I know in the Northeast section of the City, there's a lot of problems. They have to be fixed. I mean, it's not acceptable if that church example was selling for 1.2 and the City said it's worth 1.5. That's not right. It has to be fixed. But whatever it's selling for, that should be the value, or whatever it's worth today, that's the value, not higher but what it's worth today.

And let me mention something

3/20/13 - WHOLE - RES. 130088, etc.

else. Most of the properties I've seen in Center City -- and I see a lot of them -- they did a pretty good job. I can't -- I mean, there's some mistakes and there's errors and maybe there's 5 percent of problems, but in general, it's not terrible. And also I think a lot of people who were used to paying very low taxes, 500 or a thousand dollars a year, and their properties went up a lot, what they don't recognize is the property that was worth 50,000 is now worth 300,000 and for ten years they were paying low taxes on the 50,000 while everyone else was paying on the full value. So they got tremendous benefits that they don't really understand and they're complaining about a $1,500 increase while their value went up 250. I would tell the City to say, You know what, we'll keep your taxes at 500 and we'll take the increase of 250.

It reminds of the Barclay when I bought the Barclay and I had to assess

3/20/13 - WHOLE - RES. 130088, etc.

everybody $15 million for the improvements and the infrastructure. The people complained. I thought they were going to throw me out of the building on the 10th floor. They were nuts. Meanwhile, their homes went up hundreds of thousands of dollars. They didn't care about that. They only cared about the 10,000 they had to pay.

COUNCILMAN JOHNSON: I just wanted to just get some additional insight from the real estate aspect. I'm having some conversations with a couple agents in the area. But the other component regarding the selling of wholesale land, I like the concept, but also I want to incorporate a component where non-profit organizations could play a role, because I meet a lot of non-profit organizations who would like to invest in certain parcels of land as it relates to the City and do development projects, rather it be affordable, mixed income, rather it be certain types of green gardens, rather it be dog parks, which I think we so sorely need in Point Breeze, but that's another way for us to start utilizing and bringing back the vitality of our neighborhoods. Because I know in certain parts, separate from Point Breeze, in certain parts of North Philly I go into, it would be a no-brainer if I was a developer and you said you're going to give me an incentive to give me these five parcels of land, but in return, I have to develop them in XYZ amount of time, it does make sense to move forward in that aspect. But that's just so much my comment on it.

MR. DOMB: I think as long as you make it economic for the person to do it, it won't be an issue.

COUNCILMAN GREENLEE: Thank you.

Before I recognize Councilman Squilla, Mr. Domb, just on one thing. This hearing is supposed to be about delinquent real estate taxes, so I don't

3/20/13 - WHOLE - RES. 130088, etc.

want to get too much into AVI today, but when you say about raising the property value for people, I mean, obviously in a lot of those neighborhoods there's people that have been there maybe a couple generations. So that market value means little to them. They just want to live out their life. So I think we have to factor that in too when we go over all this.

MR. GRACE: I'll just make a quick comment, and the Councilman is right, today is about looking at how the City collects delinquent property taxes. But there's been any number of bills in recent weeks introduced by Councilman Johnson and Councilman O'Neill and I'm probably leaving someone out --

COUNCILMAN GREENLEE: A whole lot of people.

MR. GRACE: -- that look specifically at what Councilman Greenlee just raised and the issue of whether we need to look at deferrals, whether we need to look at carefully calibrated exemptions. We certainly understand that and think that that's an important dialogue.

COUNCILMAN GREENLEE: I just want to get that on record. That's fine.

MR. GRACE: We agree.

MR. DOMB: We agree with a means income test, but we also feel that on deferral, it should be added to the -- as a lien on the property, so when they do sell it, the City gets the money.

COUNCILMAN GREENLEE: Okay.

Councilman Squilla.

COUNCILMAN SQUILLA: Yes. One other quick question since there was an AVI question there earlier and I just wanted to ask. Talking to OPA and they're doing assessments on single-family homes and then homes converted from single-family to multi-family homes, and they told us best practices show that the multi-family homes are worth less in the single-family

3/20/13 - WHOLE - RES. 130088, etc.

row areas. Is that something as a realtor you see?

MR. DOMB: I think there's three approaches to value. So we got to ask them how they're approaching it. There's cost approach, income approach, and market data approach.

On a single-family home, most appraisers will approach it as market data. Single-family home, what's the value.

Multi-family, they might be using cap rates or an income approach, and because they're not getting enough rents in that property or whatever the data is, they might not be valuing it the same way.

But clearly the highest and best value is a single-family home in most situations. And so when you convert it to a multi-family, the only argument I can make if I was an appraiser is, what is the cost to convert it back to a single-family and deduct that from the single-family next door, and that's where your value should be.

COUNCILMAN SQUILLA: Because we have some people converting single-family homes to multi-family homes in the process. So they're spending that money to make the property less valuable?

MR. DOMB: Well, they're spending it to collect income, but based on that income, it might make the property less valuable because they're using a different appraisal approach. When it's a multi-family, you're using an approach like what will I buy the property for based on the income it can generate. And most of your single-family homes are worth more as single-family homes than if you cut them up into multi-family, because the value as a homeowner, especially with rates where they are today, is far greater than a multi-family that has three or four units and the rents are low.

So it really is going to depend

on the situation. It's not a blanket statement, but in general, if I was given the choice of a row home that's a single-family in a nice area versus cutting it up into four or five units, that may be the desire of the homeowner who wants rental income, but I would bet that I could sell a single-family for a greater price than a multi, like a four- or five-unit building.

COUNCILMAN SQUILLA: And that would be the case depending on the area of the home and the value of the home compared to --

MR. DOMB: And the neighborhood.

COUNCILMAN SQUILLA: And the neighborhood. So in some instances, it may be the other way?

MR. DOMB: It's possible. I was in Point Breeze yesterday and I saw a property at the corner of 21st -- I can't remember the other street, but it was a single-family cut into four properties, and actually that property could produce $2,200 a month in rents. It's more valuable as four units in that area than it would be as a single-family.

So it's really by area. You got to go by area.

COUNCILMAN SQUILLA: So there isn't just one way to do it. So to say that that would be done throughout the City, you would find that hard to believe?

MR. DOMB: I think you could discuss that with them and it should be adjusted.

COUNCILMAN SQUILLA: All right. Thank you.

COUNCILMAN GREENLEE: Thank you.

Thank you both.

(Thank you.)

COUNCILMAN GREENLEE: Our next set -- I'm going to jump around just a little bit. We're going to have Richard Kane, Monty Wilson, and Stefanie Seldin.

3/20/13 - WHOLE - RES. 130088, etc.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: You're going to have to leave pretty soon, so why don't you start out. Identify yourself for the record, please, and proceed.

For those of you -- I think the other two may have written testimony, so if you can just summarize, I'd appreciate it.

Mr. Kane, please.

MR. KANE: Yes. Hello. My name is Richard Kane. I'm going to try to keep my testimony brief.

COUNCILMAN GREENLEE: Thank you.

MR. KANE: Basically I'm a taxpayer that due to circumstances, I wasn't a full owner of my house. My mother inherited the house from my stepfather, and my stepfather left the will to my mother and the children, which is myself. My mother never had a will before she deceased and the property was still under my stepfather's name. He passed away in 1974. Basically I'm in the process of getting the deed changed to my name and my brother's name.

Also, unfortunately, the City Law Department and the Revenue Department don't work hand in hand. I received notification from the Law Department to start paying taxes. I made an agreement with the Law Department to say how much I could pay. I'd say, Okay. At the time, it was me and my brother. I had income. I said for right now, because I was in foreclosure on the mortgage, that I was able to pay roughly a hundred dollars a month. That was my agreement with the Law Department. I've kept that agreement for the last several years.

COUNCILMAN GREENLEE: That was a written agreement, sir?

MR. KANE: That's what they send a notification in the mail, yes.

In the meantime, I try to get

into a program with the Revenue Department to start paying something towards the taxes also, but the Revenue Department said that if I didn't have the deed --

COUNCILMAN GREENLEE: Clear title to it?

MR. KANE: Clear title, then there was no agreement that they could make. I'm in a catch-22.

COUNCILMAN GREENLEE: Mr. Kane, just so I'm clear on this, these are the same taxes, the same real estate taxes you were making an agreement with the Law Department and with the Revenue Department?

MR. KANE: See, the Law Department, see, they basically come after you as far as putting a lien or other incentive for you to come to make agreement. And my situation is also that I also wanted to go to the Revenue Department and make an agreement with them, and they said I couldn't because I didn't have clear title to the deed.

My problem also is that for several years, I've been paying to the Law Department. I can't get them to answer as far as -- I have the receipts what I paid, but I have no clear statement to say, Okay, well, you down such -- I don't get no statement, no monthly statement, no annual statement, nothing to that effect. And also the Revenue Department, they said that if I had clear title, then I would be eligible for, I guess you could say, an amnesty program, whereas you could start paying X amount per month. But since I don't have clear deed, then at first what she said was okay -- when I first went there, she said, Come and bring letters of administration for the estate, and also I brought the will of my stepfather. I brought that, and when I went back and I had a down payment, I had a couple money orders for a hundred dollars, and she said, Wait a minute. She had a meeting with her supervisor. The supervisor said that, Mr. Kane, there's nothing we can do even though you have money to start paying; that if you don't have clear title to that deed, then you're not able to. And that's my quandary right now.

COUNCILMAN GREENLEE: How long, sir, do you think it would be before you're able to get the name in you and your brother's name? Do you have any idea?

MR. KANE: Hopefully within a year.

COUNCILMAN GREENLEE: Within a year, okay. Are there any -- and after this, I'm going to suggest that maybe you can meet with -- have you been dealing with any Council office at all, any Councilperson's office at all?

MR. KANE: No, I haven't.

MR. WILSON: Without being egotistical, sir --

COUNCILMAN GREENLEE: You're going to have to speak into the microphone. Identify yourself, please.

MR. WILSON: My name is Monty Wilson. I'm a lawyer at Community Legal Services. I'm here with Stefanie Seldin from VIP.

Mr. Kane is lucky. He has me as his lawyer and he has --

COUNCILMAN GREENLEE: So he has a lawyer, okay.

MR. WILSON: And he has Stefanie Seldin from VIP working to clear his title. He already has a pro bono attorney working on it.

COUNCILMAN GREENLEE: Okay. Well, that's good.

Mr. Kane, you are ahead of the game as far as a lot of other people. But I think what you're saying is that there's isn't the coordination or maybe the cooperation, if you will, or the consideration, whatever word you want to use, from the City. Because you want to pay your taxes, right?

MR. KANE: Yes, I do.

3/20/13 - WHOLE - RES. 130088, etc.

COUNCILMAN GREENLEE: You want to pay taxes. You want to enter into an agreement, but there's legal technicalities. But I will say, not just because they're sitting there, you got some good folks operating on your behalf.

MS. SELDIN: Thank you, Councilman.

MR. KANE: And another thing --

COUNCILMAN GREENLEE: That gets you to even have a shorter testimony.

Not you.

MR. KANE: An agreement -- okay. I understand there's principal, interest, and also penalties, but maybe the City could offer an incentive for people that are behind taxes to say, Look, if we cut down some of your interest and your penalties and you could pay on principal, that will be an incentive for a lot of people that has similar situations, similar problems to come into your coffers instead of penalizing them, you know, for different reasons as to why they're behind.

COUNCILMAN GREENLEE: I understand. And I think there are some programs, and I think your folks can help you there try to get in those, but --

MR. KANE: Well, that's the catch-22. I'm not able to get in the program.

COUNCILMAN GREENLEE: Because your name is not on the deed. I understand. I understand.

MR. KANE: Thank you.

COUNCILMAN GREENLEE: Thank you very much. Thank you for your patience in staying here.

Mr. Wilson or Ms. Seldin, whoever would like to go next. I ask you to try to be brief. We still have a number of people who want to comment.

MR. WILSON: Yes, I will. Despite my urge to read my nine pages of testimony into the record, I will not do that.

COUNCILMAN GREENLEE: That's

3/20/13 - WHOLE - RES. 130088, etc.

because we were nice to you. We jumped you ahead of a few people.

MR. WILSON: And I appreciate it. Councilman, I'll make this as absolutely as brief as I can.

My name is Monty Wilson. I am a consumer attorney at Community Legal Services in Philadelphia where I've worked for ten years. I started working in the private mortgage foreclosure defense world. We all know that Philadelphia has a nationally known conciliation program helping homeowners stay in their homes when they are facing a private mortgage foreclosure. We go to the ends of the earth for them. I'm going to tell you why that should be part of the model we use to keep homeowners in their house, but I want to just quickly tag a few points that Mr. Kane isn't going to make for himself.

I've been his lawyer since 2006. He inherited a house covered with a mortgage and tax debt. That mortgage had ballooned up to $19,000. It's not money he got. He inherited it from mom. Didn't own the property. I filed a bankruptcy for him.

Mr. Kane is the hardest working man in the universe. He worked with one of his brother's help, who was periodically laid off, to pay off that entire $19,000 in five years. He now has to leave to go to work, because three months before we finished the bankruptcy, he received notice from the City that he was being sued for delinquent taxes.

He had been paying $95 to the Law Department for a few years earlier than that every month. And actually I give the Law Department credit. They reached out to him to say there is a delinquency here, we need to work on that. He had been making those payments. However, unfortunately, the left hand and the right hand don't always seem to coordinate, and I'm not sure what the record of those payments are. We don't have a record of where that money has gone.

COUNCILMAN GREENLEE: If I can interrupt. One thing I wasn't clear on what Mr. Kane said, he said he had an agreement with the Law Department. He was paying something, a hundred dollars a month.

MR. WILSON: Ninety-four.

COUNCILMAN GREENLEE: And he was trying to get an agreement with Revenue. On what? I mean, was it different --

MR. WILSON: Well, he's paying $94. I have not seen a written agreement that states what that's for, where that's going. He was sued. I am now representing him in the tax foreclosure. The first step I wanted to take was, this is straightforward. We have guidelines. There is an informal system of getting people into payment agreements. Let's send the man down and get him into a payment agreement and settle the foreclosure. What he was told was, first time, come back with letters of administration and a will. When he did so, he was told, I'm sorry, you're not the record owner, we can't do this. That's one of the issues I want to talk about, is that we have this inconsistent information floating out there. So that somebody who is in fact right now making good-faith payments is unable to just get into an agreement, be done with litigation, let the man pay off his tax debt. He's proven he'll do that.

COUNCILMAN GREENLEE: Yeah.

MR. WILSON: Now, to jump ahead to my testimony, and I'll keep this very quick. Perfect point. It's not that we don't offer homeowners help. It's not that the Revenue Department doesn't offer agreements. It's that there's no real formal system.

It's gotten steadily better. I have to give the Mayor credit. I have to give the Commissioner credit. There was a time when I started doing this work when all agreements were verbal. I suspect very much that's what Mr. Kane was in. They have moved steadily towards written agreements. There was a period where people were getting into single one-page agreements that said $50 a month, a hundred dollars a month and then entered a consent judgment against them. I have problems with that if they don't have a lawyer to consult.

The City has now moved to where you can get into an installment payment agreement under what are known as the guidelines, which is a set of negotiations that we helped negotiate with the two co-counsels for the City, Linebarger and GRB, several years ago.

The guidelines are extensive. Linebarger worked with us on them extensively. They're actually quite good, but they're not law. So what we end up with is, the guidelines get followed when the City feels like it, and the parts that they don't like -- and one of the parts that's in the guidelines is you don't have to be the record owner. If you can show chain of title, you can get into an agreement. City Revenue has just chosen not to adopt that part. I understand that as a matter of policy.

First things first, why am I here today? We need a statute that sets up a single, unified, consistent, non-neglectable in the sense of we don't need another agreement that will work with people and then two years from now, when no one is looking, the policies change. We need a law that says you will get into an agreement. Here are the terms. You will pay this much. You will owe this much.

Obviously I love the Councilwoman's proposal to have some kind of forgiveness of principal. All I'm proposing in this bill is if a person like Mr. Kane pays off a hundred percent of their principal first, on the back end, only once they've shown those good-faith payments, they'll be forgiven some percentage of penalties and interest. We geared it so that as your income is less, you get more forgiveness, but only once you pay off that principal in full.

If we can set that up as a consistent, uniform system that's out there by statute so that no matter which agency you're dealing with, whether it's the Law Department, whether it's the Revenue, whether it's co-counsel for the City, that will go a long way towards giving people the impression that the City plays fair, setting up uniformity across the system and giving people a way to dig themselves out of this debt.

The amnesty programs didn't work for people like Mr. Kane because they don't have $3,000 to come up with as a lump sum. They need time to pay that debt off. If we can get this bill in place, it will be a huge step forward.

My last comment and the other piece of the bill is that we need to also -- we've heard a lot about siloing. We need to be able to send people like Mr. Kane to housing counselors who already know how to work with people who are facing foreclosure problems. We have a system in place right now. We don't need to invent it from ground zero. We have the Save Your Home Philly Hotline. The tax department and the City need to simply move slightly to the left and adopt those same systems. Let's get people to counselors to get into agreements. Let's get the hotline number out there as the tax hotline number. That will up the collection rate.

What's one of the goals we've heard about through and through? We need to increase the rate of collection. This won't be enforcement. This will be people who are in agreements and paying.

COUNCILMAN GREENLEE: Just so I'm clear, so the record is clear, when you're saying "that bill," you're talking about the bill that the Finance Committee passed a couple weeks ago?

MR. WILSON: Bill 120059. My apologies.

MS. SELDIN: 54.

COUNCILMAN GREENLEE: 54.

MR. WILSON: 54. That is the installment payment agreement.

COUNCILMAN GREENLEE: Because there's a lot of bills floating around. I just want to make sure --

MR. WILSON: That should be clear for the record.

The last piece, because obviously at some point someone is going to say, You're giving deadbeats another break? These people need to pay. This bill sets out a one-and-done rule. Yes, this is a fair agreement. Yes, I want people to get to housing counselors. Yes, I want people like Mr. Kane to be able to get some forgiveness of penalties and interest. But if you can't keep this agreement, if you don't pay your current taxes at the same time, strike.

COUNCILMAN GREENLEE: It's a carrot and a stick approach. Absolutely.

MR. WILSON: And at that point, the rest of the conversations you've been having for two days would come into play.

COUNCILMAN GREENLEE: I got you.

MR. WILSON: I think that's a fair proposition.

Thank you.

COUNCILMAN GREENLEE: Ms. Seldin.

MS. SELDIN: Stefanie Fleischer Seldin, Managing Attorney at Philadelphia VIP.

Monty spoke pretty eloquently, but I did want to add a couple points.

Philadelphia VIP provides free legal services to the poor by connecting our low-income clients to free legal services through private attorneys that work with our low-income clients on a pro bono basis. In order to access those services, I just want to let you know how low income these folks are who come to us. A single person must earn below $22,980. For a family of four, the threshold is $47,100.

I first want to thank Councilman Henon for requiring my testimony today and also for -- what do you call yourselves -- the Freshmen 6 for their interest in tax fairness and to also introduce myself to you and to what tangled title is, because I assure you, you will be calling me.

The tangled title is basically three different things. One is like Mr. Kane where the record owner is a deceased relative. Two are lease purchases, also known as rent-to-own agreements where the owner somehow disappears or won't cooperate at the end of the deal. And the third, as the Councilman knows very well, is fraudulent deed transfers. So that is our area of expertise, although VIP does handle all civil legal services with our private attorneys.

I would be remiss in not thanking Council for supporting our services. The small but significant amount that you give us allows us to serve 375 clients that we have currently and 175 new ones each year, but there are 14,000 tangled titles in this city. I provided you with a map with a zip code. There's a pinpoint map. You can check out your own district. Patrick Kerkstra was nice enough to run the numbers for us. About 3,000 of those tangled title properties are tax delinquent. So we base an enormous back load -- we have a waiting list now.

One of the concerns I want to point out to you, in addition to Mr. Kane and Monty's concern about the consistency and being able to go to either Linebarger Goggan, GRB or the City and get the same deal, also the fact that in making that deal, we had to take a poison pill, and that poison pill was that after three years of being on a payment plan, if those equitable owners are not actually record owners by the end of that three years, then the deal is off and they can proceed with foreclosure.

Now, you know, what's the saying, legislation is like sausage, you don't want to see it happen. So we made this deal, and I personally am not happy with it, but this is what we have to live with, and I just want Council to know that three years down the line when the folks who make more than $23,000 a year and can't get my services or are on my wait list or who have ridiculously tangled titles that we can't even solve because of the lackadaisical enforcement of the City in prior years, meaning that our clients are in generations, they have multiple generations, like grandparents who were record owners, great-grandparents who were record owners and they can't find all of these heirs, and so we can't help them.

So really my main point coming here was to make you aware that it is very likely that constituents will still be coming back to you even after we pass Bill 120054, which I urge you today to pass by the full Committee, but also know that we still have work to do to keep these people who want to pay in their homes.

Thank you for having me.

COUNCILMAN GREENLEE: Thank you.

Councilman Johnson, you had a question?

COUNCILMAN JOHNSON: Yeah.

Thank you for your testimony. On average, how many cases that you deal with in terms of tangled deeds?

MS. SELDIN: So every year we have 175 new clients and we have an ongoing basis of about 375.

COUNCILMAN JOHNSON: Three

hundred seventy-five?

MS. SELDIN: So right now it's around 500.

COUNCILMAN JOHNSON: All right. And the other part of my -- the other statement I just wanted to say was thank you for your testimony, first and foremost. You know, the other flip side to -- and I know Mr. Chairman talked about not intertwining AVI in the midst of this conversation because this is a tax fairness or tax collection hearing, but the reality is, if we weren't proposing AVI, we wouldn't be having this conversation. And so it very well is a part of why we're hosting these hearings and something I'm very conscious of and sensitive to just by working with people on the grassroots level, rather it's out in the community or constituent service-wise, is that people are vulnerable. I don't even want to use the word "vulnerable." People who need the support the most don't get caught up in this aggressive approach to make sure we collect revenue at the end of the day through taxes. And my focus is more on the individual who owns several properties, isn't paying their fair share, and they have the opportunity to continue to bill and profit, but yet still owe the City taxes.

But this is a very critical, important issue that we deal with on a regular basis. We always are referring someone to Philadelphia Unemployment Project for counseling. And even if we can't get an answer there, I will send my staff down to Councilwoman Blackwell's office to get additional support as it relates to making sure that individuals are protected in this context, because you do meet a lot of people who do want to pay their bill and for whatever particular reason got caught up in the system.

But that lack of uniformity is key, and it is a starting point. So hopefully that bill will get passed and the Administration can understand, because they have some pushback on it, but they will actually understand the need to make sure that we have a uniform process. And really it's not based upon who you know, to be quite frank with you, and that will determine what type of agreement you'll get. If you break the agreement and you'll get a break as opposed to -- and even, to be quite frank with you, if the Sheriff's Office going to come out and take your home, you know. But there's nothing set in stone in terms of the guidelines.

And so if nothing else, I just wanted to thank you for coming out to also put, you know, a real human component on this whole tax collection issue as well, because we have people who are following the law who want to stay in their homes and get caught up in the midst of a lack of policy, progressive policy, that we're putting out.

3/20/13 - WHOLE - RES. 130088, etc.

So thank you.

MS. SELDIN: Thank you, Councilman Johnson. I just want to add that I have to applaud the Department of Revenue and the City and Councilwoman Quinones-Sanchez and Councilman Green's staff who were working with us for eight months on this bill, and I also want to say that yesterday Frances Beckley said that she agreed with the idea of having uniformity for entering hardship payment plans. So I would call on the Administration not to wait for that bill to be passed since it's already on the record that they support it and it's within their power.

So I couldn't let the microphone go away without putting that on the record.

COUNCILMAN GREENLEE: Thank you.

MR. WILSON: She seems nicer than I am, but really she has an agenda.

I'd like to speak to the

Councilman's comment about AVI and how it connects to the --

COUNCILMAN GREENLEE: Please.

MR. WILSON: If I could for a minute.

It really comes down to two points. One, we are seeing obviously a sharp increase of people coming into CLS and PLA's office panicked about their AVI notice. They all got the notice that shows the dramatic increase. They don't know what it means. They don't understand that the rate will drop. They don't know about the AVI calculator online. They come into our office, and we provide that service, sitting down with them and running the numbers. I've actually run them with Mr. Kane to begin to address that problem.

I believe it was you yesterday who said you were at an AVI meeting where it was rather brutal for you.

COUNCILMAN JOHNSON: Yes.

MR. WILSON: Passing this bill

would be a step towards that.

The service I've been providing for my clients steadily for the last two weeks is running those numbers and -- this is the key part -- identifying the people who need to be in back payment agreements on the delinquent taxes. And then there is a different issue. There is a small pool of people -- in Patrick Kerkstra's article, he identified it was about 6.6 percent of the delinquencies -- who are going to see their bills going forward double or triple. There's going to be an intersect between those two groups, delinquent and my AVI bill just tripled, and they don't know it's coming. And the service I feel best about for CLS right now is sitting down, I've identified three clients for whom that is going to be the biggest issue. They thought they needed to take care of their delinquent taxes. They don't even know yet that their bill is going to triple next year. I know Council is looking at ways to do that, to address that issue. The bill I've been talking about does that.

But those are the people that you need competent counselors, competent lawyers to be sitting down with to figure out their advice. And I will say if we're going to deal with 41,000 homeowners sent to our offices, sent to counseling agencies, we're going to need funding. I have to put that right out there. My boss will not go for this on a free basis.

COUNCILMAN GREENLEE: Thank you.

Any other questions?

(No response.)

COUNCILMAN GREENLEE: Seeing none, thank you both very much. Thank you for all you do.

We have two more panels here, so we're going to try to move quickly, because we're already almost at the time we said we were going to break.

3/20/13 - WHOLE - RES. 130088, etc.

Darrell Zaslow, Victor Pinckney, Chris Sawyer, Chris Somers.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: And this is a recording, but I know we have testimony from you, written testimony. So please if you could just summarize, and then if there's any questions. Thank you.

MR. SAWYER: My name is Christopher Sawyer. Happy spring, first day of spring. We'd rather be outside right now.

I run a blog called philadelinquency.com, the Underbelly of Real Estate, and primarily the topic that that website discusses is what we've been talking about here yesterday and all day today, and the topic of tax delinquency is very near and dear to me. I actually rented a house in Philadelphia for three years that was owned by a tax delinquent, and he's still delinquent, and I actually sued that landlord over a deposit dispute, and he knows any second that when his liens get up to $2,500, I am going to try to push that house to Sheriff Sale with an $800 deposit.

I released some data earlier this week. And it's not from the Department of Revenue; it's basically information that I programmatically extracted out of the Department of Revenue's own website. I was kind of -- I wasn't surprised by the Controller's testimony earlier today or just a few hours ago about he was complaining about Revenue being a black box. That's a very big understatement. They're very adamant about not disclosing anything that they don't have to. Revenue performance is probably one of the most critical things that they do need to disclose, and you can't really trust the numbers. And when I -- I've downloaded almost every single OPA account and the revenue data for it and have published it, and I have also distributed some statistics to you this morning about what the penetration is in your Council districts for payment plans on payment agreements.

From what I found out, there are 578,984 parcels that OPA is currently tracking. The number of total liens that the Revenue Department has recorded against properties is 702,144 liens. The total number of OPA accounts that have a lien present, whether it's a viable lien or non-viable lien, is 98,989. And out of those, the number of properties that have liens that have a payment plan or installment agreement similarly indicated on the account is 10,441.

For the tax year 2012 -- that's the last fiscal year that the Revenue Department was able to apply liens on accounts -- the number of OPA accounts that had liens tacked on to them was 94,950, for a principal balance of $78.1 million for Fiscal Year 2012.

I think some Councilmembers

here recognize something that I had produced last year that was trying to look at landlords who had an active housing license with the Department of Licenses and Inspections who are also sitting on a property that had liens attached to the OPA account, and I had tallied that figured upwards of $12 million. So those are individuals who are generating income from their property and yet are not paying the City the amount that it's due.

The spreadsheet that I distributed to you that you should probably have, there is maybe about 50 properties that are misplaced in the bucket. If you recognize the zip code that doesn't belong in your district, it's because of a geocoding error, but for the most part, the figures on the very last column are correct. And one of the most striking things that I just noticed -- and I had produced this yesterday -- is in District 9, zip code

19150 has the number of property tax accounts that have some form of lien or delinquency on them. The number of payment agreements and installment agreements, the penetration ratio there is 67 percent. That's higher than anywhere else in the City. 19150 is West Oak Lane. West and East Oak Lane have some of the best, phenomenal performance for people getting on payment agreements in tax liens. I strongly suggest that the entire Revenue Department get on a bus and go on Ogontz Avenue and find out what is in the water up there, what's going on. Because there's something that has caused that to happen.

It's very interesting, and I've only discovered it maybe about 24 hours ago. If that was applied to a lot of other areas of the City, when you go to talk to your constituents about AVI later on this month and the next month and the next month after that, if there was more payment -- if the payment agreement and installment agreement ratios were up at that level for most of your districts, most constituents should be, What is AVI? What is that? I heard something about the news about that. Instead of what you're hearing right now, which is the, I guess you could say, the thunderous applause last week from Mayor Nutter's budget address opening up the budget season here in City Council. It's a trifecta, right?

So we have -- you have the City unions are upset. That's because the Administration is constricted on where they can move money around in the budget because revenues are constricted. That's one aspect of it. Then the other aspect of it is the SRC funding crisis that has been ongoing for years now. That's not going to go away. And I feel really sorry for the School District, because those folks need the revenue the most. They collect -- 54 percent of the revenue goes to the School District, yet they actually have zero control over the process of collections or the performance of how it happens. So they have their hands tied behind their back. And then, of course, the last one is AVI, and as the Councilman for the 4th District has mentioned and it's been playing on the radio all day today is, he got an AVI butt whooping.

So with that, I'll pass it to Mr. Zaslow.

COUNCILMAN GREENLEE: Thank you.

Whoever.

MR. PINCKNEY: I'm Victor Pinckney, First Vice President of HAPCO. I will be very brief, because I feel that our attorney, Darrell Zaslow, has some ideas thinking outside of the box about how to handle some of these tax-delinquent properties that would be very instrumental.

I'll say this: One of the things we do know, that delinquent tax real estate causes blight in neighborhoods. I'm not talking about hard-working individuals who maintain their properties who may have, through some financial problem, have fell behind on their real estate taxes, either owner-occupied or rental properties. I believe that something should be done as far as helping them to be able to get to pay -- to allow them to pay the money that's owed without receiving huge penalties and interest rates. This is for owner-occupied and rental properties.

With the rental properties, you could -- if you want, you can ask for the last year's income for the property or whatever the current income for the owner. By doing this, you can also ask that they have to make sure they have a rental license, which will be another quiver -- another bow -- another arrow in the quiver of the City's quest to find unlicensed landlords.

And for those owners who just

3/20/13 - WHOLE - RES. 130088, etc.

totally ignore the responsibility to pay their real estate taxes, something must be done. They have a negative effect on the City coffers and property values. These buildings are usually a drain on City resources; namely, the Police, L&I, and the Water Department. As I said, they affect the property value and living conditions of their neighbors.

There must be a method to allow the City to take possession or control of properties in a timely manner. This allows the City to give the delinquent property to potential homeowners, investors or some other means of control. They could be done through existing and proposed laws and maybe some serious thinking of outside of normal methodology.

COUNCILMAN GREENLEE: Thank you.

Mr. Zaslow, before you go on, let me see who else is here that I have on the list.

3/20/13 - WHOLE - RES. 130088, etc.

Joel Palmer, Rick Vanderslice, are they here? Okay.

Lynette Correa.

MS. CORREA: Right here.

COUNCILMAN GREENLEE: I'm probably going to mess this up really badly. German Parodi.

MR. PARODI: Here.

COUNCILMAN GREENLEE: How bad did I do?

MR. PARODI: Not bad.

COUNCILMAN GREENLEE: And Rashida Ali-Campbell.

They're all still here, okay.

I'm sorry, Mr. Zaslow. Please, go ahead.

MR. ZASLOW: Thank you, Mr. Chairman. Darrell Zaslow. As Mr. Pinckney said, I am the legal counsel for HAPCO, the Homeowners Association of Philadelphia.

Mr. Chairman, we have attempted to contemplate with you and for the benefit of the City the legalities of why it is that the revenue collections are basically not going well, and I want to suggest to you and our purpose in appearing today is a closer examination of the State of Pennsylvania statute which governs these matters.

The statute provides that foreclosure of the properties for tax sale is a major weapon to be used, but as you heard yesterday and you know without being told, the foreclosure process does not work on so many levels. You heard your officials here yesterday telling you that they can't foreclose because they have to send out 29 notices to different entities. To take away property forever from somebody is a very strenuous matter which the law looks upon as requiring the highest level of due process.

Now, there is another statutory vehicle that I am not clear as to why it is not used and used more or used at all here in the City of Philadelphia, and that word is "sequestration." Everyone has heard sequestration because on the federal government level, they're sequestering money out of the budget because President and Congress has, of course you know, couldn't agree, so automatically they're sequestering taking money out of the budget.

In the courtroom, we sequester witnesses who need to be taken out of the courtroom because they can't hear what the judge and the lawyers need to talk about out of the presence of the jury. We sequester a jury.

But in terms of Pennsylvania tax collection law applying to a first-class city, sequestration has a different meaning, and sequestration is the opportunity for a city to take control of a property and collect therefrom the rental or rental value of the property. It is a taking of possession by the City of real estate which is tax delinquent.

You have the right to go into

your tax rolls, find those properties which are delinquent, undertake the procedure to obtain judgment on those liens, which the Law Department obviously does, and then instead of going through these years of foreclosure where you're fighting with people, who are they, where are they, heirs, deaths, people who are not in the City, people who are not in this world, and you're not able to foreclose or do not want to foreclose because you don't want to own the property, you have the legal right to sequester the rental value of that property.

The procedure is delineated in the 1923 code, which was based upon 1901, which came from 1818. It's been around for centuries, and it is the least used of weapons that a municipality has, and there's a reason for it. When I suggest to you that you have the opportunity to sequester or take the rent or the rental value from any property that is tax delinquent, the conventional wisdom has been we don't want to get involved in managing properties. But when you hear that foreclosure does not work and at the same time you hear that you have the power, the Law Department, the Department of Revenue, to say we are going to send our lawyers into court, we are going to ask for a sequestrator to be appointed, and that person has the right to simply send notice to the owner of the property from now on, you pay us the rent. If it's one of the people who are your nemesis here -- and we know who they are -- we know that you can't stand investors who come here, not our HAPCO members who own property, live in the area, work in the area, know the area, but the people who come from out of town, out of state, own a lot of properties, and do not pay their taxes on it and yet they're collecting rent. You've heard testimony about that fact today. And that is completely unacceptable, and you have the remedy. You have the remedy to go to court and have the judge issue an order to have someone appointed to collect that rent. And if the person refuses to pay over the rent, then the remedy is even simpler. You go in with your court order. The court will send a Sheriff out in 15 days to evict the owner of that property or whoever is in the property.

Now, there's a leniency for homeowners who are having hard times, and the City does not, we know, we hear it, want to be evicting people on hard luck who live in their properties. There it's 30 days. But I know where you're looking. You're looking for repeat offenders. You're looking for people who own a lot of property and are not paying taxes.

The sequestration procedure allows you to become, in effect, the manager of that property. Now, they attempted it with a conservatorship law out on the state level. You may have heard that term used. It's a good idea. It's not nearly as powerful as the simple ability to walk into the Court of Common Pleas, get a judgment, have a writ issued, and begin to collect the rent.

Now, the sequestrator, whoever you would appoint to manage the property, is allowed to spend money on the property out of the rent money. The person who is collecting the rent is permitted to take the money that they collect and rehabilitate a property.

So it seems to us that you could use this vehicle of sequestration not only to deal with the tax delinquency by bringing money in, but to effectuate some change in the policy which you desperately wish to do, and, that is to say -- I heard the testimony yesterday from the law firms, and they work hard and do a great job, and they collect $50 billion nationwide. They are not interested in the little house in a difficult little neighborhood which owes, to them, not enough money to make the procedure worthwhile, because trust me, you have a $50,000 tax delinquency or a $500 tax delinquency, it's the same legal work. It's the same money that has to be put up. So they're not interested -- and you can't blame the City Solicitor for not being interested either -- in going after those properties, because there's no money in it. But yet if you sequester the rent, you collect the rent, you send out your block captains in your district -- this gentleman here looks like he has the information at his fingertips, Mr. Sawyer. Collect those properties in your district which you say we'll take those properties, we'll collect the rent, we'll put a few dollars in if necessary to fix them. But you don't even need to do that. You can pick out properties that are presently being rented, rents being collected, sequester the rent, and take it for yourself.

3/20/13 - WHOLE - RES. 130088, etc.

I will tell you that this procedure is also better for the delinquent, because when you Sheriff Sale a property, if you can ever get there -- and I was amazed to hear the statistic yesterday that the co-counsel, as they call them, these outside law firms that do the job, are saying they had 2,000 Sheriff Sales that they accomplished since they took over the job in 2004. Well, somehow that doesn't sound like a lot of foreclosures. Eight years and they took 2,000 properties to Sheriff Sale. We could take 10,000 properties within six months, which are rental income-generating properties, sequester the rent, pay the taxes, use the rent, fix the properties. On top of this, PHA can have an involvement here. PHA, there was an article in the newspaper where the new chief, Jeremiah, has said, I have 150,000 people on my waiting list, some extraordinary number. They're looking for places to put people. So if there's a property which for a very modest cost or it's fully functioning out collecting rent, collect the rent. If it's a property in your neighborhood that you know is maybe vacant, may be abandoned, you don't need to go through all this complicated title work, which is why foreclosure fails.

Title, title, title. You heard it all day yesterday. In fact, I was sitting in the audience just before and a gentleman who was sitting next to me, Mr. Jim O'Rourke, who happens to be a representative of a statewide title insurance -- all of the title agencies in the State of Pennsylvania, and he has sitting next to him a book on tax lien law, which happens to be my book that I am the updater of. I'm the writer of that book. He has it next to him. And he has a tab in that book, which is my book, that says sequestration, and it describes in there that it is the least utilized of all the weapons that

3/20/13 - WHOLE - RES. 130088, etc.

municipalities have.

Fifty years ago, 40, 30, 20 years ago, you may not want to have become rental managers, but you see that you're not becoming property owners, you don't want to own the properties. Why take on the liability when you can simply take on collection of the rent for this very short period of time until the taxes are all paid off.

So having said all of that, HAPCO stands prepared to participate. We personally -- you send out thousands of cases to co-counsel trying to muscle out a foreclosure. Forget the foreclosure. You have mass properties on the list. Send them over to our organization, organizations like it, appoint it as a sequestrator in order to collect the rent, and give us a shot at getting properties in our neighborhoods -- we know where they are -- rented out, collecting money, and paying it over to the City, after deduction of all the costs that are involved in getting to that spot.

I've listed in my testimony, the written testimony, different levels. Obviously a vacant lot is different than an occupied property. A blighted property is different than one which can be made habitable with just a modest expenditure. But I suggest to you that in terms of a real solution, really bringing in real dollars in a new way that has not been done in this city up until now, that this contemplation of sequestration is something which should be considered and that the Council and/or the Mayor, whatever the combination is that has to occur, by directive start this procedure and start the procedure in mind with fixing some of the blight that you face in your districts and which is so disappointing to you to have to deal with on a regular basis.

COUNCILMAN GREENLEE: Thank you.

3/20/13 - WHOLE - RES. 130088, etc.

Councilman Henon.

COUNCILMAN HENON: Thank you, Mr. Chair.

Gentlemen, thank you for hanging in there. I know it's after 4 o'clock and it's been a very long day, but I have a few questions for you.

One, Mr. Zaslow -- and I appreciate your love of the law there, counselor, and thank you for bringing us the public comment to City Council. In addition --

COUNCILMAN GREENLEE: Yeah, we really appreciate that. Thank you.

COUNCILMAN HENON: Come on, I'm trying to humor this hearing here.

But you mentioned sequestration. Is that what brought us the managing agent in The Philadelphia Code?

MR. ZASLOW: No, it is not. Managing agent is where any owner of property who wants to rent that property out needs a managing agent so when you or your administrative employees are looking to find the owner, you have someone to go to. This is the person who is responsible for the property.

COUNCILMAN HENON: Isn't there a provision in the Property Maintenance Code where the Managing Director could actually be, which is the City, the City of Philadelphia could be the managing agent?

MR. ZASLOW: There is a provision, to my knowledge, without having it in front of me, that if you fail to provide a managing agent, the City has a right to say, If you don't appoint somebody, we'll appoint somebody for you. That's the Managing Director. We have no one to notify. We'll notify the Managing Director and that's going to be equivalent to notifying you, whether you like it or not.

COUNCILMAN HENON: So I want to get back to real quick three questions for all of you here.

In your opinion, what would be the three top priorities in tax delinquencies and the three best advice and solutions to dealing with them?

MR. SAWYER: This is a theory of mine. I have discussed it with a few Councilmember staffers, and this goes particularly against the VLSIPS (ph) and what I call the -- it's also been called in the Inquirer the property Powerball, where you have vacant -- or you might have an improvement on the property, tax delinquent, it's causing a nuisance, it is sitting there and sitting and accruing the City costs. And the City has a unique advantage right now, which is it's pretty odd through this recession. A lot of cities have been pummeled. Philadelphia has seen a resurgence in its inner, inner, inner city neighborhoods where there has been market rate interest as well as non-profits wanting to build brand new housing in areas that people wouldn't want to touch 15, 20 years ago.

There are property owners that sit just outside of those zones that are doing this with their hands, because they bought the property at a point where the market was so very, very low. They were -- no one really noticed the area that much. Residents are complaining because the properties are always causing problems. The complaining gets louder as more of that market rate and development moves towards it. The Revenue Department should -- and the Revenue Department is really not the best interpreter of market conditions, unfortunately, but if you target areas that are just outside those zones where the next neighborhood or the next area that, Wow, we need to really fix this up or that City block, we could do something with it here, those areas need examination. We really need to take a look at those particular OPA accounts and see what has gone on with them. Have we sent them to Municipal Court eight times and they have not responded? At that point, there is going to be a market for those properties, and the foreclosure process is not going to work in an area like Nicetown or Tioga where the market rate interest, people wanting to pick up those properties at Sheriff Sale, is going to be lower, but if you go in like East Kensington, just outside Fishtown, you go in areas in South Philadelphia, you go in areas in West Philadelphia, you look at areas where there is -- there's not a homeowner-occupied property there, there is an investor, those are your accounts that you take the deed away, there's going to be a person at the other end that's going a wake up and say, No, no, no, please don't take my deed away, I'll do anything.

We had the Kensington factory fire last year. A lot of you know my complaint about this. The property is 1817 East York Street. It caused the death of two firefighters. The Revenue Department entered a payment agreement into that property. Right outside that property on Arizona Street are rehabs, and going just a couple more blocks down past the mega lots, there is new home construction going on right there. It's inching closer and closer to the El, and it's going closer and closer to the Kensington and Somerset, believe it or not. Most people won't believe it unless they go out there. Those property owners that are sitting there, the mega lots in Kensington are mostly privately owned, a lot of it is privately owned. They make sure to pay their taxes. They're waiting for that Powerball hit to strike. Those are your properties you want to look at for is it causing the City any discomfort whatsoever. If it is, have L&I sick it, take it. Take it, sell it at market rate, put it in the lands of a private market developer, the non-profit that wants it to build housing, the community garden, the side lot, whatever. Accelerate the process of recycling property where we know we can speed that up and get it faster. Because once you have that tree ring built, then there's the next tree ring and the next and the next and the next, and at the same time, you'll be able to collect more revenue, distribute those resources to where the City thinks it should spend it best. And I know we have lots of different crises going on. That is probably one of the best strategies that the City could do. The Revenue Department could start that project today. We probably wouldn't even have to discuss the other two, but I'll go ahead and pass it over.

MR. PINCKNEY: I would say, first off, act sooner. You have a lot of neighborhoods today he was speaking of that are being recycled. Before those neighborhoods were down, they were homeowners, working neighborhoods. They were income revenue-producing neighborhoods. Started with one property. Something went wrong.

3/20/13 - WHOLE - RES. 130088, etc.

Somebody died, didn't pay a bill, left. The property became vacant. The guy next door decided he didn't want to be there anymore. Next thing you know, you have a blighted block. Blighted block, blighted neighborhood.

I'll give you a perfect example, 1300 block of Myrtlewood Street in Brewerytown. That's where I grew up at. That block around the corner -- my mother's house is still right on the corner. That block there looks like a combat zone. I remember as a kid running up and down the street, playing, knocking on people's doors. The block was a hundred percent occupied.

Something must be done. You must react sooner. And also today and yesterday you were hearing -- when these people are tax delinquent, you hear about legal fees, the penalties, the fines. Granted, okay, you're saying some instances you forgive them. How about just making a fair market penalty? If someone -- if they are past due, whatever, a 3, 4, 5 percent penalty, because all you're doing is compounding the principal.

And I guess that's pretty much it, but the main gist of it is that you must act sooner. And it seems to be everyone is talking about these neighborhoods that are up and coming. There are a lot of neighborhoods out there that investors or homeowners are not going to try to go into.

MR. ZASLOW: Councilman Henon, if I may, if you look at my testimony, you'll see a transcript from 2010, and other than Councilman Greenlee sitting as Acting Chair here, none of the rest of the Councilpeople in the Chamber were even here the last time that we had these identical hearings. Read the transcript. The same hearings. A few of the characters changed and their testimony, who they were. The same hearing, the same problems, the same issues, the same diligent work by the Administration to try to do better, promising to do better.

I would like to see something done for real, Councilman. We are here with a potential solution, which we just don't want to see people say, Well, that's an interesting thing, and then move on. If there's a solution here that you are being told -- and I ask you to ask the Law Department and speak with the Revenue Commissioner, who I've been e-mailing about these matters since he testified here yesterday to get his take on it, and you will see this is a viable vehicle.

You have a land bank proposal which is percolating here somewhere. It fits hand in glove with this idea of having rent collected by the land bank and turned over to the City. It's hand in glove.

So you're asking for three ideas. Today I only have one, and it's barely one, and that is sequestration.

I'd like to see somebody do something to say let's see if we can institute some procedure that will really make some change, so two years from now, we're not sitting here again with the same conversation, which is difficult. There's no solution which solves everything, including this, but it can be, and I submit to you should be, a piece of the puzzle, which is why we're taking the time to be here. The research to present this to you was rather extensive. I think it can be done. I'd like to see the Administration say why it can't or shouldn't. I'd like to see Council say that it should and try to move it forward to some fruition.

COUNCILMAN HENON:

Mr. Chairman, I'm going to end with, this is why we have these hearings, you know, to have these kind of discussions and conversations in the public, transparent, with ideas and solutions.

In your opinion, Mr. Zaslow,

why haven't we used the sequestration tool that we have?

MR. ZASLOW: There's a good reason. Because the conventional wisdom is, we don't want to manage real estate. But now the world has changed. You may not want to manage real estate. You wish everybody would just pay their taxes. You didn't have to think about it. You do not want to become the owner of properties, because when you are the owner, it has nothing but more blight that the City is responsible for. So people would say, We don't want to get involved in collecting the rent. But now that foreclosure has become such an unworkable option for so many properties and it's causing blight in neighborhoods by failing to utilize the foreclosure process where it's going to do the most good to help neighborhoods -- we're doing it for the most good to make money, which is good, but it can be used for social correction of these blight problems, which is impacting our society.

It hasn't been used because it's cumbersome initially to even think about it, but it can be done. I stand here telling you that we will participate. The Revenue Commissioner I think may be on board with this.

I heard yesterday 22,000 houses here written off and 58,000. We throw around tens of thousands of houses and tens of millions of dollars, and here's an opportunity to address some number of thousands of properties and collect some number of money and improve the City I think at the same time.

So it hasn't been done because nobody thinks about it, and over at the Administration, they're frankly too busy dealing with the fires that are burning with everything else they're dealing with to have the luxury of thinking about some new solution, which is where we come in to help think through it if we can be of service.

3/20/13 - WHOLE - RES. 130088, etc.

COUNCILMAN GREENLEE: Thank you.

Councilman Oh.

COUNCILMAN OH: Thank you very much, Mr. Chairman.

Mr. Zaslow, in line with what you're saying -- and I'm not saying we shouldn't be the first to do it, but has any other jurisdiction implemented sequestration, to your knowledge?

MR. ZASLOW: The City of Philadelphia exercises the remedy, as I understand it, when it comes sometimes to U&O which is unpaid. And if you ask your City Solicitor about it -- in fact, Ms. Smith was here at the 2010 hearings. She said specifically that the use of sequestration for the U&O has been the most successful thing they've done.

Now, sequestering for U&O is an easier thing. It's more of a ministerial thing than a change of policy for this Council to dictate, No, we will collect 5,000 properties which are collecting rent but are delinquent in our taxes and let the land bank or some other entity, PHA, HAPCO, whoever, all of us involved together, to put together the working mechanism to be able to actually utilize the property.

The City Solicitor says, Pay us or else, and with U&O, people seem to pay, but with real estate taxes, they don't. Trust me, my -- not my clients in HAPCO, but I'm a lawyer in private practice. People dodge and weave all over the place. That's what the law is about. You have to be smarter, and this is one way to do it.

COUNCILMAN OH: One follow-up question. So suppose that we look at the sequestration and there's really truly a viable option for the City. With your knowledge of the real estate practices, is that something that it appears best that the City Administration administrate or is that something that should be best for the taxpayers and more effective if

3/20/13 - WHOLE - RES. 130088, etc.

outside counsel or other organizations or real estate associations are engaged to collect the funds?

MR. ZASLOW: Exactly as with the foreclosure, you can go either way which, in your legislative judgment, is most appropriate, and both ways. You can have the sequestrator be a third party. You can have the City do it itself. You are in control of the process to decide who should be doing it. But the answer is both.

And in terms of is there a market for rental property, if the City is able to have rental property and collect rent, oh, there is a market. Oh, yes, there is. And can the gentleman sitting to my right, Mr. Pinckney, who manages property, if we said to him, Can you manage X number of dozens of properties, can you handle three more properties, with a commission that is paid by the rent, and the City gets every dollar that they get plus the commission, is he going to say, Well, sure, I'm managing 46 properties, I'll take ten more and I'll manage it and I'll make a commission. That's the way the law works. Or the City can do it itself with and through a land bank. And I'm suggesting PHA. They manage a hundred -- I don't know how many units they manage. They're the biggest landlord in the State of Pennsylvania. They manage properties. That's what they do every day. There's no reason why they can't be appointed in some way. We're giving you 297 properties or thousands of properties, put them in your mix, collect the rent. That's what they do.

COUNCILMAN GREENLEE: All right. If you could be quick, because we have five more people that want to speak. Please be brief.

MR. SAWYER: I just want to add for one quick point on what Mr. Zaslow said. What he's proposing definitely is something that needs to be looked at in

3/20/13 - WHOLE - RES. 130088, etc.

areas where especially in the data in Brewerytown and in Point Breeze particularly, where there's a heavy amount of absentee rental property present that is causing a problem. And also the City has been very reluctant to do in-fill development for housing. Mostly what the City prefers to do is to obliterate a block or find a completely empty block and erect housing there, whereas they'll still leave hundreds of blocks sitting around that look like gapped teeth.

This type of process could be targeted toward saving properties before they destroy themselves and you're going to have to spend the 10,000 bucks to tear it down.

COUNCILMAN GREENLEE: Thank you. Thank you for your time. Thank you for hanging in there.

Our last group of witnesses, the names I said before, Joel Palmer, Rick Vanderslice, Lynette Correa, German

3/20/13 - WHOLE - RES. 130088, etc.

Parodi, Rashida Ali-Campbell. If you could all come up together, please.

(Witnesses approached witness table.)

COUNCILMAN HENON: Mr. Chairman?

COUNCILMAN GREENLEE: Yes, Councilman.

COUNCILMAN HENON: Before the last panel starts their testimony, I just want to thank them for your patience and apologize for the delay. It's been a long day, a long two days, trying to discuss tax delinquencies. And there'll be plenty of time in the upcoming weeks to discuss land bank in its full detail. So hopefully we can get back to having those conversations. But I want to apologize for the delay and thank you for hanging in there.

COUNCILMAN GREENLEE: Please, identify yourself and proceed. Again, I don't know if we have written testimony from you, but if you do, that will be made part of the record, so please summarize.

MR. VANDERSLICE: Good afternoon, Council. My name is Richard Vanderslice. I'm a private attorney in practice in South Philadelphia, 1445 Snyder Avenue.

MR. PALMER: My name is Joel Palmer. I'm President of Scioli Turco, Inc., a 501(c)(4) not-for-profit for rehabilitating houses under Act 135.

COUNCILMAN GREENLEE: Please proceed.

MR. VANDERSLICE: Thank you, and thank you for the opportunity to speak here today about how Act 135 can both increase the revenue to the City by bringing tax-delinquent properties back onto the roll as well as collecting the past due taxes.

Briefly, Act 135 allows the court to appoint a conservator to take control of a property and rehabilitate it upon a showing of certain indices of blight as well as vacancy and abandonment. Generally, these properties are shown to be a public nuisance, attractive to either harm to the community, children or fire traps. We've all seen them on blocks here in Philadelphia.

Once the conservator has taken control of the property, the court supervises its rehabilitation and the conservator, upon out sale of the property, can recover the amounts that are put into it by a lien on the property that is satisfied once it's sold again with court supervision.

First, I would like to recognize that the Department of L&I has been very helpful with private developers that I've represented in implementing this Act and providing support as far as collecting evidence to present to the courts. Specifically, Maura Kennedy and Rebecca Swanson have been quite helpful. And one of my recommendations to the

Council would be to add a number of the inspectors to help facilitate bringing the violations to the attention of the community as well as the courts.

Act 135 is better than a Sheriff Sale in a couple of respects. One, it allows the court to supervise the rehabilitation of the property. You don't have the problem of the person purchasing it to sit on the property hoping to reap some reward down the line. As I mentioned, once the property is rehabilitated, the tax delinquencies will be satisfied upon the out sale, saving the City the resources of employing the Solicitor to collect and any payments to the tax collection firms that represent the City in these matters.

I would also like to take the opportunity to mention that Representative Taylor has submitted written testimony, which as far as the portions that relate to Act 135, I would just piggyback on that and ask that it be adopted.

Finally, I'd like to introduce Mr. Palmer, who is a client that has put this Act to use and formed a non-profit that is actively working to rehabilitate these properties.

One of the asks that we would have is that the Council consider legislation that will abate at least penalties and interest on properties that are subject to Act 135 conservatorships. This will allow additional properties to be workable under this regimen. A lot of properties that are blighted and vacant in the City, just with the enormous amount of penalties and interest at least and the tax delinquencies, make the numbers unworkable. If we could count on having penalties and interest abated, it would bring a number of properties that would be subject to the Act into the ability of private developers to rehabilitate them under the Act.

And with that, I'd turn it over

to Mr. Palmer.
MR. PALMER: Thank you very much, and out of respect for the Council's time and other witnesses, I'm going to keep my remarks brief and I will submit my written comments for the record.
Our organization was formed specifically to use Act 135 on blighted properties, starting in Bella Vista about three or four years ago. To date, we have rehabilitated five properties, with a market value of over $1.64 million, resulting in, for instance, transfer taxes paid to the City of over $50,000 on the sales as well as all arrears on the properties, including over 15,000 in water bills and gas bills and over 25,000 in arrears property taxes.
So Act 135 is legislation that is extremely powerful and works, and our organization has been able to implement it successfully both in Councilman Squilla's district in East Passyunk

Crossing and Passyunk Square area, in Councilman Henon's district on Frankford and Sheffield as well as on Richmond Avenue near Representative Taylor's office.

We are also extremely fast to market. Once we file on a property, providing it meets Act 135 criteria, we're looking at a time to out sale of between six and eight months, and this means that all arrears on the property will be paid to the City and to Pacific Gas -- I'm sorry. I'm from California. Philadelphia Gas Works and the Philadelphia Water Revenue Bureau.

So with that, I will refer everybody to our website, www.scioliturco.org, and we'll be happy to answer any questions that I'm able to.

COUNCILMAN GREENLEE: I know there's other people. Councilman, you put your light on. Did you want to ask them a question?

COUNCILMAN HENON: Real quick.

COUNCILMAN GREENLEE: Please. Thank you.

COUNCILMAN HENON: Thank you, Mr. Chairman.

Thank you guys for coming again. Thanks for hanging in there.

For the record, again, I'd like to just affirm that Representative Taylor has submitted testimony and has been the leading advocate in the state for the City of Philadelphia in passing successfully Act 135, to his credit, along with your help moving forward with these tools.

I just have a couple of quick process questions on Act 135. How long does the actual process take?

MR. VANDERSLICE: Well, best-case scenario, it can take six months. We've had some that have taken a year. We've also had several, including the two mentioned in Representative Taylor's testimony in your district, Councilman, that merely filing on the

3/20/13 - WHOLE - RES. 130088, etc.

properties was the impetus for the delinquent homeowner to enter into an agreement to sell the property for market rate that the rehab -- the developer took it over and rehabbed the property fairly rapidly. At least the one on Richmond Street was done within three months. So it not only returned a couple-fold to the City as far as transfer taxes, put it back on the tax rolls, and improved noticeably the neighborhoods in which they were situated. But the short answer is at least six months, could take a year.

COUNCILMAN HENON: And the properties are just a total mess and blight and just really just an eyesore and having a major problem for --

MR. PALMER: Without mentioning specific properties, some of them lack indoor plumbing.

COUNCILMAN HENON: So does a property subject to Act 135 need to be tax delinquent?

MR. PALMER: No.

MR. VANDERSLICE: No, it does not. It helps in proving that the property has been neglected, but --

COUNCILMAN HENON: Has the tangled title been an issue at all or is it an issue from 135?

MR. PALMER: No. In fact, the worst one we had was an old VFW on 8th Street in Bella Vista where everybody that we could reach denied ownership and we were able to cut through that very, very quickly and get that property taken care of.

COUNCILMAN HENON: Great.

MR. VANDERSLICE: Title gets untangled fairly quickly once you serve someone.

COUNCILMAN HENON: So true. Thank you for your time. I appreciate it.

COUNCILMAN GREENLEE: Thank you both.

Mr. Parodi, you're up there.

If you'd like to go next. Identify yourself for the record.

But Ms. Correa and Ms. Campbell, will you please come up so we can keep moving.

Again, Mr. Parodi, we have your testimony for the record.

MR. PARODI: My name is German Parodi. I'm with Disabled in Action of Pennsylvania. I live in the Juniata Park section of the City.

Disabled in Action has been around for nearly 40 years. It fights for the rights of people with disabilities, and it's been working on making more -- or not making, but making sure that there are more permanent, accessible, affordable, integrated housing in the City for over 20 years. Disabled in Action is also a member of the Coalition for the Campaign to Take Back Vacant Land, which has been working very strong to make sure that more housing, accessible and integrated, is made in the City.

Many people with disabilities need permanent, accessible, integrated housing. However, it's very difficult to find that in the City. I know, I moved here in '04, and it took me three years to be able to find a place that I could make relatively accessible at a not too expensive price, and that's because I had family that could help me with that. However, considering residents of Philadelphia that don't have housing and are disabled, most of them will be living in a nursing home. Out of the 44 nursing homes that are in Philadelphia, one including the City-owned Philadelphia Nursing Home, we know at least 150 people right now are trying to get housing, but they can't leave the nursing home because there is no housing. We know that 40 to 50 people on a weekly basis call the similar organizations to be able to find housing, but we know there's no housing for anybody, less accessible housing.

A land bank bill would help resolve this, because it would give power to the communities and be able to decide who is going to get these housing, who are going to get these land to make communities that are accessible, affordable, and integrated for all its communities. I live in the Juniata part of the City -- Juniata Park section of the City, and many of the businesses around there I cannot get into. I have tried to talk to the business owners. Too many steps. Excuses. I would like to make sure that any future building that is made in this section is made accessible, and I can make sure that that happens through a land bank bill.

Now, in relation to tax delinquency, on my way to college if I go to Temple, I pass through a back alleyway, you know, just on my way to the El. There's a house there that for the last two years has had a mountain of trash in the back. I've talked to the neighbor of the house that lives next door to it when I see him. He says he's been asking the City to come clean it up, but they're saying that it is the owner of the house that has to make the call.

Again, these are issues that the City could deal with if it had a good land bank bill, and right now it doesn't happen and it is hurting the community. I mean, many people that I talk to are looking for a way to make the City more accessible, because people with disabilities, not only physical disabilities, need accessibility, and it isn't happening. And having a land bank bill that would help resolve the tax delinquency, because, from what I understand, it would make sure that the fines, the liabilities on these locations would not have to go through the Sheriff's Office sales and it would easily make sure that to decide who is going to get these land and how is it going to be spent.

Now, from the disabled community, I urge you that you consider enacting this land bank bill to resolve these situations and make the City more welcoming and inviting to people with disabilities.

Thank you.

COUNCILMAN GREENLEE: Thank you. And as Councilman Henon said, we will have certainly a full hearing on the land bank issue.

Please, whoever would like to go next, identify yourself and proceed.

MS. CORREA: Hi. My name is Lynette Correa. I volunteer at the Women's Community Revitalization Project, and I'm here today because our city is experiencing a vacant land crisis intensified by tax delinquency. Hundreds of millions of dollars remain unpaid to the City of Philadelphia, and the results can be seen from Overbrook to Strawberry Mansion to Hunting Park. Decades of blight have invited crime and unsanitary

3/20/13 - WHOLE - RES. 130088, etc.

conditions to the Cradle of Liberty. It's ironic, because many of these so-called investors have taken the liberties not to pay taxes on their own properties.

While most cities across the country have a 95 percent collection rate, Philadelphia falls well below the margin. We are in the company of another town notorious for its blight and soaring crime rate, Detroit. At WCRP, our goal is to help develop a safe and healthy environment for our citizens as well as for visitors from around the world. As a non-profit organization that has already created 250 units of affordable housing, WCRP seeks to increase Philadelphia's wealth by reducing blight and creating homes for families that are low income.

The only way that we can compete with for-profit developers is to have a land bank like the one introduced on March 7th, 2013 by Councilwoman Maria Quinones-Sanchez. A land bank would allow for an acquisition of tax-delinquent properties concurrently clearing all deeds and enabling these abandoned lots and buildings to become fully functional business prospects for our city. By revamping the business sector and providing jobs for community residents, we will restore the prominence of our city. All of this can be done without having to go through a Sheriff Sale, but even more importantly, a properly implemented land bank will ensure that vacant land will be given to people and organizations that will use it for public benefit such as affordable housing and urban agriculture.

A recent study conducted by Temple University concluded that well-maintained green spaces act as a deterrent to crime in urban areas, and we know that Philadelphia could definitely use that. So Philadelphia needs a land bank that we can trust.

Thank you.

3/20/13 - WHOLE - RES. 130088, etc.

COUNCILMAN GREENLEE: Thank you.

Ms. Campbell.

MS. CAMPBELL: Good afternoon. My name is Rashida Ali-Campbell. I am the Executive Director of Love Loving Love, Incorporated. Our organization is one of the 40 faith-based and civic-based organizations that's part of the Take Back Vacant Land Campaign, and as part of that campaign, we've been working very hard to bring attention to the blight in Philadelphia and to the fact that there are many community organizations that are attempting to do something about it, but very much so are being met with a lot of resistance and red tape in trying to acquire land and to turn it into profit-generating or revenue-generating properties.

As the Director of the non-profit that I'm a part of, we see every day vacant lots with a substantial amount of tires and trash. This is of particular interest to us because our non-profit is working to bring low-income housing to these vacant properties in the form of an earthship, which is a house that's made from recycled materials; namely, tires. I'm sure most of you have traveled throughout the City, probably on your way here today, and have seen tires laying in the street and laying on these vacant properties. And along with the fact that the properties draw rats and drug activity and things like that, just the environmental impact alone should be something to make you consider passing and accepting the bill that Maria Quinones-Sanchez submitted, Bill 130156. And we urge you and ask you to please be responsible and show that you are champions of justice by passing this land bank bill and making it easier for people like me and organizations like myself to acquire these properties. And we really appreciate Councilwoman Sanchez introducing this bill. We believe that it's an opportunity for us to have a land bank that we can trust.

Thank you.

COUNCILMAN GREENLEE: Thank you.

Thank you all for coming and for your patience. I know it was a long time you had to wait there.

I have no one else on my list to testify.

Councilman, did you want to say something?

COUNCILMAN HENON: No.

COUNCILMAN GREENLEE: Being that the case, the Committee of the Whole's hearing on these six resolutions will be held to the call of the Chair.

Thank you very much.

(Committee of the Whole concluded at 4:55 p.m.)

- - -

CERTIFICATE

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

MICHELE L. MURPHY

RPR-Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

D