

# KERKSTRA REPORT RESPONSES

## Re: Quality of Life and Blight Section

**1<sup>st</sup> Bullet: Our analysis of L&I violation shows that delinquent properties are major sources of blight. In light of this, will the city consider prioritizing those delinquents that are repeat L&I offenders, even if the total amount owed on the offending parcels is minimal? Why or why not?**

As part of its anti-blight strategy, the Department has analyzed its enforcement and ownership records to determine owners who possess many empty, blighted properties. To date, this enforcement strategy, which started in May 2011, has been very effective with over 40% of targeted owners correcting the violations. L&I would obviously like to increase that correction rate.

**2<sup>nd</sup> Bullet: How often does the city take into account the blighting influence of certain delinquent properties when determining which parcels to bring to Sheriff's sale?**

The Revenue Department sends lists of properties targeted for tax collection enforcement action to L&I for review. L&I analyzes the list and selects vacant properties in high value areas that should not be allowed to make payment agreements. The idea being that these properties would be sold at Sheriff's sale for more than the outstanding municipal lien balance (thus collecting all of the money due to the City) and are likely to be sold to an individual who wishes to rehab and reoccupy the property. Moreover, preventing a payment agreement makes it much more likely that an owner will be incentivized to improve his or her property, or sell it, as the economics of holding on to a vacant property will change. This strategy helps with both revenue collection and blight remediation.

**3<sup>rd</sup> Bullet: L&I has been forwarding a limited number of properties to Revenue as Sheriff's sale candidates? How many properties have been offered each month at L&I's recommendation? How does L&I choose properties for sale? Is this a formal program?**

L&I and Revenue work together to select vacant, blighted properties for Sheriff's sale to both collect back taxes and remediate blight. The process is explained above.

**4<sup>th</sup> Bullet: Are there any other L&I initiatives that are designed to get property owners to take better care of their properties? Do any of these initiatives specifically target tax delinquents?**

L&I's blighted property strategy has proactively inspected more than 10,000 properties that had at one time been cited for blight issues. The inspector cites the property for any blight issues that they find at the residence. The unit has written more than 1,500 violations for not having a rental license, 45% of the properties cited are now in compliance. The unit has also written almost 1,500 violations for exterior maintenance issues and 21% of properties have now complied.

Additionally, 160 properties cited by the program were later sold by their owners, who chose to let a new owner address the violations, and 332 of the properties cited were substantively rehabbed. In total, more than 50% of the owners cited for doors and windows violations took some positive action after being cited - they either sold the property, substantively rehabbed it, or improved the facade by putting in doors and windows

The non-complied properties generally fall into two major categories. The property is either severely tax delinquent and therefore the owner does not see an economic benefit of improving the property or the owner is deceased. Together these two populations account for roughly 40% of the blighted properties cited by L&I. L&I is now working with other City departments, community groups, individuals, and developers to force these properties back into productive use using tools such as targeted sheriff's sales, raising third party estates, and conservatorships.

## **Re: Composition of Property Tax Delinquents Section**

4th Bullet: **Keith has said in the past that the city has begun specifically targeting delinquents who own multiple delinquent properties. Can the city cite specific examples of property owners that have been singled out for stepped-up enforcement?**

We have been successful at getting a number of multiple property owners under agreement as a result of past collection proceedings. Examples include the Estate of Jud Borck involving 13 properties, and under agreement since 2012, and Dominic Centofanti, with 8 properties placed under agreement during 2012 and recently satisfied in full with a lump sum payment of over \$188,000.00.

5th Bullet: **How does the city expect delinquent property owned by defunct companies or long-dead owner occupants to return to active use?**

Properties owned by defunct companies or long dead owner occupants present a significant collection issue for the City. If the properties are vacant and abandoned, foreclosure remains the best tool to get the properties back into the private market, even if the bids at a Tax Sale may not satisfy the full amounts due the City.

For residential properties still legally owned by someone who has died and currently occupied by a relative who may be an heir (in other words, the title has not legally transferred into the heir's name), the Administration is working with City Council and various advocacy organizations such as Community Legal Services ("CLS") and Philadelphia VIP ("VIP") in drafting new hardship payment guidelines that will allow the heir to make a temporary repayment agreement with the City even though they may not have yet probated the decedent owner's estate. In cases where the heir does not qualify for a hardship agreement, he or she still could enter into a temporary standard payment agreement as long as he or she occupied the property and could demonstrate an equitable legal interest in it.

6th Bullet: **Why is information about low income payment plans so hard to find, either online or at public city facilities?** One of the goals of our working group is to make the information on low-income payments plans clear, transparent, and available online and in [City] Revenue Department and Law Department offices as well as in the offices of its collection co-

counsel. **Application forms for this year's property tax payment plan that is available to low-income residents are currently on the Revenue Department's Web site and the deadline to apply is February 28. Forms for 2014 will be on the Web site next month and made available at City Departments and elected officials offices. Staff from the Revenue Department and OPA will also be going out to community centers (libraries, rec centers and Senior Centers) in March to help answer questions that residents have about applying to the various programs available to enable people to pay their real estate taxes.**

7th Bullet: **We understand the city has been meeting with stakeholders in order to draft a new policy regulating handling of low income property tax delinquents. Is that correct? If so, where does that process stand? Is a new, unified policy in the works? If so, what will it look like?** As stated above, the Administration is working with City Council, CLS and VIP to draft new guidelines that we believe will be fair and provide low-income property owners a fresh start and an opportunity to make payment agreements they can afford. Any owner-occupant who is either the recorded legal owner or the equitable owner of a property will have an opportunity to make such payment agreements. We expect new ordinances with accompanying regulations and policies to be completed in the next 3-5 months.

## **Re: City Management Section**

2<sup>nd</sup> Bullet: **Why has the property tax collection problem grown worse during the Nutter administration?**

During this administration, collections percents have improved and consistently been above 90% collections or better.

3<sup>rd</sup> Bullet: **Does the city anticipate improved collection rates in the near future?**

Yes, the city is engaging on a 5 year plan that will increase not only the real estate collections but all taxes owed to the city and school district. The plan will include **implementing a new tax system that will provide more detailed information that we can analyze to:**

- **Obtain more information about payment trends among taxpayers;**
- **Score taxpayers to see who is most likely to pay us and for whom we should seek enforcement efforts on earlier instead of later in the process. This will help guide our planned call center in target calls earlier in the process. In addition, we will seek enhanced legislative authority, improve our outreach and strengthen our management of outside collection agencies.**

Last year, the city used early outbound calls to real estate taxes owed for 2012 in May of 2012 to remind citizens that they had been due on March 31<sup>st</sup>. The city now is engaged in making those same type of calls to those who didn't pay 2012 real estate taxes yet and letting them know if they don't pay soon we will lien the property, add the 18% attorney fees and could potentially take the property to sheriff sale earlier than we have in the past. Starting in Mid-April 2013 we will have firms making calls to slow paying real estate taxpayers to seek compliance.

4th Bullet: **What steps has the city taken to improve collection rates?**

In addition to the steps discussed above, the City has taken a multi-pronged approach to collecting delinquent amounts while enacting initiatives to ensure that a property's current year taxes do not become delinquent for the first time. First, if a current year's taxes are not paid by the March 31 due date, the City's outside co-counsel is assigned many of the "past due" but not yet delinquent accounts for an aggressive campaign of dunning and phone calling for the remainder of the current year. We believe that these measures will have a long term effect of reducing the annual number of freshly delinquent properties. Second, the City and both of its co-counsel are working aggressively to increase foreclosure activity to reduce the backlog of delinquent properties. Increased delinquent collection rates have resulted from payment agreements made by property owners after receiving Tax Sale petitions. For the first seven months of fiscal 2013, co-counsel collected \$20.9 million in delinquent real estate taxes, compared to \$17.5 million over the same period in fiscal 2012. Similarly, the Law Department's real estate tax group collected \$25.6 million, in comparison to \$19.6 million and \$18.1 million for the comparable period in the two prior years.

**5th Bullet: Has the city's stepped-up schedule of sheriff sales been had any notable deterrent effect on other delinquents?**

While 600 listings per month between the City and its two vendors remains a goal, the number has already increased and that increase has, in turn, led to an increase in payments in full and payment agreements. The increases in payments and agreements reduce the number of properties that go to sheriff sale, but increase compliance. In addition, Revenue and its co-counsel coordinate with senior staff at L&I to identify specific properties that should be targeted for foreclosure. Further, L&I now reviews the lists of all properties that the City and its co-counsel prepare for tax sale and advises as to properties that have serious violations and/or other conditions of blight. Taxpayers are not permitted to enter into payment agreements on those properties. We believe the coordination of efforts between Revenue and L&I will help meet mutual short term goals of increased tax collection and blight remediation on the most dangerous properties while allowing the City to continue to work on long term foreclosure goals for the thousands of other vacant properties and lots in the City.

**8<sup>th</sup> Bullet: Are there legislative changes, either at the city or state level that the administration would like to see in order to change or improve the tax foreclosure process?**

We have analyzed the existing foreclosure statute for Philadelphia contained in the Municipal Claims and Tax Liens Act ("MCTLA"). We (as well as our co-counsel, who has used other foreclosure statutes in the Commonwealth) believe that the foreclosure provisions in the MCTLA provide sufficient due process in accordance with applicable federal and state case law, but also provide a relatively quick, efficient process that divests all junior liens and encumbrances. We do not believe the MCTLA needs to be amended at this time. The Administration will also be lobbying for a series of legislative measures in Harrisburg that will help with all collections.

**10<sup>th</sup> Bullet: What is the early assessment of the Front Door? Does it seem to be working as hoped?**

The "Front Door" sought to provide the public with easy-to-find information as to which publicly owned properties were for sale, to offer access to a one-stop purchase application process, and to generate interest in available City properties among the public. Eight months in, the "Front Door" is achieving all these goals

**11<sup>th</sup> Bullet: How many Expressions of Interest has PRA received since the Front Door went live? How many sales of city owned land have taken place due to inquiries that arrived through the Front Door?**

Since May 21, 2012, 2,345 Expressions of Interest (EOI) have been filed. Of those:

- 730 have been closed out without any property transfer. Not everyone who expresses interest is an eligible buyer. Buyers may drop out of the process because they owe back taxes, their plans for the property are unrealistic, they are not eligible to purchase the property for the purpose they wish (i.e. in some cases a purchaser must be an adjacent property owner) or for other reasons.
- 23 EOIs have led to a settlement and have resulted in the conveyance of 30 properties. (Note that these numbers do not represent the entirety of publicly owned parcels conveyed to a new owner since the “Front Door” opened. A number of parcels already in the disposition pipeline as of May 21 continued to be processed without requiring a new Expression of Interest.)
- 1,592 remain at some point in the process. Some have only recently been submitted, others are awaiting additional information from the applicant, such as tax certification, and on others an agreement has been reached and the transaction is going through the steps necessary to reach settlement. Not all of these EOIs will ultimately result in a sale.

**12<sup>th</sup> Bullet: The Inquirer has reported that the administration is considering creating a land bank within PHDC. Does the city have any better sense yet of how such a land bank would work? Why has PHDC chosen as the agency to house the prospective land bank? Will the land bank be used to acquire properties that otherwise might have gone to tax foreclosure sale (as is now possible under state law)? Or is the focus principally on disposition of exiting city inventory?**

The goal of a land bank is to create a land acquisition, management and disposition process that more effectively brings properties back into active use so that they are no longer a drain on communities. Using the Taylor Land Bank bill as a guide, the Nutter administration is working with Council to develop the system that will best achieve those goals for Philadelphia. No final decisions have been made as to operational specifics of a land bank.

**13<sup>th</sup> Bullet: Why are L&I permits being issued to owner of tax delinquent properties who are not in payment agreements?**

Currently, L&I's database does not have the ability to access Revenue's real estate tax database. L&I is currently replacing its HANSEN operating system which provides the ability to reshape Departmental business practices and we are hopeful that this cross-reference feature will be added with careful guidance given to how the information will be used and decisions would be made by L&I when a tax delinquent property owner seeks a permit. For example, there below are several scenarios in which refusing to issue a delinquent property owner a permit could result in damage or loss of revenue to neighboring businesses and residents. Several scenarios are listed below:

- A real estate tax delinquent owner of a residential property has a broken lateral and water is flooding his neighbor's basement and needs a building permit to repair it.
- A condo owner is looking for an electrical permit to make needed systems repairs in their unit but the condo association is behind in real estate taxes.
- A business tenant in a large office tower wants to reconfigure its space to better suit its business needs but cannot get permits because the tower is behind on its real estate taxes.

Again, however, the goal is to better coordinate City data so that departments such as L&I can more effectively attack blight on our neighborhoods.