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Philadelphia **FORWARD**

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- Donald Diloreto
- Ed Goppelt
- Graham Finney
- Michael Jones
- Brett Mandel
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- Sharmain Matlock-Turner*
- William R. Miller, IV*
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*Emeritus Member

Philadelphia Forward Is Moving Forward



Philadelphia Forward
Executive Director
Brett Mandel

After incubating under a fiscal sponsor, *Philadelphia Forward* is re-launching as an independent non-for-profit because Philadelphia needs an organization like ours to help move our city in a positive direction. With a new administration in City Hall, we need your help more than ever to support us in our new incarnation as an institutionalized push for change.

When we founded *Philadelphia Forward* in 2004, we saw a Philadelphia dominated by an institutional and pervasive pessimism, where too many were content to pursue parochial goals at the expense of measures benefiting the city as a whole. But, we understood that more information, more discussion, and more engagement in public debate could result in the adoption of measures that benefit the public interest, not just the special interests. We worked to enact positive policies in the short term and promote a revolution of rising expectations to change the direction of the city in the longer term.

In four years, *Philadelphia Forward* successfully pushed for tax reform, ethics reform, and scrutiny on the city budget. More important, we built the constituency that elected new leadership intent on enacting more of the reforms we champion. By any measure — echoed by our national awards, local recognition, and many accomplishments — *Philadelphia Forward* succeeded beyond our original expectations. **You made this possible.**

But now is no time to rest on our laurels. Philadelphia's history of reform reminds us that too often, we celebrated the election of new leadership by walking away, satisfied that the "good guys" would make things right. We created *Philadelphia Forward* to be a voice that speaks for Philadelphia and a countervailing force to the influences that hold the city back. Just as political leadership has changed, *Philadelphia Forward* will evolve to stress civic education surrounding how the city raises and spends its scarce tax dollars so an engaged and encouraged citizenry can become a budget-wise electorate.

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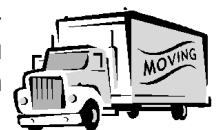
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Philadelphia Forward Is On The Move...Literally!

With our new, independent status, *Philadelphia Forward* is reconfiguring its Board of Directors to include an energetic cadre of individuals who are intent on moving Philadelphia forward. Please welcome *Philadelphia Forward's* new Board:

Donald Diloreto, Ed Goppelt, Graham Finney, Michael Jones, Brett Mandel, Steve Markowitz, Sharmain Matlock Turner*, William R. Miller, IV*, Robert Padulo, Colleen Puckett, David Thornburgh*, Ethan Thornton, Scot Ziskind (*Emeritus Member)

Please update your contact information so you can continue to be in touch:



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Mayoral Report Card On Reform Issues (Tax Reform)

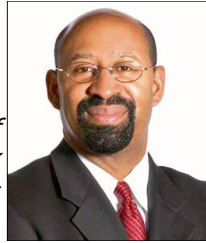
As a candidate, Mayor Nutter made some very bold and specific promises on reform issues. Now that Mayor Nutter's first budget is enacted along with its companion tax bills, we can evaluate his performance meeting his promises on tax reform.

Regarding the Wage Tax, Mayor Nutter said:

- I will sustain the scheduled reductions in the Wage Tax to a rate of 3.25% for both residents and non-residents by 2015.

Mayor Nutter did:

- *Work to enact legislation to (with assistance of state gaming revenues) reduce the Wage Tax rate to 3.6% for residents and 3.25% for non-residents in 2013.*



Mayor Nutter did:

- *Work to pass legislation that will establish a schedule for the gradual elimination of the Gross Receipts portion of the Business Privilege Tax in 2017 and a gradual reduction of the Net Income portion to a rate of 6.0% in 2017.*

Regarding the Real Estate Tax Mayor Nutter said:

- I will support a revenue-neutral move toward Full Value Assessment by the BRT for the purposes of the Real Property Tax matched by a proportional reduction in the millage rate by City Council.

- I will support a fair and accurate reassessment of property in the City to current market value with the provision that safeguards be in place (as proposed in my Better Housing Now Plan) that ensure no Philadelphian is forced to sell their home because of an increase in property taxes.

Regarding the BPT, Mayor Nutter said:

- I will establish a certain schedule for the gradual elimination of the Gross Receipts portion of the Business Privilege Tax over a five-to-seven year period and the gradual reduction of the Net Income portion of the BPT to the current rate of the Wage Tax.

Mayor Nutter did:

- *Reaffirm his support for the move to Full-Value Assessment and policies to make sure that the transition to a fair system protects vulnerable homeowners.*

See: www.nutter2007.com/images/uploads/an_honest_budget_now.pdf

BUDGETWATCH: Creating An Honest Budget



BUDGETWATCH raises the level of public debate surrounding the city budget and the way the city raises and spends public money.

BUDGETWATCH essays are posted online and archived at www.philadelphiaforward.org/budgetwatch. Recent opinions examined the challenge to create an honest budget.

BUDGETWATCH challenged the Nutter Administration to ensure that the budget reflects the fact that today's spending is supposed to create tomorrow's positive results:

We want to see faith — demonstrated in the numbers — that city spending will create positive results and we want to see integrity — expressed in the figures — to show that our actions today are connected to our future

plans. Then, in future years, we will be watching to see if the Nutter Administration will expand investments in programs that are making a difference and reprogram funding away from policies that are not creating positive results. Such a strategy will not only recognize that things change, it can help ensure that our scarce resources are best used to make Philadelphia a preferred place to live, work, and visit.

Moving Philadelphia Forward: Meet Other Reformers



Philadelphia Forward Board Member
Michael Jones

Philadelphia Forward Board member Michael Jones is moving Philadelphia forward. Jones is a Managing Partner for Chartwell Investment Partners, an employee-owned firm dedicated to the investment advisory business.

After moving to Philadelphia in 1997, Michael Jones soon tired of the city's corrupt and contented attitude.

Philadelphia Forward provided the perfect non-partisan, participative outlet for those frustrations.

A transplanted Midwesterner who enjoys raising Longhorn cattle to help keep in touch with his roots, Michael is involved with youth sports and neighborhood organizations in Northwest Philadelphia. Jones earned a Bachelor's degree in Business from Miami University and an MBA from the University of Michigan. Jones lives with his wife and three children in Chestnut Hill.

Philadelphia Forward Challenges Illegal Assessments

Our government is supposed to make the laws to establish the rules of our society and enforce them to make sure that we all play by those rules. But when the government won't play by the rules, it is up to the citizenry to act to hold government accountable. Real estate taxation in Philadelphia is unfair. After working to provide the evidence that change is necessary and putting forth a policy blueprint that can fix the system for all Philadelphians, *Philadelphia Forward* is prepared to reluctantly take the final step and ask a judge to compel the city to make real estate taxation fair.

Today, similar properties do not have similar tax bills, and not all properties pay taxes based on the same percentage of true property value. The average city home is valued for tax purposes at only approximately 32 percent of its actual value, but many (often higher-price properties) are valued lower and many (often lower-price properties) are valued higher than actual value.



What is wrong with this picture? The house on the left sold in 2007 for \$480,000 while the house on the right sold in 2007 for \$88,500. The modest house on the right pays \$1,494 in Real Estate Taxes compared to \$1,311 for the house on the left.

By law, real estate taxation must be fair for all. All properties should share the same basic relationship between their current potential resale value and their "market value" for tax purposes. But that is clearly not the case in Philadelphia today. Therefore, the city is in comprehensive violation of the Pennsylvania Constitution's demand for uniformity in taxation and the system of real estate taxation is demonstrably illegal.

Our government cannot work for us if it won't play by its own rules. We must demand a government of integrity and cannot tolerate arbitrary rules that favor some at the expense of others. It is time for our government to play by the rules to create a fair system for all Philadelphians.

To read a summary of the legal argument and the statistical evidence that demonstrates that real estate taxation is unfair, please see below in this newsletter.

You Be The Judge: Is Real Estate Taxation Legal?

These following excerpts highlight the legal argument that real estate taxation in Philadelphia is unlawful:

Article VIII, Section 1 of the Pennsylvania Constitution (the "Uniformity Clause") provides that "[a]ll taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax" Taxes must be applied uniformly upon similar types of property within the same taxing jurisdiction, with each member of the same class of taxpayers shouldering an equal tax burden; a system of assessment which results in the undervaluing of like or similar properties within the taxing jurisdiction is impermissible.

The most common indicator of the accuracy of assessments is the coefficient of dispersion ("COD"). It is a statistical measure of the uniformity of assessments.

The COD in the City is substantially higher than that permitted by industry standards and is on par with, or higher than, the CODs in the Commonwealth Court cases that ordered county-wide reassessments.

As a result of the sporadic, band-aid approach to assessments, the market values assigned by the City have, for almost all properties throughout the City, in disjointed fashion, fallen farther and farther behind actual fair market value and have become

increasingly non-uniform, as evidenced by the CODs. Consequently, the disparity among the assessment-to-market value ratios of properties throughout the City, as well as the regressive nature of the tax burden, has steadily increased year after year.

For all of the foregoing reasons, the City has acted contrary to the law. The City must conduct a revision of assessment of all parcels of real estate located in the City and assessing each such parcel according to its full market value.

You Be The Judge: The Statistical Evidence

These excerpts highlight the research that provides the statistical evidence for the argument that real estate taxation is unlawful:

In 2003, we computed an average COD of 34.4%, more than double the recommended target. Moreover, only 51.4% of all homes analyzed had a COD of 15% or less. With the 2007 data, we computed an average COD of 64.2%. Additionally, only 3% of all homes analyzed had a COD of 15% or less. Clearly, assessment accuracy in Philadelphia has gotten dramatically worse since the original analysis done by the Tax Reform Commission five years ago.

*In 2003, we computed a PRD [Price-Related Differential] of 1.19, which clearly exceeded the threshold value of 1.03, indicating that assessments were regressive. With the 2007 data, we computed a PRD of 1.2, indicating that assessments remain regressive, with owners of lower-priced homes paying a greater percent of their dwelling's value in property taxes. Clearly, assessment inequity has remained regressive since the original analysis done the TRC five years ago. **In summary, we are, on average, all significantly under-assessed, but wealthier households are more under-assessed than poorer households.***

The **FORWARD** Thinker

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Philadelphia Forward is a citizens' organization dedicated to promoting civic engagement to make Philadelphia a vibrant city that is a preferred place to live, work, and visit.


For more information about getting involved with the push for reform, visit: www.philadelphiaforward.org


Philadelphia Forward Making News & Change

Philadelphia Forward continues to make news and extend the reach of its work through the local media. In recent months, our effort to pursue legal avenues to compel the Board of Revision of Taxes to fairly and accurately value Philadelphia properties made many headlines across the city and brought Philadelphia Forward much attention.

 The *Weekly Press* pointed out the problems: Mandel cited the example of the disproportionate property taxes for two homes sold in 2007. While one house in Southwest Philadelphia on the 2300 block of St. Alban's St. sold for \$480,000 and a Northeast home on the 3300 block of Holme Ave. sold for \$88,500. The home that sold for \$88,500 had a tax bill for \$1,494 and the other, worth almost three times as much, only had a bill for \$1,311. (5.7.08)

 A *Daily News* columnist looks for political courage to fix the problem: The BRT is reluctant to submit the new assessments that it spent three years and \$5 million compiling, Council is hiding in the tall grass and taxpayer/voters are waiting to see whom they have to fire next Election Day. A prudent politician would drop this issue faster than high-school seniors drop eighth-period Latin. This one is going to require a leader with enough political capital in the bank to throw prudence to the wind, maybe someone who was recently elected mayor and won't face voters for three more years. (5.16.08)

 The *Public Record* talked about our lawsuit: "Our government is supposed to make the laws to establish the rules of our society and enforce them to make sure that we all play by those rules," said Philadelphia Forward Executive Director Brett Mandel. "But when the government itself won't play by the rules, it is up to the citizenry to act to hold its government accountable." (5.15.08)

 The *Northeast Times* pointed out the problems with the system: In general, according to an analysis, homeowners in Center City, South Philadelphia and Manayunk have a lower tax rate while those in the Northeast, North Philadelphia, Southwest Philadelphia and Northwest Philadelphia have higher rates. (5.22.08)

The *Chestnut Hill Local* editorialized in favor of change: Still, as long as the system is unfair - a system that is not up to date and does not tax homeowners evenly according to market price - it's up to the City to correct it. If a lawsuit is what it will take, then a lawsuit it is. (5.15.08)

Northwest Philadelphia's leading community newspaper online
TheChestnutHillLocal.com

The *Philadelphia Tribune* detailed the unfairness with the current system: An analysis performed by Wharton Research Fellow Kevin Gillen shows that homeowners in Center City, South Philadelphia and Manayunk have a lower effective tax rate while homeowners in Northeast Philadelphia, North Philadelphia, Northwest Philadelphia and Southwest Philadelphia have a higher effective tax rate. "Simply put, based on what their homes can sell for today, many property owners are not paying their fair share, while others pay too much," Mandel said. (5.23.08)



The *Roxborough Review* laid out the need for the lawsuit: Refusing to stand still on the issue, Philadelphia Forward has written a lawsuit, which will be presented to Mayor Nutter and the BRT. Mandel hopes that the lawsuit will compel a judge to order the BRT to move faster toward total reassessments. Then the mayor and council will probably have to enact new tax legislation, something that hasn't been done since 1991. (5.20.08)

THE REVIEW

The *Philadelphia Inquirer* underlined the problems in a major feature: "It's crystal clear that the system needs reform," Mandel said. "There's something broken here." (6.22.08)

The Philadelphia Inquirer