

**OFFICE OF PROPERTY ASSESSMENT
FISCAL YEAR 2017 BUDGET TESTIMONY
April 6, 2016**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Michael Piper, Chief Assessment Officer. Joining me today are 9 members of my senior management team. They are Deputy Chief Assessment Officer James Aros, Jr.; Deputy Administrators Jaye Divine, Herman Siewert, Joseph Solomon, and Sharon Swann; Administrative Services Director Delicsha Wilds; Administrator of Mass Appraisal Analysis Kevin Keene; IT Director Tom Dougherty; and Senior Attorney Drew Aldinger. I am pleased to provide testimony on the Office of Property Assessment's Fiscal Year 2017 operating budget.

DEPARTMENT MISSION/PLANS

The OPA is primarily responsible for discovering, listing, and valuing all real property in the City of Philadelphia, in a fair and equitable manner. Additionally, the OPA is charged with establishing legal addresses for all parcels, providing a response to real property tax appeal cases, applying real property tax exemptions, and administering the Real Property Tax Abatement Program.

There are currently approximately 579,000 parcels of real property in the city of Philadelphia. These include residential, condominium, multi-family, large apartment complexes, retail, hospitality, office, industrial, warehouse, hospital, government (city, state, and federal), religious, exempt, and non-exempt property uses, and vacant land.

As a short-term goal, OPA will continue to respond to any outstanding First Level Reviews and Board of Revision of Taxes appeals for tax year 2015 and 2016 that have been filed.

**Office of Property Assessment
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Staff Demographics Summary (as of January 2016)

	Total	Minority	White	Female
Full-Time Staff	178	83	95	108
Executive Staff	9	5	4	3
Average Salary - FTE	\$51,121	\$48,373	\$54,725	\$51,179
Average Salary - ES	\$105,706	\$106,316	\$104,945	\$86,649
Median Salary - FTE	\$50,051	\$46,715	\$53,382	\$50,051
Median Salary - ES	\$94,418	\$94,418	\$100,182	\$93,484

Employment Levels (as of January 2016)

	Budgeted	Approved	Filled
Full-Time Positions	207	207	178
Part-Time Positions	0	0	0
Executive Positions	10	10	9
Overall Average Salary	\$50,516	\$50,516	\$51,668
Overall Median Salary	\$50,051	\$50,051	\$50,051

Financial Summary by Class - General Fund

	Fiscal 2015 Actual Obligations	Fiscal 2016 Original Appropriations	Fiscal 2016 Estimated Obligations	Fiscal 2017 Proposed Appropriations	Difference FY17-FY16
Class 100 - Employee Compensation	\$10,683,762	\$10,424,420	\$10,424,420	\$10,434,139	\$9,719
Class 200 - Purchase of Services	\$1,526,249	\$2,078,126	\$2,078,126	\$1,578,126	(\$500,000)
Class 300 - Materials and Supplies	\$178,925	\$716,600	\$716,600	\$716,600	\$0
Class 400 - Equipment	\$181,339	\$66,000	\$66,000	\$66,000	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$12,570,275	\$13,285,146	\$13,285,146	\$12,794,865	(\$490,281)

Contracts Summary (as of December 2015)

	FY11	FY12	FY13	FY14	FY15	FY16*
Total amount of contracts	\$89,400	\$349,240	\$2,978,796	\$784,577	\$914,690	\$545,378
Total amount to M/W/DBE	\$20,000	\$77,000	\$2,220,000	\$122,100	\$520,000	\$248,378
Participation Rate	22%	22%	75%	16%	57%	46%

OPA's FY17 contract participation goal for M/W/DBE is 35% .

Office of Property Assessment
PROPOSED BUDGET OVERVIEW

PLANS FOR FISCAL YEAR 2017

OPA will continue to pursue its goal of regular reassessments, focusing on areas or property types where standard assessment performance measures for accuracy and/or uniformity are in need of some improvement. As the local market for commercial real estate has improved substantially over the past 4 years, the OPA has recognized the need for an overall reassessment focused on commercial and industrial properties so that assessments reflect what hotels, office buildings, apartment buildings, retail shopping centers, warehouses and other commercial parcels are selling for in the open market.

During the coming fiscal year, OPA will pursue an intense data gathering effort with regard to all commercial property within Philadelphia. This effort will focus on updating OPA's records to include current data relating to local commercial sales, income and expense data, vacancy rates, and appropriate income capitalization rates. Additionally, the OPA will, at the recommendation of City Council and the AVI Monitoring Group, seek to contract with M.A.I. professionals experienced in the local commercial real-estate market to assist in this data gathering effort. Our goal is to carefully examine the accuracy of each assessment for Tax Year 2018, recertifying the existing values where appropriate, but implementing revisions where necessary.

Additionally, OPA has gone forward with the process of acquiring a CAMA system. Together with the Office of Property Data and the Office of Innovation and Technology, OPA has made substantial progress toward securing a contract with a CAMA vendor by mid-2016.

PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 general fund budget totals \$12,794,865, a decrease of \$490,281 from the Fiscal Year 2016 estimated obligation levels. This decrease is primarily due to a decrease in professional appraisal services.

The proposed budget includes:

- \$10,434,139 in Class 100, a \$9,719 increase over FY16. This funding will support the full staffing target of 210 employees for the Office of Property Assessment.
- \$1,578,126 in Class 200, a \$500,000 decrease over FY16. This funding will provide the necessary resources to purchase services and maintain the required professional licenses of the staff.
- \$716,600 in Class 300, level funding compared to FY16. This funding will primarily cover the expenditures associated with printing and mailing.
- \$66,000 in Class 400, level funding compared to FY16. This funding will cover the cost of equipment and furniture that may require maintenance or replacement.
- OPA does not have expenditures in Class 500 and Class 600.

Office of Property Assessment
PROPOSED BUDGET OVERVIEW

STAFFING LEVELS

- Current Staffing Level – 187
 - Chief Assessment Officer -1
 - Senior Staff – 8
 - HR and Administrative Support - 7
 - Real Property Evaluation Staff –123
 - Real Property Evaluation Support – 48

- Proposed Staffing Level – 210
 - Chief Assessment Officer -1
 - Senior Staff – 10
 - HR and Administrative Support - 7
 - Real Property Evaluation Staff – 142
 - Real Property Evaluation Support – 50

- New Hires – (January 2015 – Present)
 - Caucasian – 1
 - African American – 4
 - Hispanic - 0
 - Asian – 2
 - Other – 1

(All New Hires were additions to the Real Property Evaluation Staff)

- See appendix for Bilingual Employees Chart

Office of Property Assessment
PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Department Performance (Operations)

FY 2016 included the second phase of the Actual Value Initiative (“AVI”), during which the OPA completed the first complete, citywide reassessment. The initiative, which began in 2010 and continued through 2015 resulted in the first major reassessment of all 579,000 parcels in the City of Philadelphia in several decades, and will play a substantial role in removing the inequities in property assessment in the city. The initial year of AVI saw a substantial improvement in the Price Related Differential (PRD – which is used to measure uniformity between lower and higher valued properties). In mass appraisal, the PRD is a statistic for measuring the extent to which high value properties are assessed relative to low value properties. A result closer to, or slightly above 1 is considered desirable. That measurement, for which the goal is .980 – 1.037, improved from a pre-AVI level of .970 to 1.037 in 2014. Last year (tax year 2016) saw a relatively inconsequential change to 1.42 for single family residential.

Additionally, the citywide Coefficient of Dispersion (COD), which measures uniformity between different property groups (and for which the goal is less than .150) also improved from a pre-AVI level of .275 to .139 for 2014, an improvement of 49.5%. The COD is the most commonly used measure of overall uniformity in assessment ratio studies. Technically, it measures the extent to which the relationship between the assessment and sale price (the assessment ratio) deviate from the median. In general, a decrease in the deviation is considered an improvement in the COD. That measure improved slightly in tax year 2015, to .137.

Department Challenges

After completing the initial phase of AVI, the OPA is still dealing with the after effects of the record number of market value appeals filed for tax year 2014.

The first year of AVI resulted in over 50,000 informal appeals or FLRs (First Level Reviews), a process that allows taxpayers to contest an assessment due to valuation-based assertions related to an incorrect amount or level of assessment, or missing exemption. While the new informal appeal process was a success in that it facilitated greater access to taxpayer remedy, a record number of formal market value appeals were still filed with the Board of Revision of Taxes. OPA evaluators have been responsible for answering over 25,000 BRT appeals filed for Tax Year 2014 alone, and are still, for some commercial properties, addressing these appeals.

Among OPA’s most daunting challenge continues to be its lack of a modern, robust, industry-accepted Computer Assisted Mass Appraisal (CAMA) system. Ongoing comprehensive, citywide reassessments will require a CAMA system that will allow and support sophisticated mass appraisal methodology and statistical analysis as well as detailed property characteristic maintenance, and facilitate a much more efficient assessment recertification process, resulting in the timely reissuing of property tax bills.

ACCOMPLISHMENTS & INITIATIVES

In conjunction with the Actual Value Initiative implementation that began in 2014, the City of Philadelphia continues to offer relief programs that mitigate the effects of long-overdue assessment revisions that, in many instances, result in the potential for increased tax liabilities for Philadelphia homeowners. The Homestead Exemption was created to help mitigate taxpayer concerns over potential increases in annual property taxes by offering owner-occupiers an exemption of up to \$30,000. During the past year, the OPA has transitioned the responsibilities related to the application process of the Homestead Exemption to the Department of Revenue.

Additionally, the OPA continues to work with the Department of Revenue to implement the Longtime Owner Occupants Program (LOOP), which provides 10 years of tax discounts to certain longtime homeowners whose taxable property assessments more than tripled in 2014. However, the OPA's role is fairly limited in the LOOP process: OPA provides Revenue with the initial assessment data for any property that experienced a tripling between tax years and then verifies a property's abatement history, if any. The Department of Revenue manages the overall program, including outreach, application processing, approval or denial, etc.

The OPA's website—www.phila.gov/OPA—continues to offer property owners information regarding their property valuation data, in addition to the Homestead Exemption. The available information includes applications, assistance regarding denials and reapplication, and answers to frequently asked questions. For those without Internet access or more specific questions, the Homestead Hotline—215-686-9200—continues to operate Monday through Friday, 8:30am – 6pm. Non-English speaking property owners can conduct their call in any language.

Current Initiatives

In order to continue to have assessments closely reflect actual market values, OPA is committed to regular, ongoing reassessments. For tax year 2016, OPA looked to further improve its goal of lower Coefficients of Dispersion city wide for residential parcels, but with a focus on those neighborhoods where our measurements of dispersion were higher than the city wide average.

This year, OPA is seeking to improve the level of accuracy and uniformity of the assessment of the land component of the City of Philadelphia's over 470,000 residential parcels, and on the 40,000 non-commercial/industrial vacant land parcels. OPA's modeling unit, with the assistance of experts from the City's Land Bank as well as a nationally respected modeling consultant have, at the neighborhood level, closely examined the relationship of the land component of each parcel to existing market values with regard to the land's contributory value. Where appropriate, OPA has adjusted the land to improvement ratio in a manner that is more reflective of what the market indicates it should be, and in some cases revised the overall market value of the parcel itself.

Approximately 475,000 Change of Assessment notices will be mailed within the next week to taxpayers who may see a change in the overall assessed value or (for partially abated properties) a change in the taxable assessed value, or (in most instances) simply a change in the land-to-improvement allocation that results in no change in the taxable assessment. OPA will continue to allow property owners seeking to challenge a reassessment to file an informal appeal, or First Level Review directly with the Office of Property Assessment within 30 days of the Change of Assessment notice date.

**Office of Property Assessment
OTHER BUDGETARY IMPACTS**

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

Office of Property Assessment – CONTRACTING EXPERIENCE

**M/W/DSBE Participation on Large Contracts
FY16 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % and \$ Value Participation - All DSBEs	Local Business	Living Wage Compliant?
Linebarger	FLR/Abatement Application Processing	\$228,378	6/4/12	7/1/15	MBE: 15-20%	0%	\$0	100% \$228,378	Y	Y
					WBE: 10-15%	100%	\$228,378			
					DSBE:	0%	\$0			
Vanguard Direct	Customer Service & Application Processing	\$190,000	6/4/12	9/1/15	MBE: 15-20%	15%	\$28,500	25% \$47,500	Y	Y
					WBE: 10-15%	10%	\$19,000			
					DSBE:	0%	\$0			

Office of Property Assessment – EMPLOYEE DATA

Staff Demographics (as of January 2016)

Full-Time Staff				Executive Staff			
		Male	Female			Male	Female
		African-American				African-American	
<i>Total</i>		22	48	<i>Total</i>		2	3
<i>% of Total</i>		12.4%	27.0%	<i>% of Total</i>		22.2%	33.3%
<i>Average Salary</i>		\$51,910	\$47,363	<i>Average Salary</i>		\$135,816	\$86,649
<i>Median Salary</i>		\$50,051	\$46,715	<i>Median Salary</i>		\$135,816	\$93,484
		White				White	
<i>Total</i>		43	52	<i>Total</i>		4	0
<i>% of Total</i>		24.2%	29.2%	<i>% of Total</i>		44.4%	0%
<i>Average Salary</i>		\$58,453	\$51,715	<i>Average Salary</i>		\$104,945	N/A
<i>Median Salary</i>		\$53,382	\$49,105	<i>Median Salary</i>		\$100,182	N/A
		Hispanic				Hispanic	
<i>Total</i>		1	5	<i>Total</i>		0	0
<i>% of Total</i>		0.6%	2.8%	<i>% of Total</i>		0%	0%
<i>Average Salary</i>		\$50,051	\$55,106	<i>Average Salary</i>		N/A	N/A
<i>Median Salary</i>		\$50,051	\$50,361	<i>Median Salary</i>		N/A	N/A
		Asian				Asian	
<i>Total</i>		4	3	<i>Total</i>		0	0
<i>% of Total</i>		2.2%	1.7%	<i>% of Total</i>		0%	0%
<i>Average Salary</i>		\$52,249	\$52,264	<i>Average Salary</i>		N/A	N/A
<i>Median Salary</i>		\$46,715	\$52,264	<i>Median Salary</i>		N/A	N/A
		Other				Other	
<i>Total</i>		0	0	<i>Total</i>		0	0
<i>% of Total</i>		0%	0%	<i>% of Total</i>		0%	0%
<i>Average Salary</i>		N/A	N/A	<i>Average Salary</i>		N/A	N/A
<i>Median Salary</i>		N/A	N/A	<i>Median Salary</i>		N/A	N/A
		Bi-lingual				Bi-lingual	
<i>Total</i>		5	8	<i>Total</i>		0	0
<i>% of Total</i>		2.8%	4.5%	<i>% of Total</i>		0%	0%
<i>Average Salary</i>		\$50,741	\$49,999	<i>Average Salary</i>		N/A	N/A
<i>Median Salary</i>		\$50,051	\$52,177	<i>Median Salary</i>		N/A	N/A
		Male	Female			Male	Female
<i>Total</i>		70	108	<i>Total</i>		6	3
<i>% of Total</i>		39.3%	60.7%	<i>% of Total</i>		66.7%	33.3%
<i>Average Salary</i>		\$53,696	\$51,179	<i>Average Salary</i>		\$115,235	\$86,649
<i>Median Salary</i>		\$50,051	\$50,051	<i>Median Salary</i>		\$112,485	\$93,484

Office of Property Assessment
APPENDIX (Other Relevant Data and Charts)

Number of Bilingual Employees (as of January 2016)

	Spanish	French	Lithuanian	Russian	Malayalam	Hindi	Creole	Mongolian	Bengali
01-Management and Support	0	1	0	0	0	0	0	0	0
02-Real Property	2	1	1	1	3	2	0	1	0
03-Assessment Support Staff	1	0	0	0	0	1	1	0	1
Total - All Divisions	3	2	1	1	3	3	1	1	1
Total - # of Bilingual Employees	13								
Total - # of Languages Spoken	9								