



## Legislation Text

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**File #: 170254, Version: 0**

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Authorizing the Committee on Finance to hold hearings to discuss the progress made by the Office of Property Assessment concerning the assessment and valuation of real property in the City of Philadelphia and to ascertain ways in which the City can continue to improve and build upon these efforts moving forward.

WHEREAS, The Office of Property Assessment ("OPA") is responsible for carrying out all duties of the assessment office of the City of Philadelphia, that being the discovery, listing and valuing of all real property in the City of Philadelphia in a uniform manner; and

WHEREAS, The OPA is also responsible for 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; and

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

WHEREAS, On September 6, 2013, Bill No. 130443-A, also known as the Actual Value Initiative legislation ("AVI"), was enacted, which amended Chapter 2-300 of The Philadelphia Code, entitled "Property Assessment," by further providing for the manner in which assessments are determined; and

WHEREAS, Under AVI, OPA is required to set forth a methodology for the valuation of properties for taxation purposes. The methodology employed shall be made available to the public, including an explanation of the extent to which the methodology employed conforms to nationally recognized assessment standards such as those approved by the International Association of Assessing Officers (IAAO) for mass appraisals of real property; and

WHEREAS, OPA must also make underlying supporting data, documentation, methodology and any other information used to certify each property assessment publicly available by May 1; and

WHEREAS, Additionally, AVI specifies that, at least once every three years, beginning with the year 2014, OPA is to undergo an audit by an independent firm in which the firm will complete a statistical analysis of the performance of the appraisers and the accuracy of the property assessment in order to ensure a uniform and accurate system of property taxation. The Council shall by separate ordinance, name the firm to be engaged for this purpose. 2017 is the first year this audit is required; and

WHEREAS, As a result of instituting AVI over the past 3 plus years, OPA has been engaged in the critical process of correcting years of confusing, inequitable and inconsistent property tax assessments, especially as it relates to commercial property assessments and the correction of land values; and

WHEREAS, At the outset of the initial year of the proposed revisions that were issued under AVI, in tax year

2014, it was clear that many parcels included land assessments that were extensively lower than what the market indicated the values should be. Of particular concern were the land assessments to total assessment ratios of the overall condominium inventory, which was 8.5% in 2016. However, the proposed revisions to assessments for 2017, increase the land portion of the total assessment to 12.4%; and

WHEREAS, Although the 2014 proposed revisions for single family land to total assessment ratios increased only slightly, overall land values increased by 11.39% and taxable land values increased by 11.24%; and

WHEREAS, While subsequent reassessment projects in 2015 and 2016 aimed at correcting uniformity deficiencies for residential properties have considered more recent sales data, commercial assessments have lagged. However, OPA is currently engaged in a reassessment effort that, in March of 2017, will produce updated assessments for the over 60,000 commercial/industrial properties that include 27,237 hotels and apartments, 14,237 mixed use properties, 14,665 office and retail properties, and 4,361 industrial properties; and

WHEREAS, In order to assist with these efforts, OPA issued a Request for Proposals (“RFP”) in July of 2016, seeking knowledgeable and respected expert consultants to help with the assessment of commercial real estate and assist in the defense of established assessments that will be challenged on appeal before the Board of Revision of Taxes (BRT); and

WHEREAS, After a long process, approximately 24 months, of vetting companies and software programs for CAMA vendors, OPA is still without a Computer-Assisted Mass Appraisal (“CAMA”) system, and the City of Philadelphia remains the only large jurisdiction in the United States without some type of CAMA system; and

WHEREAS, Although an RFP for a CAMA vendor was reissued and OPA has recently selected its preferred vendor and is currently conducting contract negotiations, the project comes with an anticipated completion date of summer 2020, and it is expected that the first tax bills created using the new system will not be issued until January of 2022; and

WHEREAS, Despite the OPA’s progress as mentioned above, there are still concerns and outstanding issues that need to be addressed. For example, the City of Philadelphia has one of the largest concentrations of non-profit hospitals and universities in the nation, with most of the real property owned by these non-profits and being statutorily exempt from real estate taxes. However, many of the exemptions granted to these non-profits were issued decades ago and may have changed since the original exemption was granted; and

WHEREAS, OPA is responsible for implementing statutory exemptions for parcels owned and operated by non-profits, and the department has yet to come up with a comprehensive way of ensuring that all exempt parcels are being assessed properly in regard to the taxable status of each parcel, potentially losing the City additional revenue it and the School District desperately need; and

WHEREAS, The OPA is required to public annually to the City’s official website the results of assessment-sales ratio studies for different types of real property for the entire City, and for different types of real property within each of the geographic areas utilized in making assessments. A copy of this publication is to be delivered to the Mayor, President and Chief Clerk of Council by May 1st , to date OPA has not complied with this requirement; and

WHEREAS, Despite the acknowledged delay as it relates to the completion and implementation of the CAMA system, there is still a significant amount of much-needed annual revenue that must be captured while project

completion and implementation is pending; and

WHEREAS, The City's ability to fairly and accurately assess real property is an essential component of the City's financial health and condition, but more importantly is essential to the duty the City has to its taxpayers, schools and residents; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Authorizes the Committee on Finance to hold hearings to discuss the progress made by the Office of Property Assessment concerning the assessment and valuation of real property in the City of Philadelphia and to ascertain ways in which the City can continue to improve and build upon these efforts moving forward.