

**OFFICE OF PROPERTY ASSESSMENT
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

Mission: The Office of Property Assessment is responsible for determining the value of all real property in Philadelphia and is dedicated to doing so in a fair, accurate, and understandable way.

Description of Major Services: OPA conducts property assessments to determine the value of properties and certifies all assessments after their revision and equalization. OPA also offers property information through its property search application, allowing the public access to property valuation data in Philadelphia, and manages abatement and exemption programs that may reduce a property's Real Estate Tax bill. A Chief Assessment Officer, appointed by the Mayor and approved by City Council, directs the operation of the agency.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The Office of Property Assessment (OPA) was created in FY11 and has seen a significant increase in funding to prepare for, implement and maintain the Actual Value Initiative, the comprehensive change to the property tax system. In FY14, the General Fund budget for OPA was increased by approximately \$1.7 million to cover the costs associated with outreach regarding Actual Value Initiative as well as First Level Review processing for assessment appeals. The FY16 Proposed Budget is slightly lower than the FY15 Current Estimate due to one-time costs in FY15.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	9,313,967	10,364,758	10,424,420	59,662	0.6%
	200	1,142,853	2,774,390	2,078,126	(696,264)	-25.1%
	300/400	411,464	794,600	782,600	(12,000)	-1.5%
	Total	10,868,285	13,933,748	13,285,146	(648,602)	-4.7%
	Positions	179	217	217	0	0.0%

Staff Demographics Summary (as of December 2014)

	Total	Minority	White	Female
Full-Time Staff	186	89	97	113
Executive Staff	12	5	7	4
Average Salary - Executive Staff	\$94,814	\$97,622	\$94,418	\$87,272
Median Salary - Executive Staff	\$94,418	\$91,520	\$94,458	\$88,523

Employment Levels (as of December 2014)

	Budgeted	Filled
Full-Time Positions	218	186
Part-Time Positions	0	0
Executive Positions	12	12

Contracts Summary (* as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	\$202,333	\$247,290	\$322,525	\$2,727,116	\$912,288	\$1,585,733
Total amount to M/W/DBE	\$40,000	\$40,000	\$67,000	\$579,000	\$236,095	\$520,000
Participation Rate	20%	16%	21%	21%	26%	33%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

FY15 included the final stages of the first phase of the Actual Value Initiative (“AVI”). Beginning in tax year 2014, the City simplified its property assessment formula by applying a 100% assessment ratio after decades of fractional assessments. The initiative, which began in 2010 and continued through 2014, resulted in the first major reassessment of all 579,000 parcels in the City of Philadelphia in several decades, is playing 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”), a measure of 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 similarly to low value properties. The City’s goal is for the measurement to be close to or slightly above 1, and the PRD saw improvement from a pre-AVI level of .970 to 1.037 in 2014.

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) deviates from the median. In general, a decrease in the deviation is considered an improvement in the COD.

DEPARTMENT CHALLENGES

Through the hard work of OPA’s evaluators, and the diligent efforts of the management staff, OPA completed the initial phase of AVI. However, in its quest to become a first class assessment agency, the Office of Property Assessment faces several challenges.

The first year of AVI resulted in over 50,000 informal appeals or FLRs (First Level Reviews), a new 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 commercial properties, addressing these appeals. Responding to those appeals has limited the amount of time that evaluators can devote to assessments and has meant that the next full citywide assessment will not occur until FY17.

Among OPA’s most daunting challenges is 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. The Accomplishments and Initiatives section provides an update on the implementation of CAMA.

An ongoing challenge that the OPA faces is the ability to increase its staffing to levels that mirror industry standards.

ACCOMPLISHMENTS & INITIATIVES

Homestead Exemption: During the past year, the OPA has continued administering the Homestead Exemption, which 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. The OPA has worked 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.

With the passing of the second year of the Homestead Exemption's implementation, approximately 215,819 properties have been enrolled in the program for Tax Year 2015. Although the total has decreased from the number reported last year, the decrease can be attributed to a number of factors described below.

Effective Tax Year 2015, properties with 10-year, residential tax abatements can no longer have the Homestead Exemption, per state legislation. Therefore, approximately 5,700 Homestead Exemptions were removed. In these instances, letters were mailed to affected properties, alerting the owners to the change. Property owners also have the option of removing the abatement and retaining the Homestead Exemption (for example, if the abatement was worth less than the Exemption). Otherwise, once an abatement ends, the homeowner can reapply for the Homestead Exemption, assuming they still meet the program requirements.

As a result of an audit conducted by the OPA, a total of 1,007 properties that did not meet the legislated requirements have had their Homestead Exemption removed. This is an ongoing process and additional removals are expected to occur.

The US Census Bureau's ACS 5-year (2009-2013) data was released on December 4, 2014, which provided more up-to-date figures with regards to owner-occupied properties in Philadelphia. The data indicates there are 308,931 owner-occupied units in Philadelphia. It is important to note that "owner-occupied" does not necessarily mean primary residence. For example, a person may own and occupy a property in Philadelphia but claims their primary residence in Florida.

Based on the abated property legislation, Homestead Exemption audit, as well as the approximately 18,000 properties now enrolled in LOOP, the universe of Homestead Exemption-eligible properties is approximately 284,231 (and may continue to decrease as a result of added abatements, ongoing audit efforts, LOOP enrollments, etc.). With 215,819 properties approved, this means 76% of eligible Philadelphia households are enrolled in the Homestead Exemption.

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

While citywide measurements of uniformity have improved, many areas of the city include neighborhoods for which some degree of non-uniformity as measured by high CODs or either low or high mean assessment ratios among single-family residential homes still exist. OPA will soon mail assessment notices citywide to approximately 131,000 parcels that will see some change of assessment due to one or more factors, including a revised assessment of neighborhood boundaries, improved data collection by OPA, and new construction or demolition.

OPA will continue to seek property owners (either existing homeowners who have simply never applied or new homebuyers) who may be eligible for the Homestead Exemption or LOOP discount. Efforts also include the possibility of further simplifying the enrollment process for the Homestead Exemption as well as other tax relief programs. Auditing of already-approved properties will also continue.

New Initiatives

As a new initiative, OPA will be gathering additional data on factors affecting land values, in anticipation of a citywide land reassessment to take place in 2016, for Tax Year 2017.

Additionally, OPA has gone forward with the process of acquiring a CAMA system. Together with the Office of Property Data within the Finance Department and the Office of Innovation and Technology, OPA has made substantial progress toward an anticipated goal of the issuance of an RFP by mid-Spring of 2015.

The budget that the Office of Property Assessment is requesting will allow the department to ensure that it reaches its goal of fair and equitable assessments for all taxpayers, using methodologies that employ industry standards.

STAFFING

Staff Demographics (as of December 2014)

<i>Full-Time Staff</i>				<i>Executive Staff</i>			
		Male	Female			Male	Female
	African-American	African-American			African-American	African-American	
<i>Total</i>	22	52	<i>Total</i>	2	3		
<i>% of Total</i>	11.8%	28.0%	<i>% of Total</i>	16.7%	25.0%		
	White	White		White	White		
<i>Total</i>	44	53	<i>Total</i>	6	1		
<i>% of Total</i>	23.7%	28.5%	<i>% of Total</i>	50.0%	8.3%		
	Hispanic	Hispanic		Hispanic	Hispanic		
<i>Total</i>	1	5	<i>Total</i>	0	0		
<i>% of Total</i>	0.5%	2.7%	<i>% of Total</i>	0.0%	0.0%		
	Asian	Asian		Asian	Asian		
<i>Total</i>	5	3	<i>Total</i>	0	0		
<i>% of Total</i>	2.7%	1.6%	<i>% of Total</i>	0.0%	0.0%		
	Other	Other		Other	Other		
<i>Total</i>	1	0	<i>Total</i>	0	0		
<i>% of Total</i>	0.5%	0.0%	<i>% of Total</i>	0.0%	0.0%		
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual		
<i>Total</i>	0	1	<i>Total</i>	0	0		
<i>% of Total</i>	0.0%	0.5%	<i>% of Total</i>	0.0%	0.0%		
	Male	Female		Male	Female		
<i>Total</i>	73	113	<i>Total</i>	8	4		
<i>% of Total</i>	39.2%	60.8%	<i>% of Total</i>	66.7%	33.3%		

CONTRACTING

**M/W/DBE Participation on Large Contracts
FY15 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
TBD	Full Value Project-Sketching, Measuring, etc	\$1,000,000	n/a	n/a	MBE:	10%	\$100,000		na
					WBE:	10%	\$100,000	20%	na
					DSBE:	0%	\$0	\$200,000	na
Geraldine Dougherty	Real Estate Consultant	\$20,000		7/1/15	MBE:	0%	\$0		na
					WBE:	100%	\$20,000	100%	na
					DSBE:	0%	\$0	\$20,000	na
Linebarger	FLR/ Abatement Application Processing	\$228,378		7/1/15	MBE:	0%	\$0		na
					WBE:	100%	\$228,378	100%	na
					DSBE:	0%	\$0	\$228,378	na
Camins Associates	Lead Appraisal Consultant	\$60,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Robert Ludwig	Real Estate Consultant	\$20,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Robert Gloude-mans	Modeling/ Valuation	\$30,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
American Signature Associates	Commercial Land Valuation	\$30,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Commercial Appraisal Consultant	Appraisal Services	\$30,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Vanguard Direct	Customer Service and Application Processing	\$120,000		7/1/15	MBE:	15%	\$18,000		na
					WBE:	10%	\$12,000	25%	na
					DSBE:	0%	\$0	\$30,000	na
TBD	Outreach	\$25,000	n/a	7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
TBD	Office Security - Reception Area	\$40,000	n/a	10/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Assessors Association of PA	Instructor Training	\$60,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
FLR Online Application	Online Application Development	\$60,000		7/1/15	MBE:	0%	\$0		na
					WBE:	0%	\$0	0%	na
					DSBE:	0%	\$0	\$0	na
Total amount of contracts		\$1,723,378							
Total amount to M/W/DBE		\$478,378							
Participation Rate		28%							

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

N/A