

BEFORE THE PHILADELPHIA WATER, SEWER
AND STORM WATER RATE BOARD

IN THE MATTER OF A PROPOSED RATE INCREASE :

IN WATER, SEWER AND STORM WATER RATES : FY 2019-2021 RATES

DIRECT TESTIMONY
OF
ANGEL RODRIGUEZ
ON BEHALF OF
THE PHILADELPHIA LAND BANK

April 20, 2018

INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Angel Rodriguez. My business address is 1234 Market Street, 16th Floor, Philadelphia, PA 19107.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by the Philadelphia Housing Development Corporation ("PHDC").

Q. WHAT IS YOUR POSITION WITH PHDC?

A. I am the Executive Director of the Philadelphia Land Bank ("Land Bank"). I am also the Director of Land Development for PHDC.

Q. WHAT IS THE RELATIONSHIP BETWEEN PHDC AND THE LAND BANK?

A. PHDC and the Land Bank are parties to a management agreement under which PHDC provides staffing and other support to the Land Bank.

Q. HOW LONG HAVE YOU SERVED AS THE EXECUTIVE DIRECTOR OF THE LAND BANK?

A. About seven months. I started on September 11, 2018.

Q. WHAT ARE YOUR DUTIES AS EXECUTIVE DIRECTOR OF THE LAND BANK?

A. As Executive Director of the Land Bank, I am responsible for oversight of the Land Bank's operations including the strategic redevelopment of the City's publicly owned surplus vacant property. I also oversee implementation of programs and processes involving housing, economic development, reduction of blight, and community gardens.

1 **Q. HAVE YOU EVER PREVIOUSLY TESTIFIED IN REGULATORY**
2 **PROCEEDINGS ON UTILITY RATES?**

3 A. No.

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

5 A. The Philadelphia Land Bank.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to seek a full exemption from all water, sewer, and
8 stormwater charges for all properties owned by the Land Bank pursuant to section 16-
9 705(5) of the Philadelphia Code, which provides that "[f]or the duration of the time a
10 property is held by the Land Bank, the Land Bank is authorized to exempt such property
11 from all real estate taxes, water, sewer, stormwater and other municipal charges to the
12 extent permitted by law".

13 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

14 A. Following this introductory section, my testimony is organized as follows. First, I offer
15 some background on the creation, structure, and mission of the Land Bank. Second, I
16 will discuss why real property conveyed to the Land Bank from the City of Philadelphia
17 ("City"), the Philadelphia Redevelopment Authority ("PRA"), and the Philadelphia
18 Housing Development Corporation ("PHDC") should be fully exempt from all water,
19 sewer, and stormwater charges. Third, I will discuss why real property acquired by the
20 Land Bank at judicial sale or other means (other than those conveyed from the City,
21 PRA, and PHDC) should also be fully exempt from all water, sewer, and stormwater
22 charges. Lastly, I will discuss the financial impact to the Water Rate Board (the "WRB")

1 of granting the Land Bank a full exemption from all water, sewer, and stormwater
2 charges.

3
4 **CREATION, STRUCTURE, AND MISSION OF THE LAND BANK**

5 **Q. HOW WAS THE LAND BANK CREATED?**

6 A. In 2012, Pennsylvania adopted legislation commonly known as the Pennsylvania Land
7 Bank Act, which enables municipalities to establish land banks ("Land Bank Act"). In
8 2013, the City adopted an ordinance creating the Philadelphia Land Bank ("Land Bank
9 Ordinance").

10 **Q. WHO GOVERNS THE LAND BANK?**

11 A. The Land Bank is governed by an eleven (11) member Board of Directors ("Board").
12 Five (5) members of the Board are appointed by the Mayor; five (5) members of the
13 Board are appointed by a majority vote of City Council; and one (1) member is appointed
14 by a majority vote of the other members of the Board. All Board members serve terms
15 concurrent with the appointing authority and at the pleasure of their appointing authority.

16 **Q. WHAT IS THE NUMBER OF LAND BANK STAFF?**

17 A. The Land Bank currently consists of sixteen staff members including myself.

18 **Q. WHY WERE LAND BANKS CREATED?**

19 A. Land banks were created to deal with vacant, abandoned and tax-delinquent properties.
20 Many of these properties have little or no market value, substantial title issues, and liens
21 in excess of their values - all of which discourages redevelopment.

1 **Q. WHAT IS THE MISSION OF THE LAND BANK?**

2 A. The Land Bank Ordinance states that the mission of the Land Bank is to "return vacant
3 and underutilized property to productive use through a unified, predictable, and
4 transparent process, thereby to assist in revitalizing neighborhoods, creating socially and
5 economically diverse communities, and strengthening the City's tax base".

6 **Q. HOW DOES THE LAND BANK ACCOMPLISH THIS MISSION?**

7 A. Generally, the Land Bank acquires and sells real property to developers and other owners
8 to redevelop or use for a productive use. There are two primary ways the Land Bank
9 acquires property. The first way is by obtaining surplus property from the City, PHDC,
10 and PRA. The Land Bank Ordinance tasks the Land Bank with the primary purpose of
11 acquiring and consolidating surplus property of the City, PRA, and PHDC, which the
12 Land Bank is supposed to accomplish with speed and diligence. The second way is by
13 acquiring tax-delinquent properties at a judicial sale or sheriff's sale, using a special
14 power known as a "priority bid". This allows the Land Bank to acquire tax-delinquent
15 property at a judicial sale without competitive bidding. When the Land Bank sells
16 property, it can be for market rate housing, affordable housing, workforce housing,
17 side/rear yards, community gardens, business expansion, or commercial development.

18

19 **EXEMPTION FOR REAL PROPERTY CONVEYED TO**
20 **THE PHILADELPHIA LAND BANK FROM THE CITY, PRA, AND PHDC**

21 **Q. PLEASE EXPLAIN WHY REAL PROPERTY CONVEYED TO THE**
22 **PHILADELPHIA LAND BANK FROM THE CITY, PRA, AND PHDC SHOULD**

1 **BE FULLY EXEMPT FROM ALL WATER, SEWER, AND STORMWATER**
2 **CHARGES.**

3 A. As I previously mentioned, the Land Bank Ordinance provides that the primary purpose
4 of the Land Bank is to acquire and consolidate surplus property of the City, PRA, and
5 PHDC. While a property is held by the City, PRA, or PHDC (prior to transfer to the
6 Land Bank), all water, sewer, and stormwater charges are abated one-hundred percent
7 (100%) for (i) vacant or unoccupied premises acquired by the City, (ii) properties
8 acquired by PHDC, and (ii) vacant properties acquired by PRA under the provisions of
9 §16-400 of the Philadelphia Code. However, once a transfer of vacant, surplus property
10 from the City, PRA, or PHDC to the Land Bank occurs, the WRB begins billing the Land
11 Bank for all water, sewer, and stormwater charges upon being notified of the transfer via
12 the recorded deed. The grant of this exemption to the City, PRA, and PHDC, but not the
13 Land Bank, places the Land Bank at a financial disadvantage. The Land Bank
14 essentially "stands in the shoes" of the City-related entity from which it acquired the
15 property, as it is required to do under the Land Bank Ordinance. The WRB is essentially
16 penalizing the Land Bank for seeking to address blight, revitalize neighborhoods, and
17 fulfill its primary purpose of acquiring and consolidating the City's, PRA's, and PHDC's
18 surplus property.

19 Unequal treatment of the Land Bank raises the question of whether the WRB is in
20 compliance with §13-101(4)(d) of the Philadelphia Code, which prohibits rates from
21 being discriminatory as to the same class of consumers. It is the Land Bank's opinion
22 that the Land Bank, the City, PRA, and PHDC are in the same class of consumers
23 because they are each a City-related entity with the similar purpose of eliminating blight

1 and revitalizing neighborhoods: the City has a strong interest in eliminating blight and
2 revitalizing neighborhoods as evidenced by the creation of the Land Bank and other City
3 programs; PRA was formed for the public purpose of eliminating blighted areas through
4 redevelopment; and part of PHDC's mission is to facilitate community development and
5 revitalize neighborhoods.

6 There is no reason why the Land Bank should be treated differently than, and not
7 receive the same benefit as, the City, PRA, and PHDC for combating blight. The
8 abatements extended to the City and these City-related entities provide a level of
9 financial relief that allows them to direct their resources to putting properties back to
10 productive use and back on the tax rolls, while improving neighborhoods. However, the
11 Land Bank does not receive any such financial relief. In fact, for fiscal year 2018 alone,
12 the Land Bank budgeted Five Hundred and Thirty Thousand Dollars (\$530,000) for
13 stormwater charges, which is approximately eight percent (8%) of the Land Bank's total
14 budget. A substantial portion of the Land Bank's budgeted stormwater charges are the
15 direct result of the Land Bank acquiring and consolidating the City's, PRA's, and PHDC's
16 surplus property, which totals 1,910 properties as of April 4, 2018. As the Land Bank
17 continues to acquire and consolidate the City's, PRA's, and PHDC's surplus property, the
18 financial burden will continue to grow and substantially reduce the Land Bank's ability to
19 move properties back into productive use.

20
21 **EXEMPTION FOR REAL PROPERTY ACQUIRED BY**
22 **THE PHILADELPHIA LAND BANK AT A JUDICIAL SALE OR OTHER MEANS**

1 **Q. PLEASE EXPLAIN WHY REAL PROPERTY ACQUIRED BY THE**
2 **PHILADELPHIA LAND BANK AT JUDICIAL SALE OR OTHER MEANS**
3 **(OTHER THAN THOSE ACQUIRED FROM THE CITY, PRA, OR PHDC)**
4 **SHOULD BE FULLY EXEMPT FROM ALL WATER, SEWER, AND**
5 **STORMWATER CHARGES.**

6 A. The City, PRA, and PHCD can acquire real property by various means, such as a private
7 purchase, donation, or acquisition of tax-delinquent property at a judicial sale. In the last
8 instance, the only difference is that the Land Bank can exercise a "priority bid".
9 Regardless of the method by which the City and each City-related entity acquires real
10 property, they all have the benefit of a one-hundred percent (100%) abatement of water,
11 sewer, and stormwater charges for vacant properties. The Land Bank does not. The
12 Land Bank should benefit from the same one-hundred percent (100%) abatement of
13 water, sewer, and stormwater charges for vacant properties regardless of how the
14 property is acquired for the reasons I previously discussed: (i) it results in unequal
15 treatment of members of the same class of consumers, and (ii) it creates a financial
16 burden on the Land Bank that impedes its ability to fulfill its mission. Without the
17 benefit of the same abatement for vacant properties, the Land Bank has to use limited
18 funds that would otherwise be used to acquire real property and facilitate their
19 redevelopment and divert those funds to pay water, sewer, and stormwater charges that
20 the City and no other City-related entity with the same mission is asked to pay. The Land
21 Bank should be treated no differently than the City, PRA, and PHDC when it comes to
22 water, sewer, and stormwater charges for vacant properties it acquires via judicial sale or

1 other means, since the Land Bank, the City, PRA, and PHDC all have the same purpose
2 and interests in combating blight.

3
4 **IMPACT ON THE WATER RATE BOARD**

5 **Q. WHAT WOULD BE THE LIKELY FINANCIAL IMPACT ON THE WATER**
6 **RATE BOARD IF IT GRANTED THE PHILADELPHIA LAND BANK A FULL**
7 **EXEMPTION FROM ALL WATER, SEWER, AND STORMWATER CHARGES**
8 **FOR (I) REAL PROPERTY CONVEYED FROM THE CITY, PRA, AND PHDC;**
9 **AND (II) VACANT REAL PROPERTY ACQUIRED BY THE PHILADELPHIA**
10 **LAND BANK AT JUDICIAL SALE OR OTHER MEANS?**

11 A. With respect to vacant real property conveyed from the City, PRA, and PHDC, water,
12 sewer, and stormwater charges were not going to be collected in any case so the full
13 exemption from these charges was already built into the rates when these properties were
14 owned by the City, PRA, and PHDC. Continuing this exemption for the Land Bank
15 would not have any financial impact on the WRB or result in any rate increase for PWD
16 customers, but not allowing this exemption would result in an unplanned windfall to the
17 WRB.

18 Attached to this testimony as Exhibit A is an analysis conducted by the Land
19 Bank. The analysis shows the financial impact on the WRB of granting the Land Bank a
20 full exemption from all water, sewer, and stormwater charges for vacant real property
21 acquired at a judicial sale or other means. This analysis (i) only considers real property
22 acquired at a judicial sale since that is the primary way the Land Bank will acquire real
23 property other than property conveyed from the City, PRA, and PHDC; (ii) assumes, for

1 simplicity, that all real property acquired by the Land Bank are residential, which the
2 Land Bank expects to be the case; (iii) assumes that all properties are vacant since the
3 Land Bank will only acquire vacant properties; and (iv) assumes that these vacant
4 properties will not have any water or sewer usage charges so only service charges will
5 accrue.

6 Based on the Land Bank's analysis, the potential lost revenue for fiscal year 2019,
7 2020, and 2021 is estimated to be approximately \$132,000, \$146,000, and \$149,000,
8 respectively. But, when adding in the monthly service charges that will be generated
9 when the Land Bank sells property for productive use, the estimated potential lost
10 revenue is significantly less - for FY2019 it is approximately \$40,000, for FY2020 it is
11 approximately \$41,000, and for FY2021 it is approximately \$29,000. When the WRB
12 granted community gardens a one-hundred percent (100%) abatement of stormwater
13 charges in 2016, the estimated financial impact for 2017 and 2018 was approximately
14 \$46,000 and \$48,000, respectively, for a total of \$94,000 over two (2) years. The Land
15 Bank's estimated potential lost revenue is only approximately \$17,000 more at \$111,000
16 over three (3) years.

17 It's worth noting that the Land Bank's analysis is based only on residential water,
18 sewer, and stormwater service charges and does not take into account the significant
19 usage charges that would be generated when the Land Bank repositions these properties
20 from vacant to productive use. In addition, this analysis assumes that each parcel sold
21 will be a single residence, but in many instances each parcel will consist of a multi-unit
22 building.

1 We recognize that this may be a simplified approach, but it clearly shows the
2 Land Bank's potential to create new customer accounts and generate revenue for the
3 WRB. And, the quicker the Land Bank can dispose of its property for redevelopment, the
4 greater its potential to create customer accounts and generate revenue for the WRB.
5 Overall, the financial impact on the WRB is minuscule for a utility with over \$700
6 million in operating revenues. The revenue loss from granting a one-hundred percent
7 (100%) abatement of water, sewer, and stormwater charges for vacant real property
8 acquired from the City, PRA, and PHDC, or by other means, such as a judicial sale, is
9 estimated to be so small that it would have only a *de minimis* revenue impact and not
10 trigger the need for additional revenues for the upcoming rate period.

11 For these reasons, and the fair and equal treatment of the Land Bank, the WRB
12 should grant the Land Bank a one-hundred percent (100%) abatement of water, sewer,
13 and stormwater charges for all vacant real property owned by the Land Bank.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes it does.

**EXHIBIT A - Analysis of Potential Lost Revenue
Properties Acquired at Judicial Sale Only
Philadelphia Land Bank**

FYE 2019			
# of Parcels at Beginning of FY (estimated) (6)	Parcels Acquired in FY (1)	Expected Parcels to be Disposed in FY (2)	# of Parcels at End of FY
310	325	(260)	375
Proposed Residential Mthly SW Charge Est. Annual SW Revenue Lost			
			\$16.01 (\$72,045.00)
Proposed Resident. Mthly Water Service Charge (3) Est. Annual Water Service Charge Revenue Lost			
			\$6.18 (\$27,810.00)
Proposed Resident. Mthly Sewer Service Charge (3) Est. Annual Sewer Service Charge Revenue Lost			
			\$7.20 (\$32,400.00)
Total Estimated Annual Revenue Lost (4)			
			(\$132,255.00)
Est. Total Annual Service Charge Revenue (5)			\$91,696.80
Estimated Annual Net (Loss)/Gain			(\$40,558.20)

FYE 2020			
# of Parcels at Beginning of FY	Parcels Acquired in FY (1)	Expected Parcels to be Disposed in FY (2)	# of Parcels at End of FY
375	325	(293)	407
Proposed Residential Mthly SW Charge Est. Annual SW Revenue Lost			
			\$16.01 (\$78,192.84)
Proposed Resident. Mthly Water Service Charge (3) Est. Annual Water Service Charge Revenue Lost			
			\$6.40 (\$31,257.60)
Proposed Resident. Mthly Sewer Service Charge (3) Est. Annual Sewer Service Charge Revenue Lost			
			\$7.58 (\$37,020.72)
Total Estimated Annual Revenue Lost (4)			
			(\$146,471.16)
Est. Total Annual Service Charge Revenue (5)			\$105,444.84
Estimated Annual Net (Loss)/Gain			(\$41,026.32)

FYE 2021			
# of Parcels at Beginning of FY	Parcels Acquired in FY (1)	Expected Parcels to be Disposed in FY (2)	# of Parcels at End of FY
407	325	(326)	406
Proposed Residential Mthly SW Charge Est. Annual SW Revenue Lost			
			\$16.01 (\$78,000.72)
Proposed Resident. Mthly Water Service Charge (3) Est. Annual Water Service Charge Revenue Lost			
			\$6.55 (\$31,911.60)
Proposed Resident. Mthly Sewer Service Charge (3) Est. Annual Sewer Service Charge Revenue Lost			
			\$8.03 (\$39,122.16)
Total Estimated Annual Revenue Lost (4)			
			(\$149,034.48)
Est. Total Annual Service Charge Revenue (5)			\$119,668.08
Estimated Annual Net (Loss)/Gain			(\$29,366.40)

Notes:

- (1) According to the Land Bank 2017 Strategic Plan. This number does include acquisitions for sideyards and gardens.
- (2) According to the Land Bank 2017 Strategic Plan. This number does not include dispositions for sideyards and gardens since they will likely be exempt and not produce revenue for WRB.
- (3) Assumes a 5/8" meter size since that is the predominate size of residential meters.
- (4) Based on the number of parcels at the end of the FY.
- (5) The total revenue using the proposed SW, water, and sewer service charges based on the number of parcels expected to be disposed of in the FY.
- (6) This is an estimate based on the number of parcels the Land Bank expects to acquire at the tax delinquent sale in May and June 2018.

BEFORE THE PHILADELPHIA WATER, SEWER
AND STORM WATER RATE BOARD

IN THE MATTER OF A PROPOSED RATE INCREASE :
IN WATER, SEWER AND STORM WATER RATES : FY 2019-2021 RATES

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document by e-mail upon the parties listed below:

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Dated April 20, 2018