

ERRATA SHEETS
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

**ERRATA SHEETS
FOR THE
DIRECT TESTIMONY
OF
ANGEL RODRIGUEZ
ON BEHALF OF
THE PHILADELPHIA LAND BANK**

May 16, 2018

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- Page 2, Line 22 "Water Rate Board ("WRB")" was deleted and replaced with
"Philadelphia Water Department (the "PWD")"
- Page 5, Lines 10, 15, 19 "WRB" was deleted and replaced with "PWD"
- Page 8, Line 4 "WATER RATE BOARD " was deleted and replaced with
"WATER DEPARTMENT"
- Page 8, Line 6 "RATE BOARD" was deleted and replaced with
"DEPARTMENT"
- Page 8, Lines 15, 17, 19 "WRB" was deleted and replaced with "PWD"
- Page 9, Line 11 "WRB" was deleted and replaced with "PWD"
- Page 10, Lines 3, 4, 5, 11 "WRB" was deleted and replaced with "PWD"
- Page 10, Line 9 "be so small that it would" was deleted
- Page 10, Line 9 "only a *de minimis*" was deleted and replaced with "an extremely
small"

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 Philadelphia Water Department

1 (the "PWD") 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.

22

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

3

4

IMPACT ON THE WATER DEPARTMENT

5 **Q. WHAT WOULD BE THE LIKELY FINANCIAL IMPACT ON THE WATER**
6 **DEPARTMENT 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 PWD or result in any rate increase for PWD
16 customers, but not allowing this exemption would result in an unplanned windfall to the
17 PWD.

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 PWD 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 PWD
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 PWD. 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 PWD.
5 Overall, the financial impact on the PWD 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 have an extremely small revenue impact and not trigger the need for
10 additional revenues for the upcoming rate period.

11 For these reasons, and the fair and equal treatment of the Land Bank, the PWD
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.

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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:

Nancy Brockway
nancy.brockway@gmail.com

Michael Skiendzielewski
skiadvocat@aol.com

Philadelphia Water Department

Andre Dasent
andre.c.dasent@gmail.com

Scott Schwarz
Scott.Schwarz@phila.gov

Ji Jun
Ji.Jun@phila.gov

**Members of the Water, Sewer and Stormwater Rate Board and
Mr. Cantu-Hertzler**

Cody C. Williams
Cody.Williams@phila.gov

Community Legal Services

Robert Ballenger
RBallenger@CLSPHila.org

PECO Energy Company

H. Alfred Ryan
halfred.ryan@exeloncorp.com

Daniel P. Delaney
dan.delaney@klgates.com

Anthony R. Holtzman
Anthony.holtzman@klgates.com

Penn Environment

Stephanie Wein
stephanie@pennenvironment.org

David Masur
davidmasur@pennenvironment.org

Philadelphia Large Users Group (PLUG)

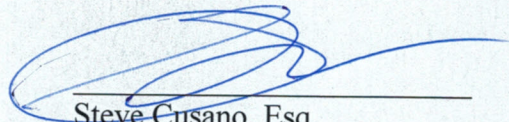
James P. Dougherty
JDougherty@mcneeslaw.com

Chris Mincavage
CMincavage@mcneeslaw.com

Adeolu A. Bakare
abakare@mcneeslaw.com

Water Revenue Bureau

Susan M. Crosby
susan.crosby@phila.gov



Steve Cusano, Esq.
PA Attorney I.D. 89472

Philadelphia Land Bank
1234 Market Street, 16th Floor
Philadelphia, PA 19107
(215) 448-3130
steve.cusano@phila.gov

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