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November 12, 2013

The Honorable Keith Gillespie
Representative, 47th Legislative District
Commonwealth of Pennsylvania
Chairman
House Committee on Urban Affairs
45 East Wing
P.O. Box 202047
Harrisburg, PA 17120-2047

The Honorable R. Ted Harhai
Representative, 58th Legislative District
Commonwealth of Pennsylvania
Democratic Chairman
32 East Wing
House Committee on Urban Affairs
P.O. Box 202058
Harrisburg, PA 17120-2058

Re: HB 1409, Pennsylvania House of Representatives Urban Affairs Committee
Committee Hearing of November 12, 2013

Dear Chairman Gillespie and Chairman Harhai:

My name is Sharon Humble, and I am the Managing Partner of the Philadelphia office of Linebarger Goggan Blair & Sampson, LLP (Linebarger Goggan). I have been an equity partner in my law firm for thirteen (13) years of my twenty-three (23) year tenure with the firm. I also have served on my firm's national Management Committee since 2006.

Please allow me to submit, on behalf of my firm, the following written comments on HB 1409 for the November 12, 2013 hearing in the Committee on Urban Affairs on House Bill 1409 on issues related to collections of Delinquent Real Estate Taxes. I would like to thank the sponsor of this bill, Representative Ross, for meeting with me last year regarding his proposed legislative changes in this area of law, and I would also like to thank the members of the Committee for this opportunity to present these comments.

My testimony focuses on providing information regarding my firm as a whole, the work we do to maximize revenue collections for our clients in the Commonwealth of Pennsylvania and nationwide, and our opinions about the proposed legislation.

My firm is a national leader in collection services for governments. Our primary focus is maximizing revenue collections for public-sector clients while delivering excellent customer service to their constituents. We collect a variety of receivables for over 2,200 local, state, and federal government clients, including delinquent taxes, fees, fines, service charges, tolls, and other miscellaneous receivables.

Linebarger Goggan represents clients in 23 states, including Pennsylvania, New York, Delaware, Vermont, Ohio, Illinois, California, Missouri, Kansas, Nevada, Colorado, Texas, and Florida, and serves our clients from 45 offices across the country, including in Philadelphia; Harrisburg; Wilmington, Delaware; New York City; Chicago; Miami; Jacksonville; Las Vegas; Kansas City, Missouri; Denver; Houston; Dallas; Fort Worth; San Antonio; Austin; and El Paso.

Our firm has Technology and Call Center offices in Harrisburg; Chicago; Denver; San Antonio; Houston; and Dublin, Ohio.

Our firm has exceptional resources for successful management of our clients' collection projects. We have developed collections programs customized to each client, investing over \$60 million in technological advances over the years. We have over 1,200 employees, including highly-trained collection staff, information technology professionals, paralegals, accountants, and attorneys. We are committed to hiring the best people and providing them with the best technology, thereby generating higher liquidation rates for our clients.

We collect over \$1 billion every year for our clients. We provide the Commonwealth of Pennsylvania, the City of Philadelphia, and our other clients over three and half decades of collections experience, including over 16 years in our Philadelphia office and 15 years in Harrisburg.

Our Philadelphia office has provided collection services in the City since 1997, starting with the Philadelphia Authority for Industrial Development's Tax Lien Securitization in which approximately 33,000 delinquent real estate tax claims were sold in trust. Our firm services these accounts and takes them through tax foreclosure Sheriff's sale on behalf of the portfolio's Trustee. We have represented the City in the collection of delinquent real estate taxes since 2004. To date, we have collected over \$314 million in delinquent real estate tax claims assessed by the City and School District of Philadelphia through a mix of mass and specialized mailings of collections letters, telephone calling, in-person taxpayer meetings, payment plan agreements, the filing and prosecution of tens of thousands of foreclosure lawsuits, and taking properties through Sheriff's Sales.

We have never had a judgment levied against the firm for violating collection laws or regulations. No clients have ever terminated a contract with our firm due to inappropriate collection activities. We credit our outstanding record to daily attorney oversight and

involvement, rigorous ongoing training programs, and detailed record-keeping and account management.

Other significant achievements by our firm include:

Member of the U. S. Conference of Mayors' Business Council and a Platinum Partner of USCM—a designation earned through the unprecedented honor of four public-private partnership awards over the span of nine years. Our U.S. Conference of Mayors' Awards include:

- 2010 Award for Outstanding Achievement with the City of Port Arthur to redevelop blighted and abandoned properties in inner-city neighborhoods following Hurricane Ike. Using the firm's tax sale process and using relationships with other affected governmental entities, Port Arthur's urban core is now experiencing renewal of business and residential investment in its community.
- 2007 Award for Outstanding Achievement with the City of Houston to redevelop blighted and abandoned properties in inner-city neighborhoods. We have assisted the Land Assemblage Redevelopment Authority in acquiring over 500 tax-delinquent properties for development into affordable housing.
- 2004 Award for Outstanding Achievement with the City of Chicago for collecting over \$24 million in delinquent receivables in less than two years. We've collected more than \$250 million for the City.
- 2001 Award for Excellence in Public-Private Partnership with the City of Dallas – to date, we have collected over \$1.1 billion in delinquent tax revenue for the City and School District of Dallas.

Dun & Bradstreet's survey of our clients ranked our firm as "Excellent."

Our firm has an A+ rating from the Better Business Bureau.

HB 1409 seeks to add new provisions to Title 53 of the Local Government Code to reform the real estate tax sale process in Pennsylvania. It would provide for payment plans for tax-delinquent accounts for eligible low-income property owners and specific, accelerated timeframes for bringing delinquent properties to tax foreclosure sale. It sets out new requirements for notice to owners and others entitled to notice of a contemplated sale.

We share the efforts of this Committee and the City of Philadelphia to achieve the goals of HB1409: streamlining and simplifying the tax sale process; realizing tax revenues sooner; and putting tax-delinquent properties back in the hands of responsible owners and back on the revenue-producing tax rolls, all while respecting the rights of property owners.

Indeed, over the last year, the City of Philadelphia has committed a great deal of time, effort, and resources undertaking a review of the process and implementing reforms of its own real estate tax collection and foreclosure processes. The City of Philadelphia's local reforms have been structured along the path of the provisions of the Municipal Claims and Tax Liens Law (MCTLL). Our firm has put forth a great deal of time, effort, and resources implementing the

City's reforms and achieving the goals of markedly increasing the delinquent-tax revenues and foreclosure sales resulting from these accounts.

Nationwide, our firm files over 50,000 real estate tax lien foreclosure lawsuits ever year. We are very familiar with the circumstances in which accounts become tax-delinquent; the efforts and measures it takes to get the tax-delinquent accounts back into compliance status; and the costs, time schedules, court and legal enforcement logistics, and market conditions associated with successfully taking properties through tax foreclosure.

Approximately one-third of our assigned portfolio of City of Philadelphia accounts is comprised of accounts for which all information indicates that the properties are vacant or abandoned and that no one can be found to pay the taxes. The fastest, most economical way to realize the tax revenues from these accounts is to enforce the tax liens and sell the properties to third parties at Sheriff's Sale under the existing MCTLL and the City of Philadelphia's local tax enforcement reforms. The average taxable court costs of foreclosure for the mandatory title work, service of process, court costs, advertising, and foreclosure sale fees are over \$1,500, before additional post-sale foreclosure costs for deed preparation and filing expenses, City and State real estate transfer taxes, and Sheriff's poundage expenses (which are entitled to be paid first, before the pre-sale foreclosure costs are paid) are imposed against any proceeds recovered from foreclosure sale.

A mandated departure from the MCTLL under H1409 would disrupt these local reforms in the City of Philadelphia and deprive the City of necessary flexibility to address its particular circumstances. It would impose procedural changes that would be very costly. For a great many accounts, the proposed changes would be unlikely to result in the ultimate recovery of enough proceeds from the foreclosure sales to pay for the required title work, service of process, court, and legal notice costs. Many of these tax-delinquent properties garner little to no interest in the private market for the purchase and responsibility for the properties, but the marketability issues will not be resolved by the requirements of HB1409.

It is for these basic reasons that we respectfully request that the bill be amended to permit the City to proceed under the MCTLL in all respects, including notice.

This concludes my testimony. I would be honored and happy to respond to any questions that you or any other members of the Committee may have.

Respectfully,

LINEBARGER GOGGAN BLAIR & SAMPSON, LLP

By: 

SHARON N. HUMBLE, Esquire
Philadelphia Managing Partner

cc: Hon. Chris Ross
Hon. Cherelle L. Parker, Chair, Philadelphia House Delegation
Clarena I.W. Tolson, Philadelphia Commissioner of Revenue