

ACTUAL VALUATION

A FLAWED INITIATIVE?

A Report to the Citizens of Philadelphia

Participating in the Coalition:

Bella Vista Town Watch • Center City Residents' Association • East Falls Community Council • East Kensington Neighbors Association • East Passyunk Crossing Civic Association • Fishtown Neighbors Association • Francisville Neighborhood Development Corporation • Hawthorne Empowerment • Logan Square Neighborhood Association • Northern Liberties Neighbors Association • Olde Richmond Community Association • Overbrook Farms • Packer Park Civic Association • Passyunk Square • Pennsport • Queen Village Neighbors Association • Society Hill Civic Association • South Broad Street Neighborhood Association • South of South Neighborhood Association • Washington Square West Civic Association • West Powelton/Saunders Park RCO • Woodland Terrace Homeowners Association

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EXECUTIVE SUMMARY

Our review indicates that the Actual Valuation project undertaken by the Office of Property Assessment (OPA) is a flawed initiative.

The AVI assessments fall far short of industry standards for accuracy. They vary greatly from the sale prices of recently sold parcels. Expensive homes and large commercial buildings are under assessed. Less expensive homes are over assessed. The level of error is greater for less expensive homes than it is for more expensive homes.

This report was prepared using a data disc from OPA received on March 29 after three written Coalition requests for this information, gathered at taxpayer's expense, on February 26, March 1 and March 18. Only after Councilman Kenyatta Johnson asked for its release during March 26 Council hearings, was the disk delivered.

It describes in detail the analysis supporting our conclusion. In several cases, it includes charts that allow a careful reader to recreate our results. We reluctantly publish these findings. We realize that the present system is broken and we agree with AVI's goal – to match assessed values with market values. We also realize that OPA embarked on an enormously complex task. We do not seek perfection, only a result that approximates industry standards,

We are willing to meet with OPA to review our findings and to exchange data files with them. If they can demonstrate that our findings are incorrect, we will publicly apologize. If they dismiss our findings out of hand without providing documentation to support their assertions, their response will speak for itself.

Our findings are summarized below and detailed in the sections that follow:

- The COD for arms-length residential sales is several times higher than the 13.9% claimed by OPA.
- Homes with sale prices over \$1million are assessed below market value.
- Homes with sale prices below \$50,600 are assessed at more than twice their market value.
- Land on abated condominiums constitutes 7.5% of the total assessment, producing \$6 million in tax savings for owners of these properties.
- Land is 2% or less of total assessment for the Residences at the Ritz-Carlton, 10 Rittenhouse, Symphony House, and 1706 Rittenhouse.
- The two dozen largest office buildings are assessed at 70-85% of their estimated market values, producing \$9.5-\$19 million for owners of these parcels.
- Single family homes are assessed at a higher price per square foot in 16 of the 18 zoning codes that contain both types of properties. In seven codes, the difference is more than 50%.
- OPA divided the City into 650 Geographic Market Areas, far too many for a City the size of Philadelphia.
- Assessments on vacant land parcels that have sold range from 70% to 136% of the sale price.

Based on these findings, we conclude that the Actual Valuation Project is a flawed initiative.

RESIDENTIAL ASSESSMENTS

The data disc released by OPA on March 29 contained slightly more than 30,000 sales of improved residential parcels for the years 2008-2012. Our analysis of these sales indicates that less expensive properties, taken as a group, were assessed at a higher percentage of market value than more expensive properties. We also found that properties selling for similar amounts were assessed differently.

The standard measure of error for property assessments in the United States is referred to as COD (Coefficient of Dispersion). An acceptable COD for a City like Philadelphia is less than or equal to 15%. OPA has said repeatedly that they achieved a COD of 13.9%. They have not released the detailed calculations supporting their claim.

Despite repeated efforts, we were unable to replicate OPA results. We find a COD several times higher than OPA.

We divided the properties that sold into ten groups of equal size. None of these groups achieved a COD of 15%. The top 10% of parcels (those selling for more than \$285,000) had the lowest COD: 17.1%. The lowest 10% of parcels (those selling for \$11,000 or less) had the highest COD: over 200%.

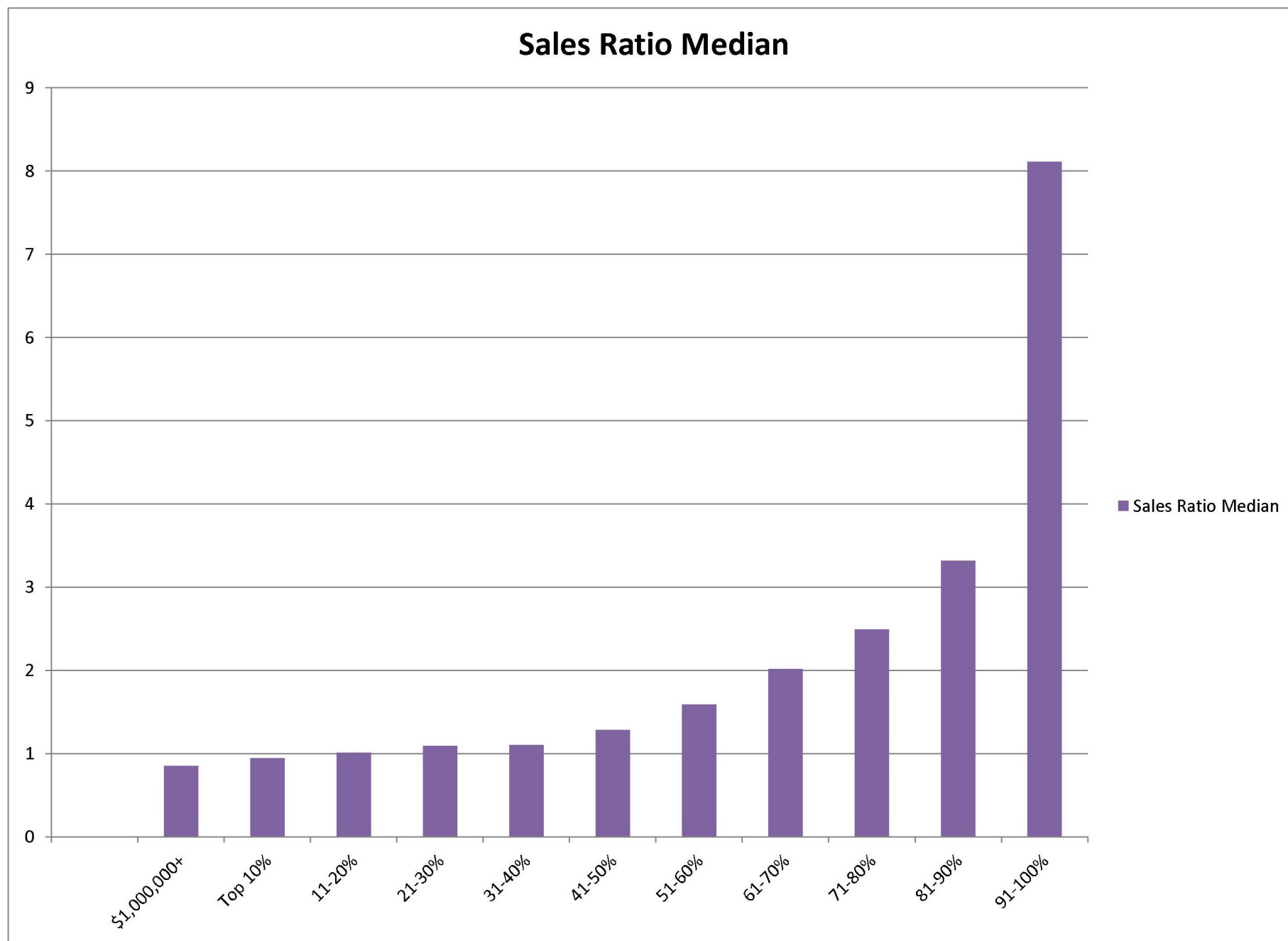
In each of the ten groups the ratio of assessments to sale price increased as the sale prices went down. This means that owners of lower priced homes are paying more than their fair share of taxes than the higher priced homes. The only group assessed below their market value was the most expensive homes (94.1%). All groups of properties that sold for \$50,600 or less are assessed at twice (200%) of their sales prices.

We did a separate analysis of the 178 residential parcels that sold for \$1 million or more. They are, as a group, assessed at 85.1% of their sales price, the lowest number in our study.

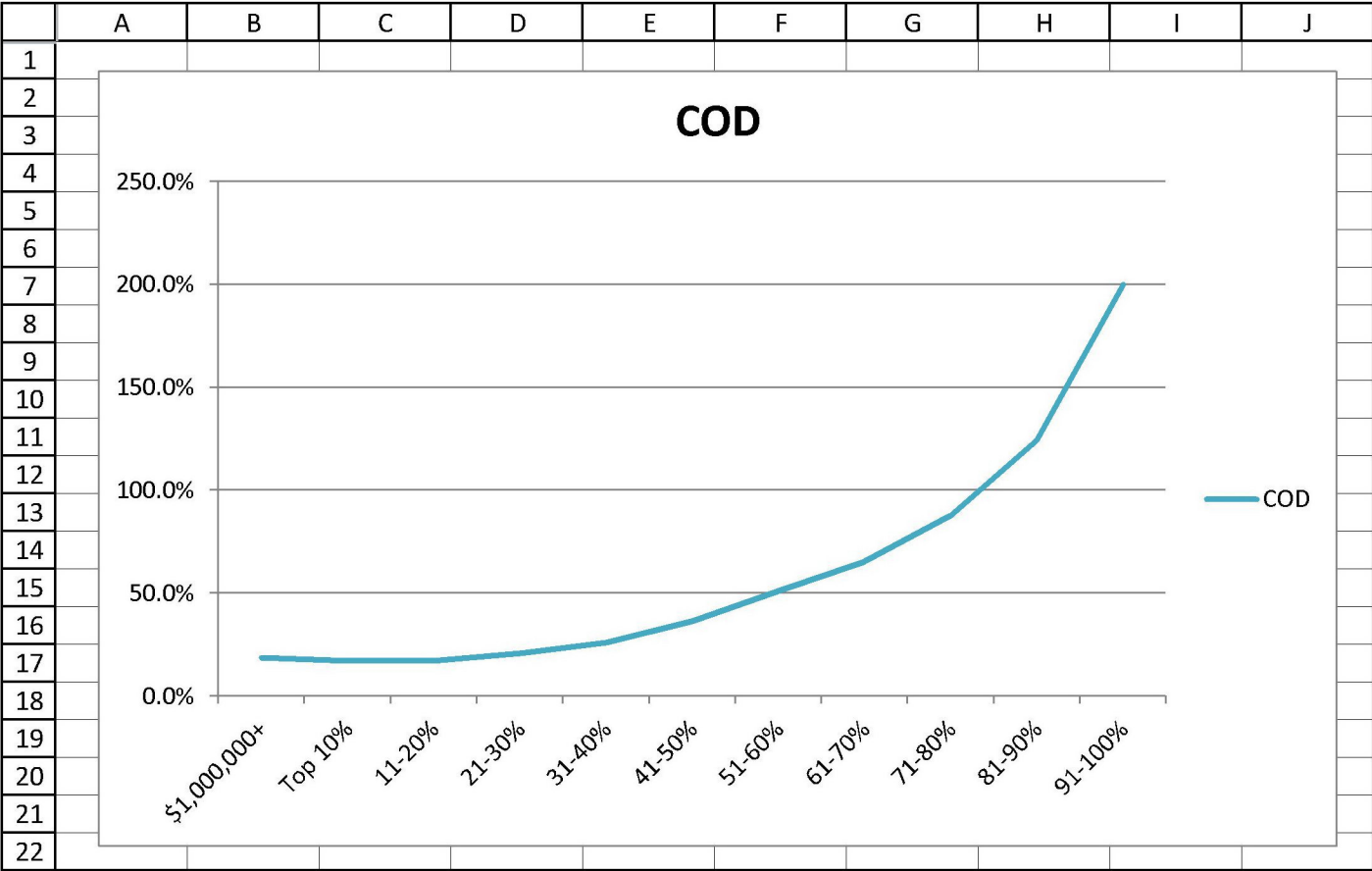
Graphs and a chart on the succeeding pages provide detail.

CITY OF PHILADELPHIA RESIDENTIAL SALES ANALYSIS

	A	B	C	D	E	F
1	Category	# of Properties	Low Sale	High Sale	Sales Ratio	COD
2					Median	
3						
4	\$1,000,000+	178	\$1,000,000	\$4,740,000	85.1%	18.6%
5	Top 10%	3,037	\$285,000	\$4,740,000	94.4%	17.1%
6	11-20%	3,040	\$173,000	\$285,000	101.3%	17.1%
7	21-30%	3,039	\$130,000	\$173,000	109.2%	20.9%
8	31-40%	3,040	\$105,000	\$130,000	110.6%	25.9%
9	41-50%	3,040	\$75,000	\$105,000	128.6%	36.4%
10	51-60%	3,040	\$50,600	\$75,000	158.9%	50.9%
11	61-70%	3,040	\$34,000	\$50,600	201.5%	65.2%
12	71-80%	3,040	\$21,400	\$34,000	249.2%	87.7%
13	81-90%	3,038	\$11,000	\$21,400	332.0%	124.1%
14	91-100%	3,038	\$1	\$11,000	811.3%	>200.0%



CITY OF PHILADELPHIA RESIDENTIAL SALES ANALYSIS



LAND ASSESSMENTS ON ABATED PROPERTIES

Debate about the advisability of the ten year real property tax abatement for newly constructed properties is beyond the scope of this analysis. However, we did review the land assessments on abated properties, the only portion of the assessment which is taxable.

Land assessments across the City constitute 22.5% of total assessments. This is reasonable. In most large cities, land assessments range between 20% and 25% of total value.

Land assessments for abated properties are, as a group, assessed at 12% of total assessments. Land is 7.5% of total assessments for abated condominium parcels. It is 14.1% of total assessment for abated free standing construction.

Many of the biggest discrepancies involve some of the most valuable residential properties in the City. Land assessments make up no more than 2.0% of total assessments for the Residents at the Ritz-Carlton, 10 Rittenhouse, the Symphony House, and 1706 Rittenhouse. Owners of these four properties would pay over \$1.7 million in additional taxes if their land assessments matched the City average. Total taxes lost due to estimated under assessments of land for abated condominium parcels exceed \$6.1 million.

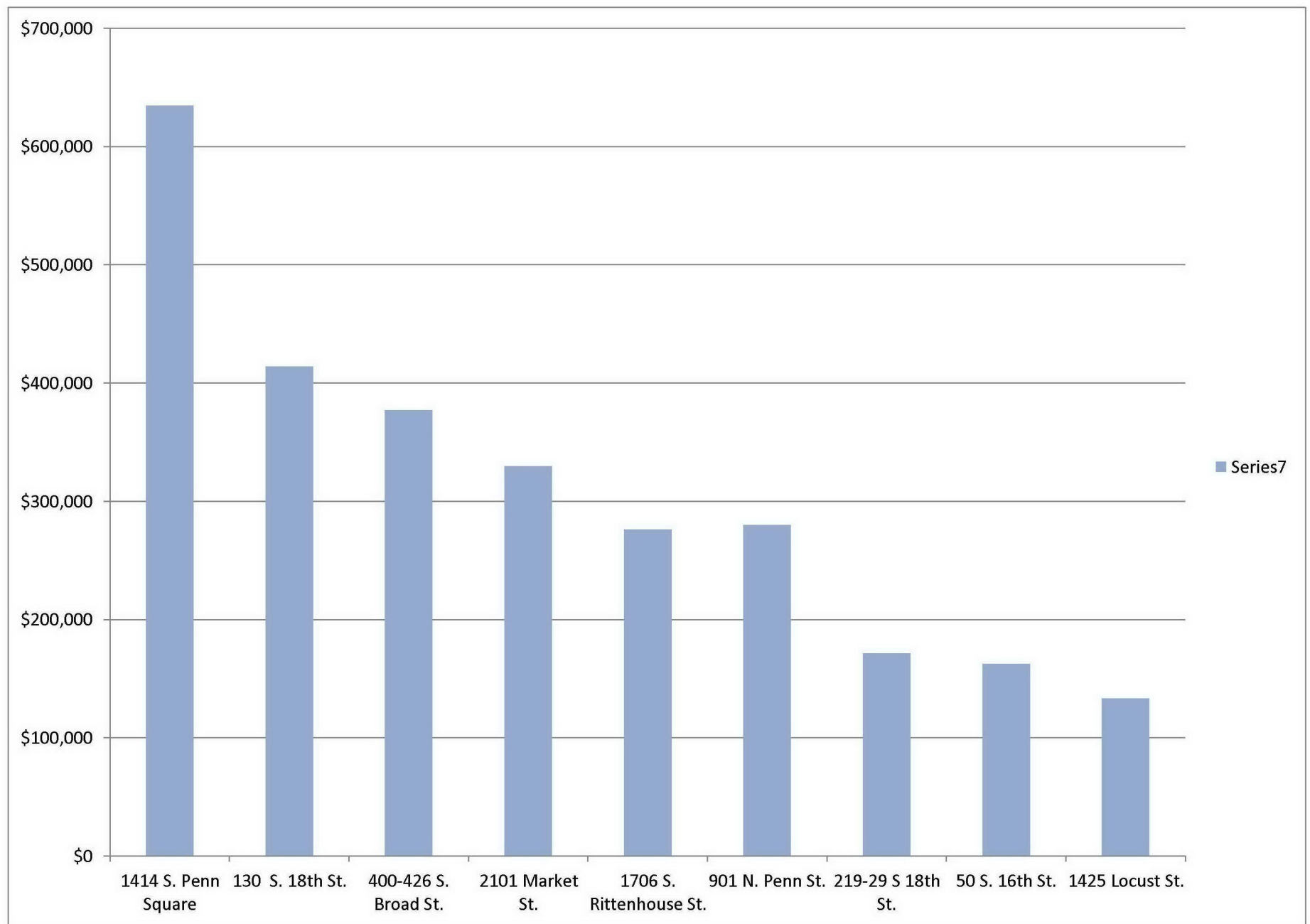
Land assessments for abated free standing construction are a higher percentage of total value than for abated condominium construction (14.1% vs. 7.5%). However, the total market value of the free standing parcels is higher. Consequently, the tax loss for under assessments on these parcels is also higher (\$7.4 million).

The total tax revenue lost from these estimated under assessments is \$13.5 million. The revenue lost will be increased if these parcels are eligible for a homestead exemption. Remedying the situation would reduce the estimated tax rate below \$1.31/\$100 of assessed valuation.

Details on the condominiums affected and the types of free standing construction affected appear in the following graph and charts.

FOREGONE REVENUE - RESIDENTIAL ABATEMENTS

	A	B	C	D	E	F	G	H	I	J
	ABATEMENT TYPE	# OF UNITS	TOTAL VALUE	TAXABLE LAND	%LAND	LAND AT 22.5%	ADDED LAND ASSM'T	LAND LOST \$	ADDED TOTAL ASSM'T	TOTAL LOST \$
1										
2										
3	CONDOMINIUM	8,553	3,148,563,200	240,295,173	7.5%	708,426,720	468,131,547	\$6,181,209	2,908,268,027	\$38,389,138
4										
5	OTHER RES	8,062	6,699,505,600	943,961,376	14.1%	1,507,388,760	563,427,384	\$7,439,495	5,755,544,224	\$75,973,184
6										
7	TOTAL RES	16,615	9,848,068,800	1,184,256,549	12.0%	2,215,815,480	1,031,558,931	\$13,620,704	8,663,812,251	\$114,362,322



FOREGONE REVENUE - CONDOMINIUMS

	A	B	C	D	E	F	G	H	I	J
	ADDRESS	# OF UNITS	TOTAL VALUE	TAXABLE LAND	%LAND	LAND AT 22.5%	ADDED LAND ASSM'T	LAND TAX \$ LOST	ADDED TOTAL ASSM'T	TOTAL TAX LOST \$
1										
2										
3	TOTAL - CITYWIDE	8553	3,148,563,200	240,295,173	7.5%	708,426,720	468,131,547	\$6,181,209	2,908,268,027	\$38,389,138
4										
5	1414 S. Penn Square	261	234,161,000	4,630,300	2.0%	52,686,225	48,055,925	\$634,530	229,530,700	\$3,029,805
6	130 S. 18th St.	104	146,322,000	1,562,400	1.1%	32,922,450	31,360,050	\$414,078	144,759,600	\$1,910,827
7	400-426 S. Broad St.	166	134,757,000	1,757,300	1.3%	30,320,325	28,563,025	\$377,146	132,999,700	\$1,755,596
8	2101 Market St.	298	152,931,500	9,435,050	6.2%	34,409,588	24,974,538	\$329,764	143,496,450	\$1,894,153
9	1706 S. Rittenhouse St.	24	101,033,000	1,812,000	1.8%	22,732,425	20,920,425	\$276,233	99,221,000	\$1,309,717
10	901 N. Penn St.	374	128,714,000	7,742,600	6.0%	28,960,650	21,218,050	\$280,163	120,971,400	\$1,596,822
11	219-29 S 18th St.	196	83,484,000	5,780,000	6.9%	18,783,900	13,003,900	\$171,703	77,704,000	\$1,025,693
12	50 S. 16th St.	42	59,773,000	1,120,700	1.9%	13,448,925	12,328,225	\$162,782	58,652,300	\$774,210
13	1425 Locust St.	109	50,907,000	1,365,000	2.7%	11,454,075	10,089,075	\$133,216	49,542,000	\$653,954
14	1101 Locust St.	98	53,800,600	2,912,000	5.4%	12,105,135	9,193,135	\$121,386	50,888,600	\$671,730
15	1500 Chestnut St.	147	43,052,000	1,682,300	3.9%	9,686,700	8,004,400	\$105,690	41,369,700	\$546,080
16	2200-28 Arch St.	166	70,237,900	7,693,890	11.0%	15,803,528	8,109,638	\$107,080	62,544,010	\$825,581
17	210 W Washington Sq.	51	57,767,400	5,776,740	10.0%	12,997,665	7,220,925	\$95,345	51,990,660	\$686,277
18	1701-15 Locust St.	109	50,062,800	5,006,280	10.0%	11,264,130	6,257,850	\$82,629	45,056,520	\$594,746
19	201-59th N. 8th St.	130	44,058,200	4,405,820	10.0%	9,913,095	5,507,275	\$72,718	39,652,380	\$523,411
20	500 Admiral's Way	107	34,244,400	3,424,440	10.0%	7,704,990	4,280,550	\$56,520	30,819,960	\$406,823
21	4601 Flat Rock Rd.	128	32,416,100	3,241,610	10.0%	7,293,623	4,052,013	\$53,503	29,174,490	\$385,103
22	2429-2441 Locust St.	110	30,265,500	3,026,550	10.0%	6,809,738	3,783,188	\$49,953	27,238,950	\$359,554
23	1900 Hamilton St	76	29,624,200	2,962,420	10.0%	6,665,445	3,703,025	\$48,895	26,661,780	\$351,935
24	227-231 N. 6th St.	26	26,480,300	2,648,030	10.0%	5,958,068	3,310,038	\$43,706	23,832,270	\$314,586
25	317 Vine St.	60	24,889,500	2,488,950	10.0%	5,600,138	3,111,188	\$41,080	22,400,550	\$295,687
26	1352 South St.	71	24,261,500	2,426,150	10.0%	5,458,838	3,032,688	\$40,044	21,835,350	\$288,227
27	817-29 Arch St.	89	23,789,100	2,378,910	10.0%	5,352,548	2,973,638	\$39,264	21,410,190	\$282,615
28	1101 Washinton Ave.	75	22,869,300	2,286,930	10.0%	5,145,593	2,858,663	\$37,746	20,582,370	\$271,687
29	1001-13 Chestnut St	87	20,266,000	2,026,600	10.0%	4,559,850	2,533,250	\$33,449	18,239,400	\$240,760
30	113. Bread St.	50	20,200,000	2,051,500	10.2%	4,545,000	2,493,500	\$32,924	18,148,500	\$239,560
31	108 Arch St.	30	19,422,200	1,942,220	10.0%	4,369,995	2,427,775	\$32,056	17,479,980	\$230,736
32	600 Commodore Court	55	18,744,000	1,874,400	10.0%	4,217,400	2,343,000	\$30,937	16,869,600	\$222,679
33	1027-31 Arch	62	18,333,500	1,833,350	10.0%	4,125,038	2,291,688	\$30,259	16,500,150	\$217,802
34	500 Regatta Dr.	47	17,415,600	1,741,560	10.0%	3,918,510	2,176,950	\$28,744	15,674,040	\$206,897
35	23 S. 23rd St.	47	17,338,700	1,733,870	10.0%	3,901,208	2,167,338	\$28,618	15,604,830	\$205,984
36	220 S. Front St.	39	17,190,700	1,719,070	10.0%	3,867,908	2,148,838	\$28,373	15,471,630	\$204,226
37	1811-19 Chestnut St.	51	17,042,200	1,704,220	10.0%	3,834,495	2,130,275	\$28,128	15,337,980	\$202,461
38	121-135 Walnut St.	24	16,585,700	1,658,570	10.0%	3,731,783	2,073,213	\$27,375	14,927,130	\$197,038
39	212 Brown St.	40	16,529,500	1,652,950	10.0%	3,719,138	2,066,188	\$27,282	14,876,550	\$196,370
40	1714 Memphis St.	72	16,153,000	1,615,300	10.0%	3,634,425	2,019,125	\$26,661	14,537,700	\$191,898
41	800 Admiral's Way	44	15,687,900	1,568,790	10.0%	3,529,778	1,960,988	\$25,893	14,119,110	\$186,372
42	1100 S. Broad St.	123	15,453,600	1,545,360	10.0%	3,477,060	1,931,700	\$25,506	13,908,240	\$183,589
43										
44	Subtotal	3788	1,906,263,900	112,234,130	5.9%	428,909,378	316,675,248	\$4,181,380	1,794,029,770	\$23,681,193
45										
46	Other	4765	1,242,299,300	128,061,043	10.3%	279,517,343	151,456,300	\$1,999,829	1,114,238,257	\$14,707,945

FOREGONE REVENUE - OTHER RESIDENTIAL ABATEMENTS

	A	B	C	D	E	F	G	H	I	J
1	ADDRESS	# OF UNITS	TOTAL VALUE	TAXABLE LAND	%LAND	LAND AT 22.5%	ADDED LAND ASSM'T	LAND TAX LOST \$	ADDED TOTAL ASSM'T	TOTAL LOST \$
2										
3	TOTAL - CITYWIDE	8,062	6,699,505,600	943,961,376	14.1%	1,507,388,760	563,427,384	\$7,439,495	5,755,544,224	\$75,973,184
4										
5	Row 3 Sty. Masonry	1,497	509,619,600	41,009,122	8.0%	114,664,410	73,655,288	\$972,544	468,610,478	\$6,185,658
6	Row w-Gar 4 Sty. Masonry	275	192,584,500	13,269,405	6.9%	43,331,513	30,062,108	\$396,940	179,315,095	\$2,366,959
7	Row w-Gar 3 Sty. Masonry	411	212,592,300	18,977,320	8.9%	47,833,268	28,855,948	\$381,014	193,614,980	\$2,555,718
8	Apts. 5-50 Units Masonry	166	262,629,600	30,242,327	11.5%	59,091,660	28,849,333	\$380,927	232,387,273	\$3,067,512
9	Row w-Gar 2.5 Sty. Masonry	297	152,046,400	14,742,668	9.7%	34,210,440	19,467,772	\$257,052	137,303,732	\$1,812,409
10	Apt 2-4 Units 3 Sty. Masonry	304	91,801,700	4,576,005	5.0%	20,655,383	16,079,378	\$212,312	87,225,695	\$1,151,379
11	Row 2 Sty. Masonry	792	141,375,800	15,578,071	11.0%	31,809,555	16,231,484	\$214,321	125,797,729	\$1,660,530
12	Row w-Gar 3.5 Sty. Masonry	151	86,515,800	6,881,557	8.0%	19,466,055	12,584,498	\$166,166	79,634,243	\$1,051,172
13	Row Conv/Apt 3 Sty. Masonry	185	51,168,600	4,863,473	9.5%	11,512,935	6,649,462	\$87,799	46,305,127	\$611,228
14	Row B/Gar 3 Sty. Masonry	122	31,820,400	1,977,395	6.2%	7,159,590	5,182,195	\$68,426	29,843,005	\$393,928
15	Row B/Gar 4 Sty. Masonry	33	24,785,500	1,555,114	6.3%	5,576,738	4,021,624	\$53,102	23,230,386	\$306,641
16	Row w-Gar 2 Sty. Masonry	136	47,145,300	6,368,743	13.5%	10,607,693	4,238,950	\$55,971	40,776,557	\$538,251
17	Row w-Gar 3 Sty. Masonry+Other	78	26,500,100	2,369,328	8.9%	5,962,523	3,593,195	\$47,445	24,130,772	\$318,526
18	Row 2.5 Sty. Brick	72	28,866,300	3,545,612	12.3%	6,494,918	2,949,306	\$38,943	25,320,688	\$334,233
19	Row w-Gar 3 Sty. Frame	44	16,821,600	1,306,773	7.8%	3,784,860	2,478,087	\$32,721	15,514,827	\$204,796
20	Semi-Detached 3 Story Masonry	113	24,431,400	3,040,820	12.4%	5,497,065	2,456,245	\$32,432	21,390,580	\$282,356
21	S/D w-Gar 1.5 Sty. Frame	40	20,281,300	2,435,026	12.0%	4,563,293	2,128,267	\$28,102	17,846,274	\$235,571
22	Row B/Gar 2 Sty. Masonry	125	27,094,600	3,909,334	14.4%	6,096,285	2,186,951	\$28,877	23,185,266	\$306,046
23	Row 3 Sty. Masonry+Other	51	11,427,100	837,539	7.3%	2,571,098	1,733,559	\$22,890	10,589,561	\$139,782
24										
25	Subtotal	4,892	1,959,507,900	177,485,632	9.1%	440,889,278	263,403,646	3,477,982	1,782,022,268	\$23,522,694
26										
27	Other	3,170	4,739,997,700	766,475,744	16.2%	1,066,499,483	300,023,739	3,961,513	3,973,521,956	\$52,450,490

LARGE COMMERCIAL OFFICE BUILDINGS

The property tax liability of commercial properties in the City will drop by \$55.7 million or 21% as a result of the move to market value assessments. This reduction, in and of itself, is not evidence of incorrect assessments.

To better understand this reduction, we analyzed the proposed 2014 assessments of the 25 largest office buildings in the City. We chose this sample because there was enough publicly available information to estimate an approximate value for each one.

Large commercial office buildings are assessed based on the income they generate for their owners. When negotiating to purchase a large commercial property, the buyer estimates the income it can generate from the building after paying operating expenses (net operating income). The buyer decides what rate of return it wants to realize on its investment and calculates a proposed purchase price.

Assume a building generates \$1 million in net operating income and an investor wants to realize a 10% rate of return. He or she would offer to pay \$10 million for the building ($\$1,000,000 / .10$).

In today's low interest rate environment, investors are willing to accept a lower rate of return on their money. Based on discussions with local investors, we estimated values assuming two rates of return (6% and 7%).

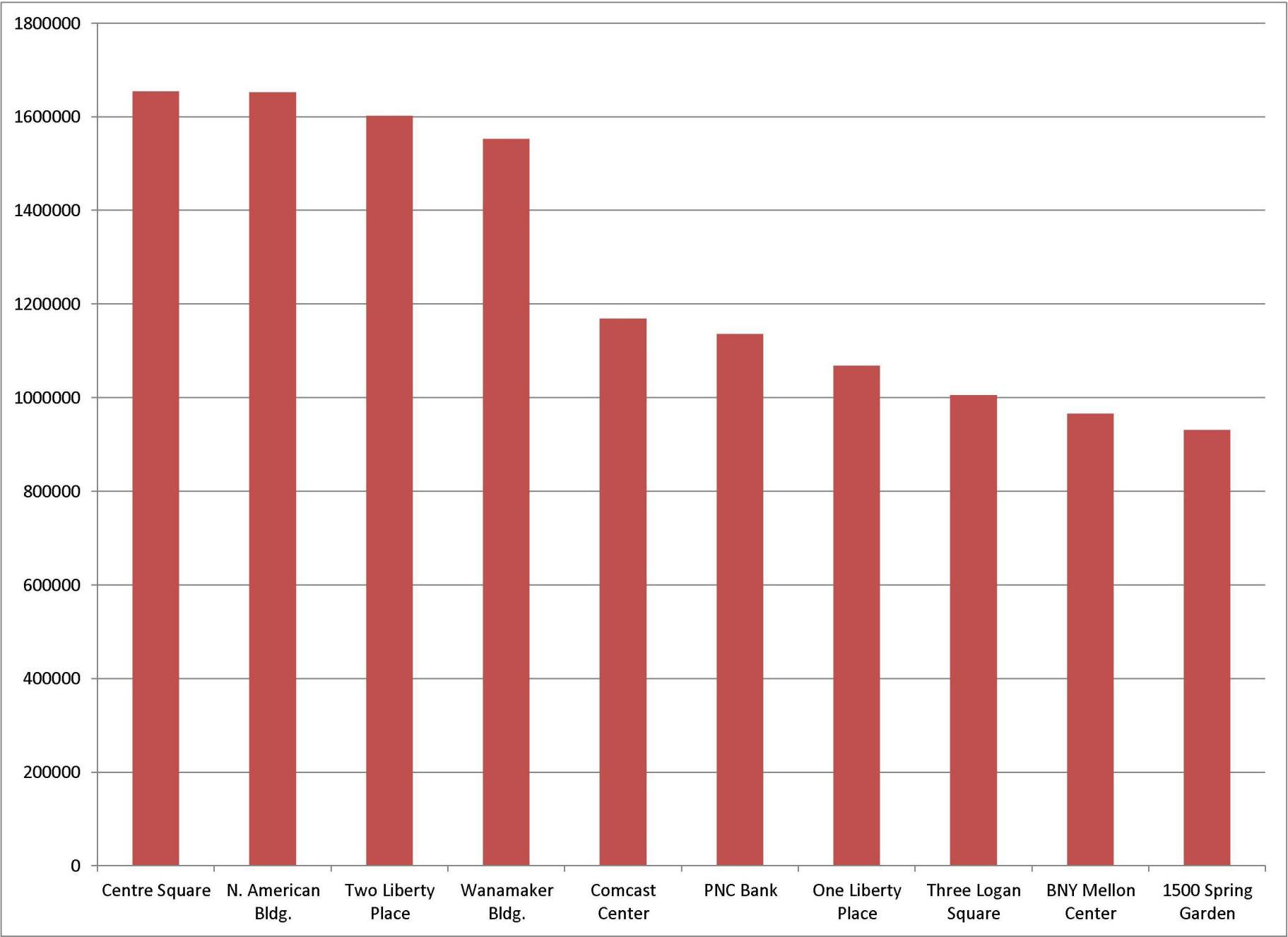
In applying this approach to the City's 25 largest commercial office buildings using the 6% rate of return, we calculated assessments higher than those estimated by OPA for 23 out of 24. (We could not find a tentative assessment for the Curtis Center.) When using the 7% rate of return, we calculated assessments higher than estimated by OPA for 20 out of 24.

We estimate that the buildings, taken as a group, are assessed at 71% of market value using the 6% rate of return and at 86% of market value using the 7% rate. These estimated under assessments will cost the City between \$9.7 and \$19.3 million in foregone tax payments.

The graph on the next page shows the ten office buildings with the largest foregone taxes, assuming a 6% rate of return. (The Comcast Center is shown for illustrative purposes only, as it enjoys a large tax exemption.)

The charts on the two following pages show the calculations for each building. They assume that Net Leasable Square Footage is 80% of Gross Square Footage. They also assume a 12% Vacancy Factor (as calculated by the Center City District), unless other information is publicly available.

EST LOST TAXES



OFFICE TOWER SUMMARY

	A	B	C	L	M	N	O	P
1	Building	Address	Gross Sq. Ft.	CCT Value	OPA Value	OPA/CCT		LOST TAXES
2								
3	Centre Square	1500 Market St	1,801,389	\$391,021,506	\$265,719,300	68.0%		\$1,654,490
4	Wanamaker Building	100 Penn Sq. East	1,371,438	\$249,418,858	\$131,828,800	52.9%		\$1,552,659
5	N. American Building	401 N. Broad St	1,283,000	\$233,334,933	\$108,200,000	46.4%		\$1,652,282
6	BNY Mellon Center	1735 Market St	1,275,000	\$306,680,000	\$233,500,000	76.1%		\$966,269
7	Comcast Center	1701 JFK Blvd	1,253,876	\$301,598,974	\$213,079,300	70.6%		\$1,168,814
8	One Liberty Place	1650 Market St	1,200,000	\$288,640,000	\$207,713,500	72.0%		\$1,068,554
9	Two Liberty Place	1601 Chestnut St	1,200,000	\$274,560,000	\$153,201,600	55.8%		\$1,602,416
10	1500 Spring Garden	1500 Spring Garden	1,080,550	\$209,194,480	\$138,719,300	66.3%		\$930,554
11	Three Logan Square	1717 Arch	1,029,413	\$235,529,694	\$159,358,300	67.7%		\$1,005,767
12	1818 Market St	1818 Market St	981,743	\$201,584,563	\$146,784,000	72.8%		\$723,587
13	Two Commerce Square	2001 Market St.	953,276	\$229,294,654	\$170,100,700	74.2%		\$781,597
14	One Commerce Square	2005 Market St.	942,478	\$226,697,375	\$178,231,600	78.6%		\$639,942
15	Curtis Center	601 Walnut St.	885,786	\$166,291,558		0.0%		\$2,195,714
16	IRS 30th St. Campus	2970 Market St.	862,692	\$177,139,424	\$182,730,200	103.2%		(\$73,821)
17	1700 Market St.	1700 Market St.	841,172	\$192,460,154	\$142,389,000	74.0%		\$661,140
18	Penn Mutual Towers	510-530 Walnut St.	828,114	\$150,606,333	\$106,875,600	71.0%		\$577,421
19	PNC Bank Center	1600 Market St.	826,731	\$198,856,363	\$112,788,900	56.7%		\$1,136,435
20	Mellon Independence Center	701 Market St.	810,000	\$152,064,000	\$114,033,700	75.0%		\$502,152
21	1901 Market St.	1901 Market St.	761,000	\$147,329,600	\$132,978,100	90.3%		\$189,497
22	Cira Centre	2929 Arch St.	729,879	\$184,124,142	\$160,662,300	87.3%		\$309,790
23	Two Logan Square	100 N. 18th.	708,444	\$125,252,899	\$119,535,500	95.4%		\$75,493
24	1601 Market St.	1601 Market St.	685,852	\$156,922,938	\$101,019,400	64.4%		\$738,150
25	1835 Market	1835 Market St.	683,473	\$156,378,622	\$100,251,800	64.1%		\$741,099
26	833 Chestnut St.	833 Chestnut St.	677,413	\$107,302,219	\$72,640,600	67.7%		\$457,672
27	1234 Market St.	1234 Market St.	672,143	\$106,467,451	\$87,813,900	82.5%		\$246,301
28								
29	TOTAL			\$5,168,750,740	\$3,540,155,400	68.5%		\$21,503,973

OFFICE TOWER DETAIL

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Building	Address	Gross Sq. Ft.	Net Sq. Ft.	Vacancy	Leasable SF	Rent/SF	Expense/SF	Net/SF	Cash Flow	Cap Rate	Est. Value	Est Value	OPA Value	
2												6% Cap Rate	7% Cap Rate		
3															
4	Centre Square	1500 Market St	1,801,389	1,441,111	172,933	1,268,178	\$25.00	\$6.50	\$18.50	\$23,461,290	6%	\$391,021,506	\$335,161,291	\$265,719,300	
5	Wanamaker Building	100 Penn Sq. East	1,371,438	1,097,150	131,658	965,492	\$22.00	\$6.50	\$15.50	\$14,965,131	6%	\$249,418,858	\$213,787,592	\$131,828,800	
6	N. American Building	401 N. Broad St	1,283,000	1,026,400	123,168	903,232	\$22.00	\$6.50	\$15.50	\$14,000,096	6%	\$233,334,933	\$200,001,371	\$108,200,000	
7	BNY Mellon Center	1735 Market St	1,275,000	1,020,000	122,400	897,600	\$27.00	\$6.50	\$20.50	\$18,400,800	6%	\$306,680,000	\$262,868,571	\$233,500,000	
8	Comcast Center	1701 JFK Blvd	1,253,876	1,003,101	120,372	882,729	\$27.00	\$6.50	\$20.50	\$18,095,938	6%	\$301,598,974	\$258,513,406	\$213,079,300	
9	One Liberty Place	1650 Market St	1,200,000	960,000	115,200	844,800	\$27.00	\$6.50	\$20.50	\$17,318,400	6%	\$288,640,000	\$247,405,714	\$207,713,500	
10	Two Liberty Place	1601 Chestnut St	1,200,000	960,000	115,200	844,800	\$26.00	\$6.50	\$19.50	\$16,473,600	6%	\$274,560,000	\$235,337,143	\$153,201,600	
11	1500 Spring Garden	1500 Spring Garden	1,080,550	864,440	103,733	760,707	\$23.00	\$6.50	\$16.50	\$12,551,669	6%	\$209,194,480	\$179,309,554	\$138,719,300	
12	Three Logan Square	1717 Arch	1,029,413	823,530	98,824	724,707	\$26.00	\$6.50	\$19.50	\$14,131,782	6%	\$235,529,694	\$201,882,595	\$159,358,300	
13	1818 Market St	1818 Market St	981,743	785,394	94,247	691,147	\$24.00	\$6.50	\$17.50	\$12,095,074	6%	\$201,584,563	\$172,786,768	\$146,784,000	
14	Two Commerce Square	2001 Market St.	953,276	762,621	91,514	671,106	\$27.00	\$6.50	\$20.50	\$13,757,679	6%	\$229,294,654	\$196,538,275	\$170,100,700	
15	One Commerce Square	2005 Market St.	942,478	753,982	90,478	663,505	\$27.00	\$6.50	\$20.50	\$13,601,842	6%	\$226,697,375	\$194,312,036	\$178,231,600	
16	IRS 30th St. Campus	2970 Market St.	862,692	690,154	82,818	607,335	\$24.00	\$6.50	\$17.50	\$10,628,365	6%	\$177,139,424	\$151,833,792	\$182,730,200	
17	1700 Market St.	1700 Market St.	841,172	672,938	80,753	592,185	\$26.00	\$6.50	\$19.50	\$11,547,609	6%	\$192,460,154	\$164,965,846	\$142,389,000	
18	Penn Mutual Towers	510-530 Walnut St.	828,114	662,491	79,499	582,992	\$22.00	\$6.50	\$15.50	\$9,036,380	6%	\$150,606,333	\$129,091,142	\$106,875,600	
19	PNC Bank Center	1600 Market St.	826,731	661,385	79,366	582,019	\$27.00	\$6.50	\$20.50	\$11,931,382	6%	\$198,856,363	\$170,448,311	\$112,788,900	
20	Mellon Independence Center	701 Market St.	810,000	648,000	77,760	570,240	\$22.50	\$6.50	\$16.00	\$9,123,840	6%	\$152,064,000	\$130,340,571	\$114,033,700	
21	1901 Market St.	1901 Market St.	761,000	608,800	73,056	535,744	\$23.00	\$6.50	\$16.50	\$8,839,776	6%	\$147,329,600	\$126,282,514	\$132,978,100	
22	Cira Centre	2929 Arch St.	729,879	583,903	70,068	513,835	\$28.00	\$6.50	\$21.50	\$11,047,449	6%	\$184,124,142	\$157,820,693	\$160,662,300	
23	Two Logan Square	100 N. 18th.	708,444	566,755	181,362	385,394	\$26.00	\$6.50	\$19.50	\$7,515,174	6%	\$125,252,899	\$107,359,628	\$119,535,500	
24	1601 Market St.	1601 Market St.	685,852	548,682	65,842	482,840	\$26.00	\$6.50	\$19.50	\$9,415,376	6%	\$156,922,938	\$134,505,375	\$101,019,400	
25	1835 Market	1835 Market St.	683,473	546,778	65,613	481,165	\$26.00	\$6.50	\$19.50	\$9,382,717	6%	\$156,378,622	\$134,038,819	\$100,251,800	
26	833 Chestnut St.	833 Chestnut St.	677,413	541,930	65,032	476,899	\$20.00	\$6.50	\$13.50	\$6,438,133	6%	\$107,302,219	\$91,973,331	\$72,640,600	
27	1234 Market St.	1234 Market St.	672,143	537,714	64,526	473,189	\$20.00	\$6.50	\$13.50	\$6,388,047	6%	\$106,467,451	\$91,257,815	\$87,813,900	
28															
29	TOTAL											\$5,002,459,182	\$4,287,822,156	\$3,540,155,400	
30															
31	Curtis Center	601 Walnut St.	885,786	708,629	85,035	623,593	\$22.50	\$6.50	\$16.00	\$9,977,494	6%	\$166,291,558	\$142,535,621	Not Found on OPA File	
32															
33												70.8%	85.7%		

SINGLE VS. TWO TO FOUR FAMILY ASSESSMENTS

Almost as soon as OPA issued the tentative 2014 assessments, Coalition leaders across the City reported discrepancies between assessments on single family homes and assessments on two to four family homes. In almost every case, they reported that single family homes were assessed for more than the two to four family homes. This is particularly problematic in neighborhoods where properties have moved back and forth between the two uses over the years.

OPA has stated that they used separate multivariate statistical models to estimate values for single family and two to four family homes. (14 models for single family homes – one for each GMA letter code, and six for two to four family homes.) This approach, if not done carefully, can produce inequitable assessments between the two types of properties.

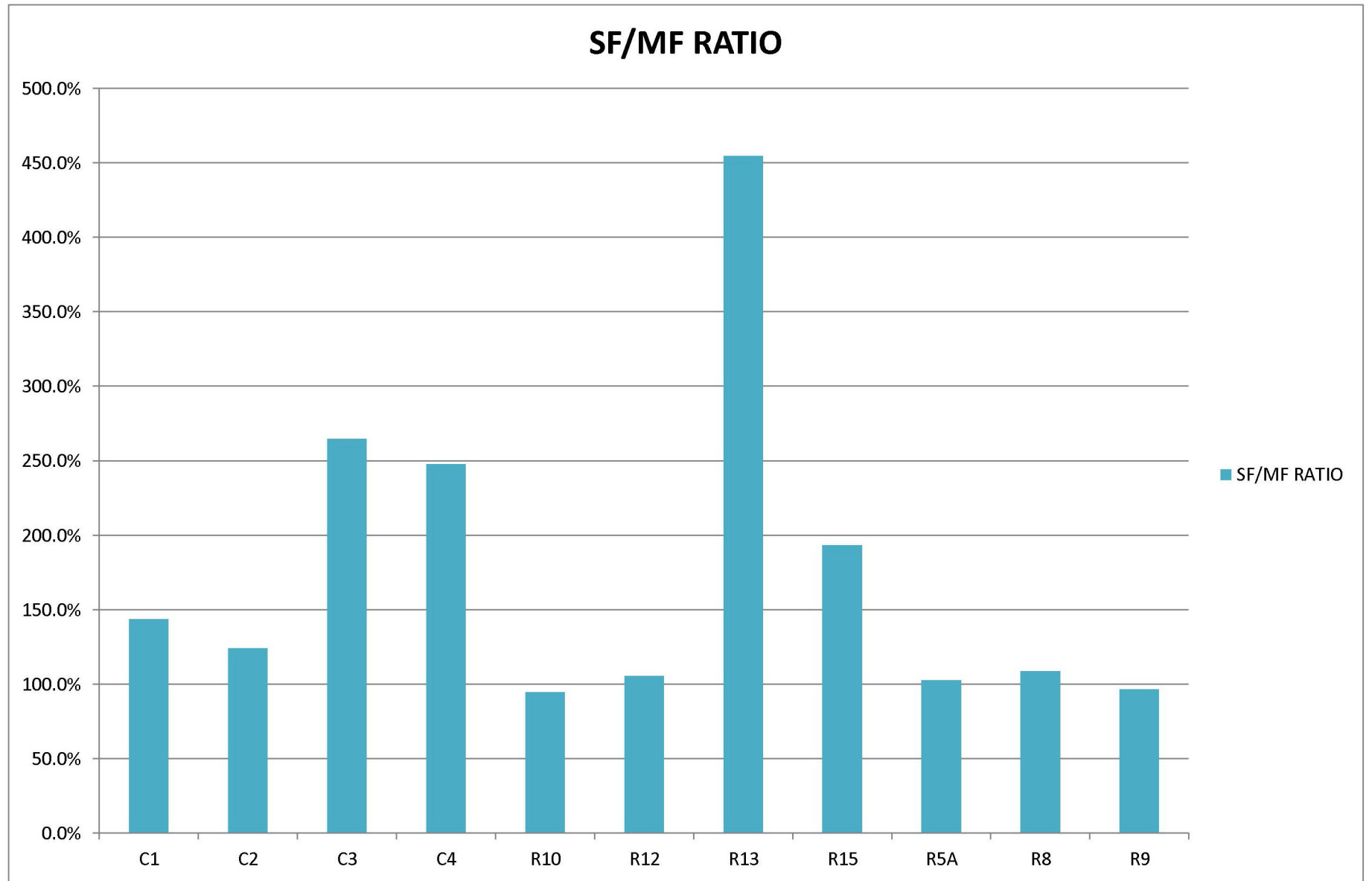
To determine whether these concerns were valid, we compared the assessed price per square foot of single family homes versus assessed price per square foot of two to family homes. We did this analysis for the 18 zones that had statistically significant numbers of both types of properties: eleven multifamily zones and seven single family zones.

The single family homes were assessed for more than the two to four family homes, sometimes much more, in 16 of the 18 zones. For single family zones, the ratio ranged from 112.8% in Zone R9A to 191.8 in Zone R3. For multi-family zones, the ratio ranged from 94.7% in Zone R10 to 454.7 in Zone R13.

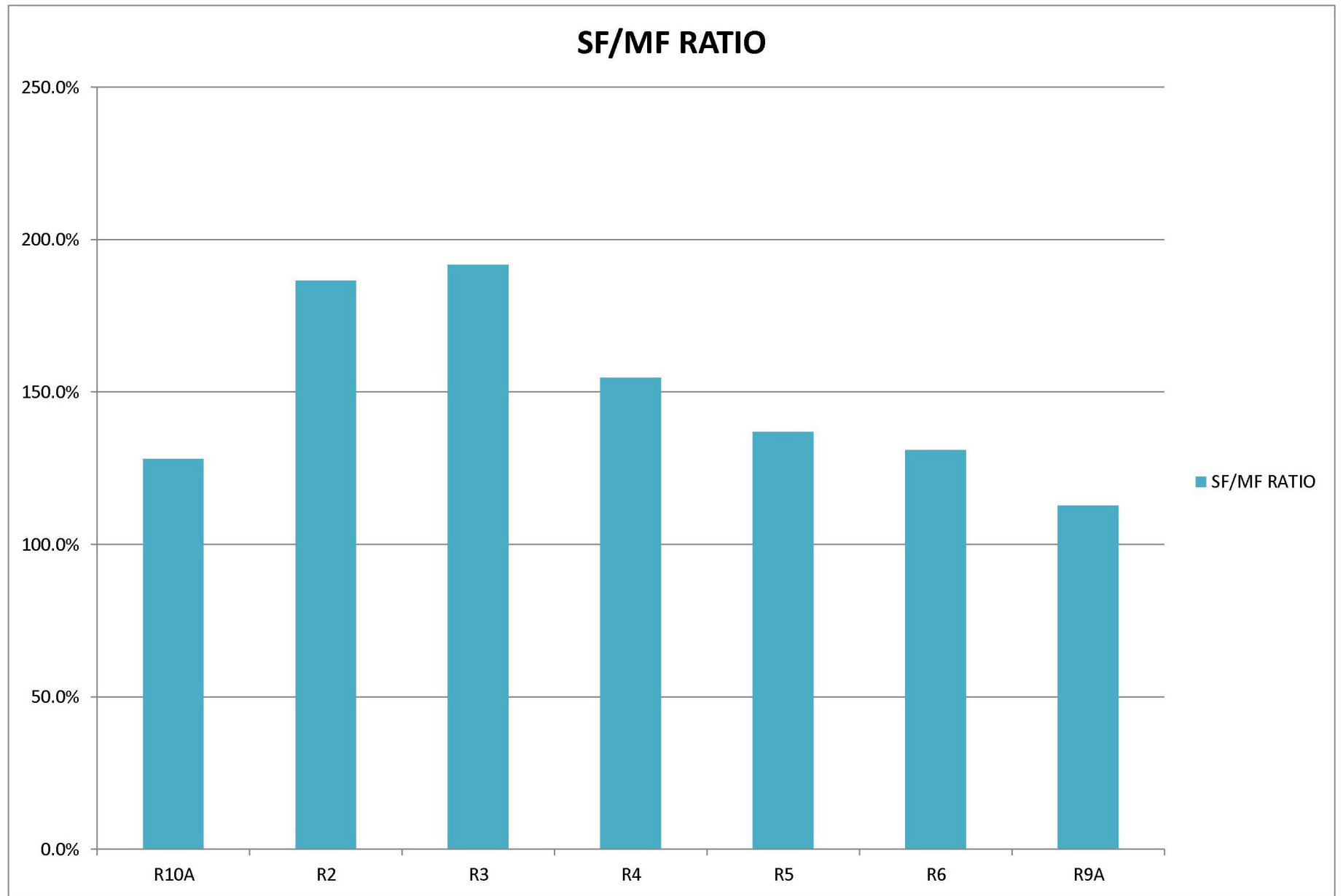
The Graphs and Charts on the succeeding pages provide details.

We conclude that there are significant disparities in assessments between single family homes and two to four family homes across the City. These disparities will lead to relative over taxation of single family homes and relative under taxation of two to four family homes.

MULTI FAMILY ZONES



SINGLE FAMILY ZONES



	A	B	C	D	E	F	G
1	RESIDENTIAL PROPERTIES BY ZONE						
2	SINGLE v. 2-4 FAMILY						
3	ZONE ID	ZONE	SINGLE FAMILY	SINGLE FAMILY	2-4 FAMILY	2-4 FAMILY	RATIO
4		TYPE	ZONE COUNT	\$/SQ. Ft.	ZONE COUNT	\$/SQ. Ft.	
5							
6	<NULL>		1,525	\$66.18	158	\$81.61	81.1%
7	1609		1	\$63.11			
8	ASC		80	\$119.13	48	\$91.24	130.6%
9	C1	M	1,485	\$132.43	654	\$92.06	143.9%
10	C2	M	9,777	\$79.20	2594	\$63.77	124.2%
11	C3	M	3,954	\$239.57	193	\$90.53	264.6%
12	C4	M	2,615	\$284.07	124	\$114.67	247.7%
13	C5		3,673	\$384.76	3	\$213.89	179.9%
14	C7	M	384	\$93.89	24	\$83.70	112.2%
15	DW		225	\$350.49			
16	G1		11	\$99.08			
17	G2		3,871	\$126.12	92	\$71.21	177.1%
18	IDD		28	\$34.30	12	\$88.87	38.6%
19	L2		172	\$100.28			
20	L3		167	\$145.89	6	\$83.35	175.0%
21	L4	I	1,061	\$185.70	60	\$161.76	114.8%
22	L5		21	\$160.16			
23	LR		67	\$50.58	1	\$147.65	34.3%
24	NSC		29	\$99.99	18	\$89.47	111.8%
25	OC	M	35	\$97.24	24	\$105.73	92.0%
26	R		3	\$351.91			
27	R1	S	1,870	\$157.28	13	\$65.05	241.8%
28	R10	M	73,712	\$86.93	5475	\$91.77	94.7%
29	R10A	S	80,877	\$116.75	3637	\$91.11	128.1%
30	R10B	M	274	\$275.46			
31	R11	M	100	\$166.64	4	\$61.01	273.1%
32	R11A		182	\$91.00	25	\$95.70	95.1%
33	R12	M	2,036	\$93.18	44	\$88.29	105.5%
34	R13	M	1,686	\$110.67	32	\$24.34	454.7%

	A	B	C	D	E	F	G
1	RESIDENTIAL PROPERTIES BY ZONE						
2	SINGLE v. 2-4 FAMILY						
3	ZONE ID	ZONE	SINGLE FAMILY	SINGLE FAMILY	2-4 FAMILY	2-4 FAMILY	RATIO
4		TYPE	ZONE COUNT	\$/SQ. Ft.	ZONE COUNT	\$/SQ. Ft.	
35	R14	M	1,146	\$176.79	14	\$56.25	314.3%
36	R15	M	1,167	\$171.32	61	\$88.57	193.4%
37	R16	M	2,415	\$365.98	4	\$158.68	230.6%
38	R18	M	2	\$41.23	2	\$18.13	227.4%
39	R19	M	73	\$16.09	17	\$22.25	72.3%
40	R1A	S	714	\$135.04			
41	R2	S	12,340	\$130.44	98	\$69.90	186.6%
42	R20	S	419	\$116.03	2	\$101.28	114.6%
43	R3	S	1,381	\$124.63	50	\$64.99	191.8%
44	R4	S	12,366	\$130.21	455	\$84.13	154.8%
45	R5	S	53,152	\$110.24	7356	\$80.45	137.0%
46	R5A	M	1,805	\$98.92	3048	\$96.20	102.8%
47	R6	S	11,402	\$131.08	600	\$100.07	131.0%
48	R7	S	19	\$125.71	480	\$97.58	128.8%
49	R70		3	\$182.56	1	\$60.59	301.3%
50	R70A		2	\$385.71			
51	R8	M	98	\$106.12	254	\$97.54	108.8%
52	R9	M	60,679	\$65.32	5402	\$67.57	96.7%
53	R9A	S	105,190	\$90.66	5769	\$80.35	112.8%
54	RC3		201	\$253.05	1	\$167.15	151.4%
55	RC4	M	2,184	\$324.63			
56	RC6	M	1,181	\$195.74			
57	REC		90	\$123.96	4	\$193.50	64.1%
58	RES		73	\$156.33	5	\$47.82	326.9%

LAND VALUATION ANALYSIS

OPA retained an outside consultant to create land valuation schedules using multivariate statistical analysis. OPA has not released any information about the analysis or its results.

OPA divided the City into approximately 650 Geographic Market Areas (GMA's), each designated by a four digit alphanumeric code. They have released maps of the GMA's. The maps do not include street boundaries, which limits their usefulness as an analytical tool.

The 650 GMA's is a very large number for a City the size of Philadelphia. Based on 579,000 parcels, an average GMA would contain only 900 parcels. Chief Assessor Richie McKeithen, testifying in front of the City Council on March 26, said that Washington DC, a City one-third the size of Philadelphia, had only 80 GMA's when he was Chief Assessor there.

Our analysis of the OPA data found 1,189 vacant land sales coded as valid by OPA during the years 2008-2012. The small number of valid sales, less than two per GMA, makes it impossible to do meaningful analysis of sale prices per GMA.

To better understand the impact of GMA's, we aggregated the 650 GMA's into 82 GMA groups, indicated by the letter and the first of the three numbers in OPA's GMA naming convention. The average price per square foot for land ranges from \$3.78 in area G3 (North Philadelphia) to \$64.21 in area P3 (Rittenhouse Square). A color coded map appears on the next page, followed by a chart showing the land prices by two digit GMA code. The coding on the map is:

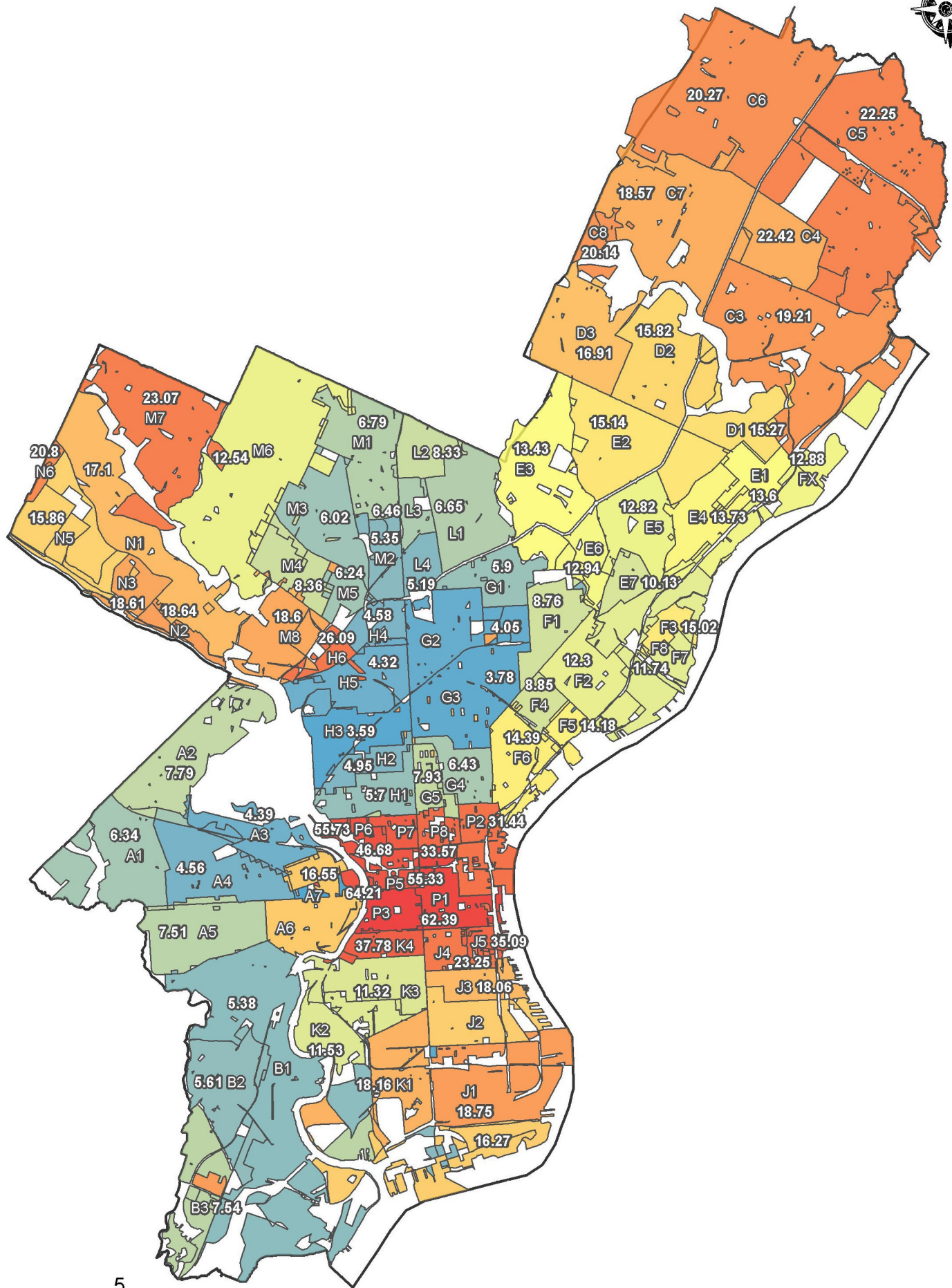
Blue: < \$6.00/sq. ft.
Green: \$6.00-\$11.99/sq. ft.
Yellow: \$12.00-\$17.99/sq. ft.
Orange: \$18.00-\$23.99/sq. ft.
Red: >\$24.00/sq. ft.

In an attempt to better understand the City's approach to land valuation, we analyzed the 1,189 valid land sales using the Zoning Codes on the OPA data base. 1,053 of the sales (89%) occurred in seven of the 52 zones on the OPA file.

We compared the average price per square foot of all residential parcels in each zone with the average price per square foot of the vacant land parcels sold in each of these zones. The ratio ranged from 73% in Zone R10 to 136% in Zone R5. A Graph and a Chart analyzing land values by zone are the last two pages of this Section.

We have serious doubts about the accuracy of the residential land values. Our doubts arise from:

- The unusually large number of Geographic Market Areas;
- The large number of zones with almost no sales activity;
- The wide disparities in Sales Ratio when analyzing land assessment and vacant land sales by zone.



5

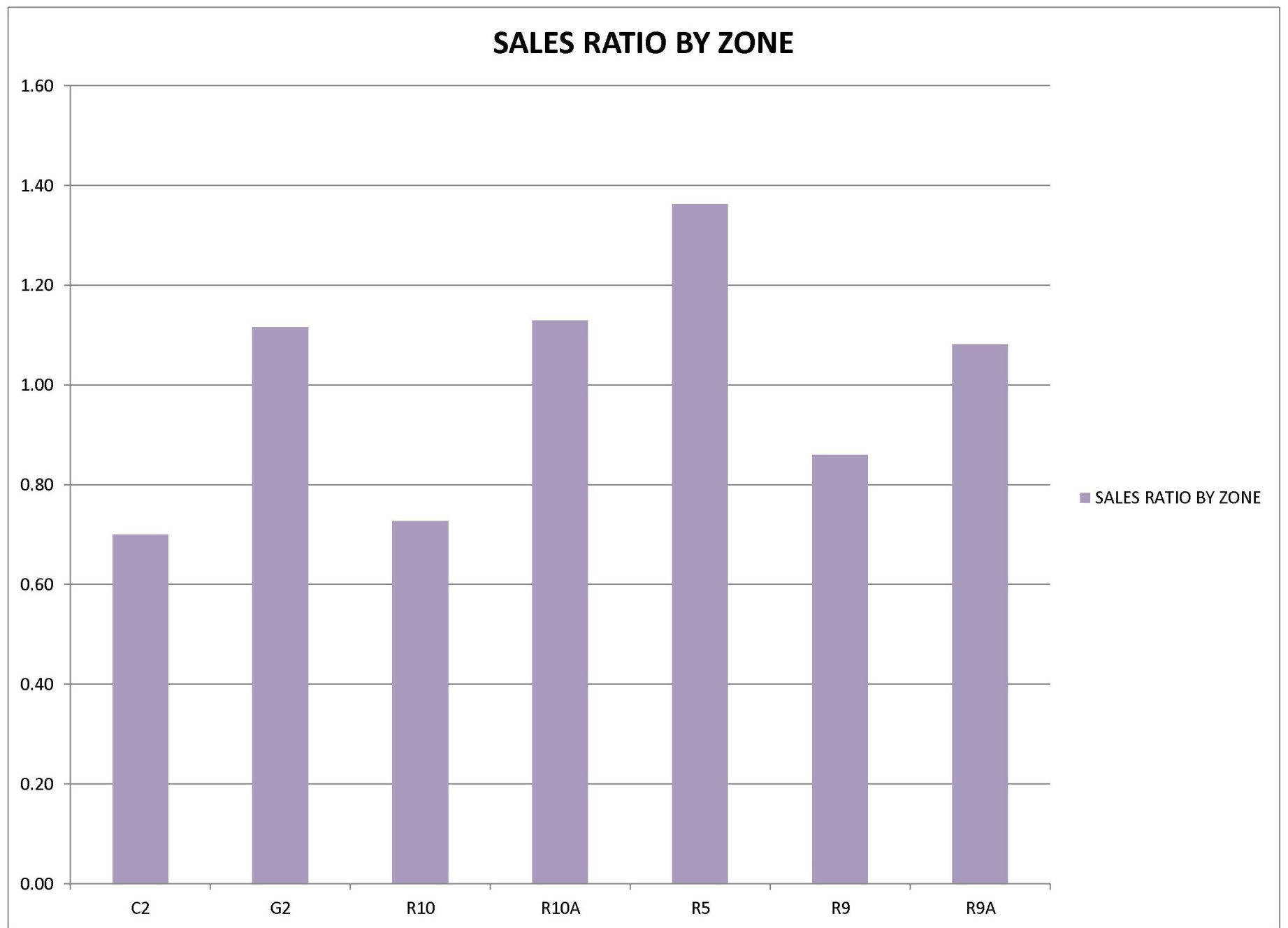
Miles

\$/SF BY GMA

	A	B	C
1	GMA ID	PARCEL COUNT	AVG VALUE/SF
2			
3	A1	11157	6.34
4	A2	4568	7.79
5	A3	3156	4.39
6	A4	12879	4.56
7	A5	13488	7.51
8	A6	1970	16.55
9	B1	11780	5.38
10	B2	10126	5.61
11	B3	2218	7.54
12	C3	9492	19.21
13	C4	7523	22.42
14	C5	5352	22.25
15	C6	7089	20.27
16	C7	6817	18.57
17	C8	83	20.14
18	D1	5125	15.27
19	D2	6908	15.82
20	D3	5338	16.91
21	E1	4074	13.60
22	E2	18485	15.14
23	E3	9450	13.43
24	E4	7820	13.73
25	E5	8853	12.82
26	E6	2541	12.94
27	E7	2244	10.13
28	F1	7685	8.76
29	F2	5805	12.30
30	F3	2239	15.02
31	F4	4131	8.85
32	F5	3279	14.18
33	F6	8458	14.39
34	F7	989	11.74
35	F8	230	15.54
36	FX	146	12.88
37	G1	4867	5.90
38	G2	7568	4.05
39	G3	15256	3.78
40	G4	3246	6.43
41	G5	966	7.93

\$/SF BY GMA

	A	B	C
42	H1	4223	5.70
43	H2	3782	4.95
44	H3	11134	3.59
45	H4	2816	4.58
46	H5	8063	4.32
47	H6	84	26.09
48	J1	1939	18.75
49	J2	12873	16.27
50	J3	6197	18.06
51	J4	4727	23.25
52	J5	1622	35.09
53	K1	6274	18.16
54	K2	4634	11.53
55	K3	13038	11.32
56	K4	3926	37.78
57	L1	11618	6.65
58	L2	1596	8.33
59	L3	1724	6.46
60	L4	2857	5.19
61	M1	13147	6.79
62	M2	3151	5.35
63	M3	7125	6.02
64	M4	2199	8.36
65	M5	2300	6.24
66	M6	17134	12.54
67	M7	1751	23.07
68	M8	2284	18.60
69	N1	8125	17.10
70	N2	1536	18.64
71	N3	1928	18.61
72	N4	66	16.88
73	N5	717	15.86
74	N6	78	20.80
75	P1	2182	62.39
76	P2	1751	31.44
77	P3	2063	64.21
78	P5	392	55.33
79	P6	2437	55.73
80	P7	1537	46.68
81	P8	491	33.57



	A	B	C	D	E	F	K
1	RESIDENTIAL LAND ANALYSIS BY ZONE						
2							
3		RESIDENTIAL LAND SALES		RESIDENTIAL VALUES			RATIO
4	ZONE ID	ZONE COUNT	AVG LAND VALUE	ZONE COUNT	AVG LAND VALUE	AVG LAND VALUE	VALUES/SALES
5	<NULL>	29	0.20	542	16.76	0.17	0.84
6	1609			1	31.05	0.31	0.00
7	ASC	1	0.31	19	20.64	0.21	0.67
8	C1	13	0.22	1,302	19.41	0.19	0.88
9	C2	199	0.14	8,882	9.80	0.10	0.70
10	C3	16	0.19	598	21.65	0.22	1.14
11	C4	9	0.97	487	27.06	0.27	0.28
12	C5	3	2.83	17	57.03	0.57	0.20
13	C7	2	0.22	131	11.64	0.12	0.53
14	DW			1	7.16	0.07	
15	G1			11	14.95	0.15	
16	G2	62	0.10	1,984	11.16	0.11	1.12
17	IDD			26	2.47	0.02	
18	L2	2	0.29	80	22.65	0.23	0.78
19	L3	1	0.05	104	20.93	0.21	4.19
20	L4	13	0.20	429	24.43	0.24	1.22
21	L5			16	16.68	0.17	
22	LR	1	0.25	65	10.67	0.11	0.43
23	NSC	1	0.04	29	13.30	0.13	3.32
24	R			2	15.53	0.16	
25	R1	9	0.95	971	15.82	0.16	0.17
26	R10	367	0.14	69,830	10.18	0.10	0.73
27	R10A	258	0.14	79,849	15.81	0.16	1.13
28	R10B			102	55.75	0.56	
29	R11			32	17.78	0.18	
30	R11A			18	6.84	0.07	
31	R12			227	12.40	0.12	
32	R13	3	0.04	453	9.06	0.09	2.26
33	R14			94	12.14	0.12	
34	R15			122	26.83	0.27	
35	R16			102	42.44	0.42	
36	R18			2	6.80	0.07	
37	R19			70	4.20	0.04	
38	R1A	1	0.03	518	11.96	0.12	3.99
39	R2	14	0.08	10,544	16.03	0.16	2.00
40	R20			419	17.54	0.18	
41	R3			932	16.56	0.17	
42	R4	14	0.13	11,301	17.77	0.18	1.37
43	R5	62	0.11	51,990	14.99	0.15	1.36
44	R5A	2	0.15	728	17.10	0.17	1.14
45	R6			11,208	22.86	0.23	
46	R7			13	22.63	0.23	
47	R70			3	35.37	0.35	
48	R70A			1	55.26	0.55	
49	R8			98	14.67	0.15	
50	R9	73	0.09	59,575	7.74	0.08	0.86
51	R9A	32	0.10	104,731	10.82	0.11	1.08
52	RC3			18	58.42	0.58	
53	RC4	1	0.62	113	55.31	0.55	0.89
54	RC6			51	20.20	0.20	
55	REC	1	0.15	65	8.60	0.09	0.57
56	RES			16	15.04	0.15	

INFORMATION REQUIRED FROM OPA TO DO FURTHER ANALYSIS

The Nutter Administration and the Office of Property Assessment pledged that the Actual Value Initiative would be “transparent.” Their actions belie their words. Despite repeated requests from both the City Council and citizen’s groups, OPA has refused to release the data bases and formulas that they used to calculate the tentative 2014 assessments. On May 2, the City Council voted to subpoena the data bases and formulas from OPA.

OPA maintains that the formulas are too complicated for the average property owner to understand. However, numerous residents, including economists, statisticians, mathematicians, and real estate appraisers, would understand the formulas.

OPA talks about “perfecting” the values over the next few years. However, they refuse to cooperate with private citizens who could assist them in this effort.

The Table on the next two pages contains the information the Coalition has requested and the reason for each request.

Information Requested	Reason for Request
Electronic copies of all data bases (including data bases created in SPSS and other analytical programs) used to develop valuation models.	Information not available on disc sold by OPA; Necessary to analyze accuracy of valuation models.
A street level map delineating the GMA's.	To analyze accuracy of GMA boundaries.
All documentation, including price per square foot analysis of residential sales, used in delineating GMAs.	To analyze accuracy of GMA boundaries.
Land valuation schedules for each category of property, showing unit values for each category of property in each GMA.	To analyze accuracy of land valuation models and effect of land values on total assessment.
All documentation used in developing said land valuation schedule.	To analyze accuracy of land valuation models and effect of land values on total assessment.
All Replacement Cost New and Depreciation schedules for each category of property, including schedules for physical depreciation, functional obsolescence, and economic obsolescence for Hotels and Apartments, Stores with Dwellings, Commercial, and Industrial property.	To analyze accuracy of assessments on these classes of property.
All income, expense, and capitalization schedules used to value Hotels and Apartments, Stores with Dwellings, Commercial, and Industrial properties; if multiple schedules were used, specify the subset of properties each schedule applies to.	To analyze accuracy of assessments on these classes of property.
All multivariate statistical models used to estimate market value of residential property (single family and multi-family). If multiple models were used, specify the subset of properties each model applies to.	To analyze accuracy of assessments on residential properties.

All criteria, including all algorithms, used in selecting comparable sales for residential property; if multiple criteria sets were used, specify the subset of properties each set applies to.	To analyze accuracy of assessments on residential properties.
If sale prices of comparable sales were used in estimating the value of residential properties, all criteria, including all algorithms, used in adjusting for differences between the subject property and the comparable properties; if multiple criteria sets were used, specify the subset of properties each criteria set applies to.	To analyze accuracy of assessments on residential properties.
All written instructions used by evaluators in reviewing the computer estimated values of all classes of properties.	To analyze the extent of the evaluator's review.
A report showing, for each category of property, the percentage of properties for which the computer estimated value of the property was manually adjusted by the evaluator;	To analyze the thoroughness of the evaluator's review.

ATTACHMENT ONE

CREATION OF THIS REPORT

Shortly after OPA released the tentative 2014 assessments in February, community organization leaders across the City heard from members questioning the accuracy of the new assessments. Many members pointed out serious discrepancies between similar properties located on the same block.

The Crosstown Coalition, a band of civic organizations which began meeting in 2008 to address the City's zoning reform initiative, reconvened as the Crosstown Coalition of Taxpayers in February, 2013 to pool their talents and resources in order to analyze the issues presented by AVI. At its second meeting, on March 6, the Coalition decided to assess its members so as to fund data analysis of the assessments released in February.

Despite repeated requests to the Office of Property Assessment for the data files containing property characteristics and the estimated 2014 assessments, OPA did not release the information until Friday, March 29th, six weeks after the values were released.

The file received from OPA was loaded to an Access data base. Some information was extracted to Excel for further analysis. The data received from OPA was analyzed on an "as is" basis. The only changes made to the OPA data base during the analysis was the entry of "0" in some blank fields to allow calculation of subtotals.

The analysis of large commercial office towers used data from a number of sources. The square footage was provided by owners to the Philadelphia Business Journal for their Book of Lists. Vacancy factors and rental rates were taken from the 2013 Center City District report. Net leasable area, operating expenses, and capitalization rates are based on interviews with active real estate investors.

Geographic Market Area (GMA) was not included on the property characteristics file provided by OPA. To analyze Land Values by GMA, a Consultant retained by the Coalition merged the property characteristics file with a separate notices file provided by OPA. There were 19,000 records on the property characteristics file that were not found on the notices file. The merged file was analyzed and the map found in Section 6 was created using ARC-GIS software

ATTACHMENT TWO

ABOUT THE AUTHOR

Walter Spencer, the principal author of this report, is a retired Center City resident. He has lived in the Philadelphia area since 1991 and in Center City since 1997.

Mr. Spencer has professional experience with AVI programs in both the public and private sector. He supervised a successfully implemented Countywide AVI program in New York State while serving as the County's Chief Finance Officer.

He subsequently spent fifteen years consulting to municipalities who contracted with outside firms to conduct their AVI programs. In his last six years in the field, he had national responsibility for sales and customer satisfaction for the nation's oldest and largest consulting firm in this industry. The firm's market share exceeded 40% nationwide.

Mr. Spencer personally worked with numerous city, county, and state governments, including:

- City of Atlanta/Fulton County, Georgia
- Berks County, Pennsylvania
- City of Buffalo/Erie County, New York
- Chester County, Pennsylvania
- City of Chicago/Cook County, Illinois
- Delaware County, Pennsylvania
- City and County of Denver, Colorado
- City of Hartford, Connecticut
- City of Indianapolis/Marion County, Indiana
- State of Kansas
- State of Montana
- Montgomery, Pennsylvania
- City of New York, New York
- City of Raleigh/Wake County, North Carolina
- City of Toledo/Lucas County, Ohio

Mr. Spencer last worked on AVI programs in 1992.