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Will Academy of Music file for Chapter 11 Bankruptcy?

The *Intelligencer New Era* carried a front page story headed “**Bank to sheriff: Sell PAM building; City music school’s trustees still hopeful.**”

The Pennsylvania Academy of Music (PAM) has engaged well known bankruptcy lawyer Larry McMichael, a senior partner at Dilworth Paxson in Philadelphia, to advise regarding a possible Chapter 11. (McMichael is presently lead counsel for the *Philadelphia Inquirer* in its own bankruptcy case.) The Academy has been fully briefed concerning the potential of Chapter 11 to keep itself in operation and resolve issues of debt. PAM has hoped to avoid the Chapter 11 expense of an estimated \$250,000 by negotiating an amicable arrangement with lenders that would bring about similar arrangements.

As described by the *Intelligencer New Era*, the Business Committee has offered to deed the building over to UNCB in exchange for a lease through 2010 and an agreement that the building not be sold during that period. It seeks to increase revenue and reduce costs by June 2010 to a level that will attract friendly investors to purchase the mortgage held by UNCB at or in excess of its market value.

What's the problem with property tax?

As articulated in a 2009 study by the Pennsylvania Economy League:

“[Pennsylvania's third class cities] have suffered from historical population stagnation or declines, although some have recently shown early signs of some rebound in population. The five cities

PAM’s suspension of interest and principal payments several months ago has created significant regulatory problems for UNCB. The issue is of particular concern to UNCB at a time when many small banks are struggling to remain viable despite heavy losses on residential and commercial real estate loans.

The Academy’s building, an architectural showcase, cost over \$30 million. About \$12 million was raised through private donors and state and county grants. The balance was financed through mortgages and bank loans in anticipation of a successful fund raising campaign that failed to materialize.

The current levels of revenue and expense have caused significant monthly losses even before debt service. The Business Committee anticipated it would take until June 2010 to redress the bulk of the operational deficits and, if successfully achieved, the rest of the year to raise funds to purchase the mortgage.

Full disclosure: NewsLanc’s publisher Robert Field serves as an advisor to the Business Committee.

[showcased in this study, including Lancaster] have also seen their tax bases, both as property values and as earned income, stagnate or decline as well. As a generalization, it is not inaccurate to say that the cities are older, smaller, and poorer than they were over the past several decades.”
[Continued on back...]

"In other words," the report continues, "All the taxes levied within the city do not generate sufficient revenue to pay for public safety, let alone the other basic functions of the government such as general administration, public works, and debt service."

An article from the **"Institute on Taxation and Economic Policy"** argues that property taxes can even foster social inequity, *"The main reason property taxes are regressive is that home values are much higher as a share of income for low-income families than for the wealthy....A taxpayer*

who suddenly becomes unemployed will find that her property tax bill is unchanged, even though her ability to pay it has fallen."

In **"Pennsylvania and Local Taxes"**, Franklin & Marshall scholar G. Terry Madonna called for swift action regarding the current statewide dependency on local property taxes: *"Things cannot long continue the way they are,"* Madonna asserted, *"A crisis looms. The challenge to our political leadership is clear and obvious. The time for delay and denial is just about over."* That article, incidentally, was written in March of 2001.

Excerpts from Surgeon General's summary on childhood obesity

- Be physically active. It is recommended that Americans accumulate at least 30 minutes (adults) or 60 minutes (children) of moderate physical activity most days of the week.
- Plan family activities that provide everyone with exercise and enjoyment.
- Reduce the amount of time you and your family spend in sedentary activities, such as watching TV or playing video games. Limit TV time to less than 2 hours a day.
- Follow the Dietary Guidelines for healthy eating (www.health.gov/dietaryguidelines).
- Encourage your child to eat when hungry and to eat slowly.
- Eat meals together as a family as often as possible.
- Carefully cut down on the amount of fat and calories in your family's diet.
- Avoid the use of food as a reward.
- Avoid withholding food as punishment.
- Children should be encouraged to drink water and to limit intake of beverages with

added sugars, such as soft drinks, fruit juice drinks, and sports drinks.

- Plan for healthy snacks.
- Stock the refrigerator with fat-free or low-fat milk, fresh fruit, and vegetables instead of soft drinks or snacks that are high in fat, calories, or added sugars and low in essential nutrients.
- Aim to eat at least 5 servings of fruits and vegetables each day.
- Discourage eating meals or snacks while watching TV.
- Eating a healthy breakfast is a good way to start the day and may be important in achieving and maintaining a healthy weight.

http://www.surgeongeneral.gov/topics/obesity/calltoaction/fact_adolescents.htm

NEW ERA: Editorial **"The Erosion of property rights"** opines *"We need to limit the use of eminent domain to keep local governments from seizing property without due consideration of the property owner."*

WATCHDOG: The law already requires proper financial compensation for property owners. The

issue is under what conditions should government be allowed to displace rundown neighborhoods with new development and, under such cases, what arrangements should be made to provide comparable or better housing for those actually living there, be they owners or renters?

Suggestions and letters welcome at info@NewsLanc.com.