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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING
BEFORE THE COMMITTEE ON FINANCE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, February 26, 1998
2:15 p.m.

- - -

BILL 970820 - Ordinance authorizing real estate
transactions necessary to Permit the City of
Philadelphia to acquire property needed for use
by the Philadelphia International Airport.
BILL 970829 - An Ordinance authorizing the Director
of Commerce to enter into an amendment to the
agreement between the City and PAID authorized by
Bill No. 546.

- - -

PRESENT:

COUNCILWOMAN ANNA CIBOTTI VERNA, Chair
COUNCILWOMAN MARIAN B. TASCO
COUNCILWOMAN HAPPY FERNANDEZ
COUNCILMAN JAMES F. KENNEY
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK DiCICCO

- - -

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Eleven Penn Center Plaza, Suite 600
Philadelphia, PA 19103
(215) 561-2220

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1 BILL 970820

2 CHAIRWOMAN Verna: Thank you. Good
3 afternoon, everyone. This is the Committee on
4 Finance Public Hearing.

5 I would ask the clerk to please read
6 Bill No. 970820.

7 THE CLERK: Bill No. 970820,
8 Authorizing real estate transactions necessary to
9 permit the City of Philadelphia to acquire property
10 needed for use by the Philadelphia International
11 Airport, in particular authorizing the Director of
12 Commerce and the Commissioner of Public Property to
13 acquire by amicable negotiation, swap, or by
14 condemnation a certain parcel of property owned by
15 4721 Island Avenue Associates, Limited, located at
16 4721 Island Avenue, Philadelphia, Pennsylvania.

17 CHAIRWOMAN Verna: I believe we have
18 someone here from the airport to testify?

19 Good afternoon. Please identify
20 yourself for the record and proceed with your
21 testimony.

22 MR. CHARLES ISDELL: I am Charles
23 Isdell, Deputy Director of Aviation. And on my
24 right --

25 CHAIRWOMAN Verna: I don't think the

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2 microphone is working properly.

3 MR. ISDELL: Once again, good
4 afternoon.

5 CHAIRWOMAN Verna: Good afternoon.

6 MR. ISDELL: I am Charles Isdell,
7 Deputy Director of Aviation for the City of
8 Philadelphia. And on my right is Chief Deputy City
9 Solicitor, Abby Pozefsky.

10 I am pleased to appear before you to
11 to testify in support of Bill No. 970820.

12 This bill will authorize the City of
13 Philadelphia, through the Department of Commerce,
14 Division of Aviation, to acquire real property
15 located at 4721 Island Avenue, Philadelphia,
16 Pennsylvania, or "The Property," for use by
17 Philadelphia International Airport.

18 The Property will be acquired by
19 negotiated purchase or by condemnation. The
20 purchase price or condemnation award, when
21 determined, will be paid with monies from the
22 Aviation Fund, with no General Fund impact.

23 The property is surrounded on three
24 sides by the airport and on the fourth by Island
25 Avenue.

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2 Currently, the airport is severely
3 strained in its aircraft gate capacity.

4 For example, John F. Kennedy and
5 Newark Airports currently operate with 150 and 130
6 gates, respectively, while Philadelphia
7 International Airport has only 64 gates.

8 For this reason, the airport is
9 planning to build a new 12-gate international
10 terminal and a new 38-gate commuter facility.

11 Unfortunately, the new international
12 terminal will be located where one of our last
13 remaining airplane hardstand parking areas is
14 presently located.

15 If I may explain what I mean.
16 Hardstand parking is utilized when all gates are in
17 use. The hardstand parking provides additional
18 space for parking aircraft without the benefit of an
19 actual gate.

20 At the hardstand parking area,
21 passengers are unloaded onto passenger transfer
22 vehicles for transport to a terminal. For outbound
23 passengers, this process is reversed.

24 Secondly, hardstand parking is also
25 needed to park aircraft overnight, because the

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2 airport will lose overnight parking spaces during
3 the construction of the new international terminal.

4 For the reasons specified, the
5 airport has an urgent and immediate need for
6 additional space for aircraft loading and parking.

7 The location of the property allows
8 the airport to use the property for these purposes
9 almost immediately upon acquisition.

10 The property is currently owned by
11 4721 Island Avenue Associates, Limited. The
12 Division of Aviation has had preliminary discussions
13 with the President of the corporate owner regarding
14 the proposed purchase of the property.

15 Irrespective of the outcome of these
16 discussions, we need Council approval to acquire the
17 property.

18 I greatly appreciate the opportunity
19 to speak to you to in support of Bill No. 970820. I
20 will be happy to answer any questions you may have.

21 And I also have with me today
22 representatives from the Law Department, who can
23 also respond to your questions.

24 Thank you.

25 CHAIRWOMAN VERA: Thank you.

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2 Can you tell us when the corporate
3 owner purchased this property, and from whom did he
4 purchase it?

5 MR. ISDELL: It was purchased from
6 the Commonwealth of Pennsylvania. And I have the
7 exact date here, if you can give me a moment.

8 January of 1995.

9 CHAIRWOMAN Verna: And was somebody
10 sleeping at the wheel? I don't understand why the
11 airport would not have purchased this ground,
12 knowing that there was going to be expansion.

13 MR. ISDELL: Well, I don't know if it
14 is a question of sleeping at the wheel.

15 But the airport had made an effort to
16 purchase the property back in the period of 1992 and
17 '93.

18 It was made available by the
19 Commonwealth when the Pennsylvania International
20 Guard vacated the premises.

21 The Council actually passed an
22 Ordinance to enable a purchase. I believe that was
23 in 1992.

24 And the City and the Commonwealth
25 were unable to agree on a final Agreement of Sale,

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2 primarily because of environmental remediation
3 issues and the city's requirement for a broad form
4 of indemnification, which the city and state were
5 not able to work out the particulars of.

6 CHAIRWOMAN VERNA: Was the
7 remediation work done by the developer, the
8 prospective developer?

9 MR. ISDELL: It is our understanding
10 that the remediation work has been done by the
11 current owner.

12 CHAIRWOMAN VERNA: So when we talk
13 about condemnation or purchase price, I would assume
14 it had to cost a great deal of money for the
15 remediation.

16 Will that also be considered, so that
17 this developer will be made whole?

18 MR. ISDELL: It will be considered as
19 part of either a negotiated purchase price or a
20 condemnation proceeding, yes.

21 CHAIRWOMAN VERNA: Do we know what
22 the purchase price is?

23 MR. ISDELL: At this time, no.

24 We know what the purchase price was
25 in the last transaction, from the Commonwealth to

1 BILL 970820

2 the present owner.

3 But we, at the moment, have been
4 meeting with the current owner and have not yet
5 reached an agreed-upon purchase price, so I don't
6 have that number for you.

7 I can give you the last purchase
8 price, which I believe was \$890,000 in 1995, when it
9 was acquired from the state.

10 CHAIRWOMAN VERNA: And what do you
11 think it cost for the remediation?

12 MR. ISDELL: The remediation, as we
13 understood it, was estimated prior to our attempted
14 purchase at \$200,000, approximately.

15 I do not have specifics as to what
16 the costs of the remediation work done by the
17 current owner actually amounted to.

18 CHAIRWOMAN VERNA: Okay. I guess
19 this developer is a very understanding man.

20 The Chair recognizes Councilman
21 Nutter.

22 COUNCILMAN NUTTER: Thank you, Madam
23 Chair.

24 In the same area, Mr. Isdell, you are
25 saying that the Commonwealth of Pennsylvania sold

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2 this land to 4721 Island Avenue Associates, Limited,
3 January of '95, and that the city attempted either
4 at that time or prior to that time to buy the same
5 piece of ground, but we couldn't come to an
6 agreement; is that true?

7 MR. ISDELL: That is my
8 understanding, yes.

9 Prior to January of '95, yes.

10 COUNCILMAN NUTTER: Do you know what
11 the city offered at that time to pay?

12 MR. ISDELL: The ordinance authorized
13 \$890,000 as the purchase price. That was the
14 minimum price that the state authorized.

15 Apparently, they have to pass -- the
16 state legislature has to authorize the sale of such
17 property. And in their legislation, the minimum
18 purchase price was specified at \$890,000.

19 The Council ordinance, on our end,
20 authorized that same amount of money.

21 COUNCILMAN NUTTER: So why did 4721
22 Island Avenue Associates get it, and we didn't?

23 MR. ISDELL: I'm sorry? I missed
24 your question. I apologize.

25 COUNCILMAN NUTTER: Why did the

1 BILL 970820

2 current owner get it at that price, if that was the
3 same price we were willing to pay for it?

4 MR. ISDELL: Prior to the execution
5 of an Agreement of Sale between the city and the
6 Commonwealth, when the environmental remediation and
7 indemnification issues were raised, the state made,
8 I guess it would be characterized as, the final
9 offer, wherein they agreed to do the remediation as
10 a credit against the purchase price, but I don't
11 think they ever agreed to our indemnification
12 requirements.

13 They authorized the time limit
14 wherein the city had to respond. And the city was
15 not able to respond within their time limit, at
16 which point they put it up for public sale. And the
17 sale resulted that we are now familiar with.

18 COUNCILMAN NUTTER: Do you anticipate
19 that this owner will be able to meet our
20 indemnification requirements?

21 MR. ISDELL: Yes, I do. I mean,
22 we --

23 CHAIRWOMAN VERNA: Please identify
24 yourself for the record before you make your
25 comments.

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2 MS. ABBY POZEFSKY: Abby Pozefsky,
3 Chief Deputy City Solicitor.

4 Actually, just to put a slightly
5 finer point on Mr. Isdell's testimony, City
6 Council -- is the microphone on?

7 COUNCILMAN NUTTER: I don't think
8 so. Why don't you try using the other one.

9 MS. POZEFSKY: Okay. To put a
10 slightly finer point on Mr. Isdell's testimony, what
11 occurred was that City Council authorized the
12 purchase, but asked that the state do the
13 environmental remediation and provide a broad
14 indemnification. And that was the enabling terms of
15 the ordinance.

16 The state declined to do that and
17 said that in order to take the property, we would
18 need to take it as is, and without the remediation,
19 without the indemnification.

20 COUNCILMAN NUTTER: Did anyone come
21 back to the Council at that time and basically say,
22 we have a problem, we may need an amendment, we may
23 need a change, we would like to get this piece of
24 property, we think we are close, but we have a
25 problem?

1 BILL 970820

2 MS. POZEFSKY: I do not believe
3 anyone came back to Council at that time.

4 COUNCILMAN NUTTER: What is this
5 piece of property? What's its current use?

6 MR. ISDELL: Currently it is not
7 being used. It had been two buildings; one was a
8 hangar and one was an administrative-type building,
9 both of which were demolished subsequent to the sale
10 to the present owner. So it is a now a vacant
11 property, which is not in use.

12 COUNCILMAN NUTTER: Has the property
13 ever been used since the person bought it in 1995?

14 MR. ISDELL: No.

15 COUNCILMAN NUTTER: Okay.

16 CHAIRWOMAN VERNA: Are there any
17 other questions from members of the committee?

18 The Chair recognizes Councilman
19 Kenney.

20 COUNCILMAN KENNEY: Without having
21 entered into negotiations yet, either on
22 condemnation or on swap, is there a number in your
23 head for what it is going to cost us now?

24 MS. POZEFSKY: If I might just say --

25 COUNCILMAN KENNEY: I mean, if it is

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2 appropriate for you to tell us.

3 MS. POZEFSKY: With the condemnation,
4 what would ordinarily occur is that we would make an
5 estimated just compensation offer based on a couple
6 of different appraisals.

7 And those appraisals would take into
8 account the value of the property, and it would also
9 reflect whether there was an environmentally
10 impaired property or an environmentally appropriate
11 property.

12 So that would be a product of a
13 number of different appraisal numbers, which we
14 don't have. So that would be how we would get a
15 condemnation number.

16 Then the condemnee can decide whether
17 to take our proffered estimated just compensation or
18 contest that in a Board Review hearing with his own
19 expert.

20 So it is very difficult to get a
21 number in advance.

22 COUNCILMAN KENNEY: And you don't
23 know whether or not it has been fully remediated, or
24 it has been?

25 MS. POZEFSKY: We hear -- and we

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2 would need to do more work to make sure that this is
3 in fact true -- that the remediation has occurred.

4 COUNCILMAN KENNEY: Have you had any
5 negotiations relative to an outright sale of the
6 property?

7 MS. POZEFSKY: There apparently have
8 been some negotiations.

9 It is our understanding at this point
10 in time that we would probably not be able to reach
11 a negotiated price, and that probably there would be
12 an amicable condemnation; which is to say, because
13 we are unable to reach a price, we would do the
14 condemnation, and we would establish in a Board
15 Review proceeding what the value of the property is
16 through the appraisal process, contested process.

17 COUNCILMAN KENNEY: But we don't know
18 today whether it has been remediated at all or fully
19 remediated?

20 MS. POZEFSKY: We don't know for a
21 fact. We believe -- they have said that the
22 property has been remediated.

23 MR. ISDELL: We don't have
24 documentation.

25 COUNCILMAN KENNEY: Well, they are at

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2 least holding out the fact that they believe it is
3 fully remediated?

4 I think Councilwoman Verna or
5 Councilman Nutter asked you what that cost was. You
6 don't have any idea what that cost was?

7 CHAIRWOMAN VERNA: Yes, they did
8 say. 200,000.

9 COUNCILMAN KENNEY: 200,000.

10 MS. POZEFSKY: The original estimates
11 on it were in the 200,000-plus range.

12 COUNCILMAN KENNEY: So taking them at
13 their word, it has been fully remediated at
14 approximately that price, that cost?

15 MS. POZEFSKY: If in fact it has been
16 fully remediated.

17 They could have done it for more or
18 for less. It really would have depended on how the
19 remediation unfolded.

20 COUNCILMAN KENNEY: Thank you.

21 CHAIRWOMAN VERNA: Any other
22 questions?

23 MS. POZEFSKY: One point of
24 clarification with respect to the indemnification
25 question that was raised earlier.

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2 Certainly in a condemnation, there is
3 no indemnification that's obtained through a
4 condemnation procedure, from the condemnee.

5 CHAIRWOMAN VERNA: Are there any
6 other questions from members of the committee?

7 Do we have anyone else to testify on
8 this bill?

9 Mr. Isdell, is there a need for a
10 suspension of the Rules on this bill?

11 MR. ISDELL: At Council's discretion,
12 we would appreciate that. I'm sorry I didn't ask
13 for that in my testimony.

14 CHAIRWOMAN VERNA: Very well. Thank
15 you.

16 MR. ISDELL: Thank you very much.

17 CHAIRWOMAN VERNA: The clerk will
18 please read the title of Bill No. 970829.

19 THE CLERK: Bill No. 970929, An
20 Ordinance authorizing the Director of Commerce to
21 enter into an amendment to the agreement between the
22 City and the Philadelphia Authority for Industrial
23 Development, (PAID), authorized by Bill No. 546,
24 approved June 15, 1993, under which financial
25 assistance is provided to the parking garage project

1 BILL 970829
2 constructed as part of the overall Market Street
3 East Gallery II Redevelopment Project, which
4 amendment provides for the deferral until August 15,
5 2013, of the City's right to receive reimbursement
6 for payments made by the City in support of the
7 project.

8 CHAIRWOMAN VERNA: Mr. Eisenstat.
9 Good afternoon.

10 MR. NOEL EISENSTAT: Good afternoon.
11 My name is Noel Eisenstat. I am the Executive
12 Director of the City's Redevelopment Authority.

13 If you could provide me a moment or
14 two, I would like to set up a few visuals to help
15 explain the project this afternoon.

16 (Short recess.)

17 MR. EISENSTAT: Good afternoon
18 again. I am Noel Eisenstat. I am the Executive
19 Director of the City's Redevelopment Authority.

20 I am here to give comments on Bill
21 No. 970829. I am here today with Duane Bumb, Deputy
22 Commerce Director of the City of Philadelphia.

23 This bill concerns the development of
24 certain air rights to provide for the
25 Switzenbaum/Pace partnership to construct an

1 BILL 970829

2 approximately 282-room, limited-service hotel on top
3 of the Gallery II garage.

4 This project has previously received
5 a series of other resolutions and ordinances passed
6 by the City Council.

7 What you have before you is actually
8 a brief description of the generalized area, the
9 description of the air rights, as well as the Public
10 Property conveyances that have been previously
11 approved by City Council.

12 Today's bill before you for
13 consideration of the Finance Committee is a rather
14 different transaction.

15 It relates to a transaction that was
16 entered into between the City of Philadelphia,
17 PAID -- an agency of PIDC -- and the developers of
18 the Parametric Garage in 1982.

19 What you have before you today is a
20 request by the city and the Redevelopment Authority
21 to extend this agreement from Year 2002 to the Year
22 2013.

23 The reason for this, as my testimony
24 explains, if I could summarize it quickly, is that
25 in order to build the garage, the parking deck above

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2 the garage, the partnership of the parking deck --
3 excuse me, of the hotel needs certain things from
4 the parking deck partnership. They are articulated
5 relatively clearly.

6 They need the elimination of certain
7 retail space from the parking facility. They need
8 the authority and the ability for the placement of
9 construction support and access easements throughout
10 the existing parking deck structure, the release of
11 certain air rights on top of the existing parking
12 structure, and a loss of fewer than 20 parking
13 spaces to accommodate part of the structural
14 requirements.

15 This parking facility was financed in
16 1982 through PAID bonds, by which there was an
17 agreement between the city, PAID, and the
18 partnership.

19 And to the extent that debt service
20 was not paid by the partnership from parking
21 revenues, the city would, through a Deficit
22 Operating Agreement, make funds available to the
23 trustee of the \$15 million of tax-exempt bonds that
24 were issued.

25 Since 1997, the partnership and the

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2 garage have been able to come forward with all of
3 their existing debt service payments.

4 The agreement as currently structured
5 calls for, in the Year 2002, that the partnership at
6 that point would be responsible for paying with
7 interest the payments that were previously made by
8 the city from Years 1982 until 1996.

9 It would be fair to say that if the
10 position of the partnership being a sole source, a
11 single-standing partnership with no other assets,
12 that absent some totally unanticipated event in the
13 Year 2002, the city and its related agencies in this
14 partnership would find itself in a dispute by which
15 the investors of the limited partnership would
16 attempt to avoid any negative tax consequences and
17 foreclosure.

18 At the end of the day, it was the
19 general consensus that the city at some point in the
20 future, after spending considerable efforts, would
21 control the partnership in the garage, but would not
22 effectively receive any of the cash payments that it
23 would have previously made.

24 In consideration for the parking deck
25 partnership's desire to avoid such an event, the

1 BILL 970829

2 Redevelopment Authority has proposed, as part of
3 this transaction, that immediately upon closing of
4 the real estate of the hotel, effectively all cash
5 flow of the transaction would -- of the parking deck
6 would accrue to the city.

7 In addition to that, the city would
8 retain effective managerial rights over the
9 selection of manager, and annual budget rights.

10 As well as in the Year 2000, they
11 could thereby extend the term of this agreement to
12 2013, at which time the city bonds would be paid
13 off.

14 And in 2013, by operation of an
15 escrow agreement, the city would have full, complete
16 ownership of the garage, avoiding any future
17 litigation or other actions in Bankruptcy Court.

18 That is the nuts and bolts of this,
19 in terms of the resolution before you. I am happy
20 to discuss the benefits of the hotel or what our
21 other options are.

22 I know this is a somewhat convoluted
23 or complex array of things. And, as you can see,
24 for a second, the visuals we have brought, you can
25 see we start with a visual as we start, as is, its

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2 current condition.

3 On the easel here is an after the
4 construction drawing, which shows the placement of
5 the various panels that would reposition the
6 exterior of this facility to look not like a parking
7 deck any longer, as well as other visuals of the
8 improvements that will be made.

9 Chairwoman Verna, whatever questions
10 you would like, I am happy to start.

11 CHAIRWOMAN VERNA: I believe the
12 sponsor of the bill would like to be recognized.

13 COUNCILMAN DiCICCO: Thank you, Madam
14 Chair.

15 Good afternoon, Mr. Eisenstat. You
16 and I have had some conversations, and along with
17 the developer, concerning the parking arrangements,
18 to continue to provide parking spaces for the
19 Reading Terminal merchants off of Filbert Street.

20 Are we still on track with that?

21 MR. EISENSTAT: Yes.

22 By the nature of the tax-exempt
23 financing and the structure of the partnership, the
24 Hilton operator, the operator of this proposed
25 Hilton hotel, will have no specific claim or rights

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2 to any of the parking spaces within the facility.

3 Generally, this is a 750-space garage
4 that is open to the general public.

5 At one point, both the Terminal
6 Market and this partnership were controlled by the
7 Reading Company, and, therefore, there was a boring
8 of ownership and rights and responsibilities which
9 was left to the fact that, effectively, the Reading
10 Terminal Market's dumpster for its trash compaction,
11 as well as the ingress and egress that provides most
12 of the fruits, vegetables, and other services, come
13 through this area.

14 The developer has undertaken a number
15 of redesigns that will permit both the ingress and
16 egress on a daily basis, within specific hours, of
17 goods and services, goods into the market from their
18 wholesalers, as well as there is a reconfigured
19 design, since I think we met in December, which will
20 not require the moving or the relocation of the
21 dumpster facility where it is now located adjacent
22 to the market on Filbert Street.

23 COUNCILMAN DiCICCO: Thank you.

24 Two other questions. One is, what is
25 the number of construction jobs we anticipate for

1 BILL 970829

2 the construction of this hotel? And what are the
3 number of permanent jobs that will be created as a
4 result of the hotel?

5 MR. EISENSTAT: We are working on a
6 model with PIDC on construction jobs.

7 We anticipated construction payroll
8 of about \$15 million, that would generate about
9 \$700,000 in city Wage Tax on revenue.

10 But I don't have an actual number of
11 employee, full time -- I could get you a full-time
12 equivalent number.

13 I do believe that the facility will
14 employ, as a limited service hotel, about 60 to 80
15 employees.

16 COUNCILMAN DiCICCO: If you can get
17 that information to the Chair, for the rest of the
18 committee. Or if you can get that off to all
19 members of City Council, I would appreciate that.

20 MR. EISENSTAT: We would be happy
21 to.

22 COUNCILMAN DiCICCO: In your opinion,
23 Mr. Eisenstat, if we were for some reason not to
24 approve this, where are we today and where would we
25 be tomorrow, if this bill is approved and the

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2 construction moves forward?

3 MR. EISENSTAT: The partnership of
4 the hotel needs these considerations from the
5 partnership of the parking deck.

6 And it is limited investors who
7 bought units in this investment in 1982 that have
8 these things I have articulated, the ingress, the
9 egress, the retail space lobby, the easements, the
10 air rights, and the parking space.

11 Without this, you physically can't
12 build a parking deck -- the garage, excuse me.

13 Assuming that this is approved, what
14 the city gets in this situation, which is -- I am
15 doing a great job of confusing myself here.

16 As proposed, and as my testimony
17 articulates, assuming that Council approves this,
18 what occurs are two substantive things.

19 First, we receive a hotel with all
20 the benefits of a hotel, the various wage taxes,
21 hotel, use, occupancy, real estate taxes.

22 This hotel is unique to the extent
23 that City Council has seen a number of hotel
24 proposals requesting finance, granted financial
25 assistance from the city, and are in different

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2 phases of development.

3 This hotel is a limited-service
4 hotel. Its construction costs and its operating
5 costs are different from some of the Convention
6 Center hotels that you have seen.

7 But, effectively, what you have
8 noticed today here is, this does not anticipate the
9 use of CDBG funds, 108 funds, a tax increment
10 financing direct or economic stimulus funds.

11 And, in fact, the proposal, the plan
12 is to see a well-leveraged financed proposal, with a
13 lender providing close to 90 percent of the
14 financing of this development.

15 In addition, in consideration for the
16 fact that the limited partners would like to avoid
17 what might be perceived by them as a painful
18 occurrence some time after Year 2002, that,
19 effectively, the partnership of that parking
20 facility are willing to give effectively the city
21 control today of two very important things: All
22 cash flow -- and I would also note that this
23 facility, the new hotel, would generate an
24 additional \$250,000 a year in revenue to the parking
25 deck that would flow directly to the city.

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2 In addition to the control of the
3 cash flow, the partnership would also provide the
4 city a reasonable discretion as it relates to
5 management of the facility, as well as approval of
6 annual budgets.

7 COUNCILMAN DiCICCO: Thank you. I
8 have no further questions.

9 CHAIRWOMAN VERNA: Mr. Eisenstat,
10 according to your testimony, until the opening of
11 the Convention Center, the Gallery II parking garage
12 generally operated in a deficit and required city
13 assistance for meeting debt service.

14 Since the opening of the Convention
15 Center, has the city been required to pay any of
16 that debt service?

17 MR. EISENSTAT: The debt service
18 payments that occurred -- if you could excuse me
19 just for a second.

20 The level of debt service payments
21 that were obligated by the city before the
22 Convention Center were relatively large. And I have
23 them with me. Just a second.

24 They started in Calendar year 1983 in
25 an amount of about \$2 million a year, and reduced

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2 all the way to the amount of about \$1.7 million a
3 year in 1992.

4 Those numbers then substantively
5 decreased in part primarily due to the fact that
6 that was the first time that the city had the
7 authority under the call provisions of these bonds,
8 that I believe had interest rates in double digits,
9 to actually refinance this debt.

10 From that point, the debt service on
11 the city's obligations were substantially less in a
12 few hundred thousand dollars, five or six, I believe
13 five or six hundred thousand dollars a year, and
14 then declined to almost a relatively small number in
15 1995 and '96. And by 1997, no debt service payments
16 by the city were required.

17 CHAIRWOMAN VERNA: I know that you
18 said -- and I want it to be made eminently clear for
19 the record -- that the hotel will not be asking for
20 any TIFs or HUD 108 loans or any kind of assistance
21 for the development of this hotel?

22 MR. EISENSTAT: For the development
23 of the hotel itself, that is correct.

24 CHAIRWOMAN VERNA: Well, are there
25 any capital funds that we would have to be

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2 considering at this time?

3 MR. EISENSTAT: The city will
4 consider as part of its Capital Budget some
5 improvements to be made around the actual facility,
6 particularly in the public right-of-way around the
7 ingress and egress, and the lighting and the
8 pavement of certain activities.

9 We have made no guarantee to the
10 developer. But as you are all aware, over the last
11 number of years, a series of systematic improvements
12 have been made around the Convention Center.

13 And in this case, in fact, the
14 developer, at the city's request, will be spending 3
15 or 4 million dollars of really facade improvements,
16 beyond the building of the parking deck.

17 The cost of the panelization here is
18 about \$2 million. In addition, six, seven hundred
19 thousand dollars of additional improvements, at
20 minimum, will be made in the underbelly, or the 11th
21 Street access, which is today less than attractive,
22 although it may not be as fully finished as the 12th
23 Street underbuild of the Convention Center roadway.

24 The developer does plan on relighting
25 and really redesigning that with a more appropriate

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2 user-friendly type of finish, which really accrues
3 to the benefit of the public, while somewhat to the
4 hotel, as well.

5 CHAIRWOMAN Verna: And is the hotel
6 three or four stories high?

7 MR. EISENSTAT: What you see there is
8 a four-story hotel.

9 CHAIRWOMAN Verna: Thank you.
10 The Chair recognizes Councilman
11 Nutter.

12 COUNCILMAN NUTTER: Thank you, Madam
13 Chair.

14 Mr. Eisenstat, let's go back to an
15 area that I think we discussed in the Public
16 Property Committee.

17 Can you go back through the nature of
18 some of the relationships of the various entities to
19 this transaction?

20 We have got this what you call
21 Parametric Partnership?

22 MR. EISENSTAT: Correct.

23 COUNCILMAN NUTTER: They currently
24 own the existing garage?

25 MR. EISENSTAT: The Redevelopment

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2 Authority owns the land. There is an installment
3 sale agreement for the garage through PAID to
4 Parametric, which effectively has control of the
5 garage itself.

6 In addition to the garage, it has
7 control of approximately 10 feet of air rights above
8 the garage, an additional 10 feet above the height.
9 That's the second -- that's the first partnership.

10 COUNCILMAN NUTTER: Wait a minute.
11 Who owns the garage?

12 MR. EISENSTAT: Effective control is
13 within Parametric Associates. It is through an
14 Installment Sale Agreement.

15 But for the purposes of what you
16 would define legal, financial, and overall control,
17 its control is within Parametric Associates.

18 COUNCILMAN NUTTER: And Parametric
19 has a deal that extends until 2002?

20 MR. EISENSTAT: Correct.

21 It had an arrangement with the city
22 that obligated the city until 1997 to be required to
23 make any deficit payments on behalf of the bond to
24 the trustee to the benefit of bondholders.

25 The agreement then calls for, as

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2 currently constructed, in the Year 2002, that those
3 payments, as well as interest, would be due to the
4 PAID and the city from the partnership.

5 COUNCILMAN NUTTER: And this needs to
6 be extended to 2013 because?

7 MR. EISENSTAT: The hotel partnership
8 is seeking those things in my testimony which I had
9 reiterated relative to those physical improvements,
10 easements, cross-easements, and other considerations
11 that would allow for the physical construction of
12 the hotel.

13 COUNCILMAN NUTTER: Is it fair to say
14 that the construction of this hotel, in essence,
15 accomplishes two purposes: One, it gets us another
16 hotel and hotel rooms in the city, that's one; and,
17 two, that in a potentially perverse way, the
18 construction of the hotel supports the parking
19 garage and makes it more profitable? Is that fair
20 to say?

21 MR. EISENSTAT: Clearly without the
22 parking facility, or without the overbuild
23 potential, the hotel would not be there. Because
24 you would have to buy land for a hotel, assemble a
25 site this size in Center City. And finding this

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2 type of site in Center City could be relatively
3 expensive.

4 COUNCILMAN NUTTER: I understand
5 that.

6 MR. EISENSTAT: And the parking will
7 clearly help the hotel, as well.

8 COUNCILMAN NUTTER: I understand the
9 parking will help the hotel.

10 MR. EISENSTAT: And the hotel will
11 help the parking.

12 COUNCILMAN NUTTER: But in reality,
13 the hotel really helps. I mean, you can put the
14 hotel anywhere. You don't have to have a hotel at
15 this location.

16 MR. EISENSTAT: That's correct.

17 COUNCILMAN NUTTER: But one of the
18 true benefits to the garage people is, they have a
19 hotel on top of it, so that more people park in the
20 garage, because the garage is running a deficit?

21 MR. EISENSTAT: In this situation,
22 because of the awkwardness or the considerations of
23 the partnership, the city would only consider
24 entering into this agreement in a way that all the
25 benefits of that additional parking would accrue to

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2 the city immediately, and not beginning in the Year
3 2002.

4 COUNCILMAN NUTTER: Okay. Now, at
5 the last hearing on this that I participated in, I
6 think there was some discussion about the
7 redevelopment agreement between the Redevelopment
8 Authority and the hotel developer.

9 MR. EISENSTAT: Yes.

10 COUNCILMAN NUTTER: And I think part
11 of the discussion revolved around what's in the
12 agreement. I think we may or may not have asked,
13 had the Law Department reviewed the agreement. If
14 we didn't, then I am asking the question today.

15 What's in the redevelopment
16 agreement? What does it say? What does it do?
17 What is its purpose?

18 MR. EISENSTAT: The agreement is not
19 unusual or different than any other redeveloper
20 agreement that you would generally see.

21 It has a series of -- it is an
22 agreement to convey --

23 COUNCILMAN NUTTER: Actually,
24 unfortunately, Mr. Eisenstat, we never see them.

25 MR. EISENSTAT: I would be happy to

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2 briefly discuss this in a way that would highlight
3 the elements of the redeveloper's agreement, which,
4 I'm sorry, I assumed that when you actually adopt
5 them by resolution, they are made available to
6 Councilpeople beyond the District Councilperson who
7 introduces them.

8 But, generally, this agreement is
9 substantively no different than any other agreement,
10 other than in this case we are dealing with an air
11 right, rather than a fee simple piece of property.

12 And it is an agreement between the
13 public sector, and in this case the hotel
14 partnership, to construct the building in a certain
15 period of time, to a set of standards.

16 And those standards in this case,
17 because it is a hotel, will go beyond the
18 construction, but also to the operation of the
19 facility, as well.

20 There are other requirements that are
21 standard in our redeveloper's agreement, which deal
22 with noncollusion, MBE minority participation,
23 prevailing wage requirements, other --

24 COUNCILMAN NUTTER: Has the Law
25 Department signed off on the agreement? Have they

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2 seen it or approved it?

3 MR. EISENSTAT: Generally,
4 redeveloper's agreements are forwarded directly --
5 well, the ordinances were approved specifically by
6 the Law Department, as is the case of ordinances.

7 And I know that at least the
8 redeveloper's agreement was forwarded to the Law
9 Department. Because some of the leases and
10 subleases -- I know the Law Department has
11 reviewed the agreement because of some of the more
12 technical attachments that are attached to it.

13 COUNCILMAN NUTTER: Is that a yes or
14 a no?

15 MR. EISENSTAT: Yes, the city Law
16 Department has reviewed it.

17 COUNCILMAN NUTTER: Thank you.
18 How many deals has the Redevelopment
19 Authority done on hotels in the last five years?

20 MR. EISENSTAT: The Redevelopment
21 Authority has been involved in a number of hotels.

22 The Marriott Convention Center, which
23 opened in 1996; the conveyance of properties in the
24 Eastwick area to Eastwick, and then to other
25 developers surrounding the PNC building.

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2 COUNCILMAN NUTTER: You don't
3 necessarily have to run me through each deal; just
4 the number. 5, 10, 15?

5 MR. EISENSTAT: Less than 10, more
6 than 5.

7 COUNCILMAN NUTTER: How many are
8 active right now? How many hotel deals are kind of
9 floating around out there right now?

10 MR. EISENSTAT: That the Authority is
11 involved in?

12 COUNCILMAN NUTTER: Yes.

13 MR. EISENSTAT: Pretty much the
14 construction of those you might see in Eastwick or
15 have been completed in the last few years. The
16 Marriott Convention Center hotel and the expansion
17 at the Headhouse.

18 COUNCILMAN NUTTER: But there are
19 others either on the drawing board or under
20 discussion or potentially being financed?

21 I mean, we are in a hotel mindset
22 here in the city. There are hotels coming on line,
23 are being discussed all over the place; right?

24 MR. EISENSTAT: True. But your
25 question was as to the Redevelopment Authority's

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2 involvement. And the Authority generally does not
3 have any involvement in the Penn's Landing hotel,
4 the PSFS facility, the Great Bay facility, or a
5 number of the other ones that we all hear in the
6 public. The Authority has not been involved in
7 those directly or indirectly.

8 COUNCILMAN NUTTER: Well, whether it
9 is the Authority or Commerce, I mean somewhere
10 within the economic development community you are
11 generally aware of these various hotel projects;
12 right?

13 MR. EISENSTAT: That would be
14 correct.

15 COUNCILMAN NUTTER: And we will
16 continue to actively pursue hotel deals; is that my
17 understanding?

18 MR. EISENSTAT: I believe that's
19 correct.

20 However, it is also fair to say that
21 the city had undertaken some analysis and wanted to
22 assure, through some level of public support, a
23 certain number of hotel rooms to be built.

24 I don't believe it is the intention
25 of the Administration, and maybe Mr. Bumb could

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2 comment on this, that the level of support that had
3 gone to a number of hotels may or may not continue
4 because certain goals should be achieved by the
5 amount of support that's been granted so far.

6 But that will be probably evaluated
7 by the Administration on a case-by-case basis.

8 COUNCILMAN NUTTER: Well, lastly --
9 and I know some of my other colleagues have
10 questions they want to ask -- have any of the deals
11 that have been done, whether by directly the
12 Redevelopment Authority or other elements of our
13 larger economic development world, have any of them
14 involved either minority owners or investors?

15 MR. EISENSTAT: Yes.

16 COUNCILMAN NUTTER: Which ones?

17 MR. EISENSTAT: Probably the one that
18 I can speak to most notably is the one the Authority
19 had most involvement with, which was the Marriott
20 Convention Center Hotel facility.

21 That, while it was approved in 1988
22 by City Council, it started construction in 1992.

23 And when City Council approved the
24 partnership, approved the redeveloper's agreement,
25 there was language within the redeveloper's

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2 agreement to provide that the Marriott Corporation,
3 which then split into two entities -- and I don't
4 want to get into that.

5 COUNCILMAN NUTTER: What's the level
6 of ownership of the minority partners?

7 MR. EISENSTAT: Basically, in that
8 case, the Marriott was directed to or encouraged,
9 and in that specific case identified, a minority
10 partner, who has to date made a purchase of an
11 element of the Marriott Convention Center Hotel, and
12 I believe has certain rights to buy additional
13 interests in that hotel over the next year or so at
14 certain rates and terms and conditions.

15 COUNCILMAN NUTTER: So that's buying
16 a piece of the ownership, as opposed to actually
17 owning the facility or the property?

18 MR. EISENSTAT: It is the same
19 thing. I mean, you generally have a partnership
20 that owns the hotel.

21 COUNCILMAN NUTTER: What's the
22 percentage?

23 MR. EISENSTAT: Today, I believe the
24 interest that this person owns began at 1 percent,
25 and at this rate can grow to 6 or 7 percent, and

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2 then have rights to buy up to 15 percent.

3 The Authority, because of the timing
4 of this, needed to approve the entrance of that
5 partner because the Certificate of Completion hadn't
6 been done.

7 And this was because of the level of
8 support of the hotel, whereby in the Marriott
9 facility, the city paid for all of the acquisition
10 and all of the relocation surrounding that
11 facility.

12 COUNCILMAN NUTTER: Have you ever
13 done a deal with any group of individuals who could
14 potentially have more than 50 percent ownership in a
15 hotel, who happen to be minorities?

16 MR. EISENSTAT: I am sorry? I
17 couldn't hear. Could you repeat the question.

18 COUNCILMAN NUTTER: Have you ever had
19 occasion to contemplate a deal with an individual or
20 group of individuals who may happen to be minority
21 who have more than 50 percent ownership of a hotel?

22 MR. EISENSTAT: Yes, I have.

23 COUNCILMAN NUTTER: Could you tell us
24 about it?

25 MR. EISENSTAT: I have had some

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2 discussions with Dr. Emma Chapelle concerning
3 additional air rights under the control of the
4 Redevelopment Authority, specifically those
5 associated with the Gallery I garage -- I'm sorry,
6 the Gallery I Mall, not the garage; basically, the
7 air rights most closely adjacent to what is now
8 Strawbridge's, and where the Hard Shell Cafe is.

9 COUNCILMAN NUTTER: Thank you.

10 CHAIRWOMAN VERNA: The Chair
11 recognizes Councilwoman Tasco.

12 COUNCILWOMAN TASCO: Good afternoon.

13 MR. EISENSTAT: Good afternoon.

14 COUNCILWOMAN TASCO: Could you tell
15 me -- I asked you this yesterday -- who the limited
16 partners or investors in this project were in 1992,
17 and if there are any of those investors involved in
18 this deal.

19 MR. EISENSTAT: I believe I forwarded
20 to you by hand delivery yesterday afternoon a list
21 of all the limited partners of the partnership as of
22 1992.

23 The names of those individuals, I
24 think, are 40 or 50, at least. And I could call my
25 office to get another copy.

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2 I could tell you that the limited
3 partners in this situation -- none of the limited
4 partners in that deal have been identified as
5 investors in this transaction.

6 The one individual who I had
7 mentioned previously before Council, and to you when
8 I met with you earlier this week, is that there is
9 an identity of interest between one of the general
10 partners of the hotel and one of the individuals who
11 was a member of a partnership of the general
12 partnership who formed the limited partnership of
13 Parametric, and that is Samuel Switzenbaum.

14 COUNCILWOMAN TASCO: Does that
15 constitute a conflict of interest?

16 MR. EISENSTAT: I don't believe so,
17 in this situation, in dealing with the partnerships,
18 because -- excuse me.

19 In my dealing with the partnerships,
20 Mr. Switzenbaum has, in my dealings, has left the
21 partnership of Parametric, its control and its legal
22 advice and its direction, to the limited partners
23 who have the liability in the Year 2002.

24 So in my negotiations as it relates
25 to this hotel and the parking garage, the Authority

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2 has been dealing with a lawyer whose interests are
3 to represent the overall partnership, and
4 specifically not Mr. Switzenbaum as it relates to
5 the parking deck.

6 And I have separately negotiated,
7 or -- that separates out very much from the contact
8 or the negotiations or the proposals submitted from
9 the hotel.

10 Effectively, it would be fair to say
11 that Mr. Switzenbaum is not involved in the business
12 decisions on behalf of the limited partners in any
13 way as it relates to the garage.

14 COUNCILWOMAN TASC0: You know, I was
15 reading the notes of testimony from 1982, when the
16 initial deal was done.

17 And interestingly enough,
18 Councilwoman Bea Chernock alluded to the
19 precariousness of the whole deal to begin with.

20 And in the notes of testimony it was
21 stated that the city may lose money initially, but
22 there would be more than enough to cover debt
23 service down the line.

24 And I have a real problem with the
25 city losing \$25 million, and might not ever get that

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2 money back. I can think of a lot of things that
3 could have happened in the community.

4 I can't get \$150,000 for
5 streetlights, but we just throw away \$25 million.

6 Because if you guarantee the garage,
7 there is no motivation or interest to make the
8 garage work, if you don't have to worry about the
9 debt service, if the city is going to guarantee it.

10 That's not your problem, but I have a
11 problem with that.

12 And I am also concerned about what's
13 going to happen in the Year 2013, when we don't have
14 the money, we don't get our money back. I have a
15 concern with those investors who invested, having
16 taken advantage of that investment, tax advantage,
17 and we don't get our money back. What happens?

18 What happens to the 25 million plus
19 that we are going to lose? Well, we have already
20 lost.

21 MR. EISENSTAT: I'm not so sure the
22 answer changes whether or not -- I think the answer
23 first is, whether or not a hotel gets built here or
24 not, I'm not -- the reality is, as it relates to the
25 whole \$25 million, I don't think the position of the

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2 city changes in any way.

3 The distinction, and what happens in
4 2013, is effectively by an agreement agreed to by
5 the partnership now, the complete control of the
6 garage will turn over to the city, while, as I said
7 earlier, the financial controls will occur
8 immediately upon real estate closing, if approved.

9 While the city has spent, as you have
10 noted, \$25 million in paying the deficits on the
11 garage, as well as an accrued interest rate that was
12 calculated back in 1982, the reality stands that the
13 garage is worth substantially less than that today,
14 and only maintains its worth by its tax-exempt
15 financing.

16 So if the city was to acquire it at
17 some point in the future and attempt to sell it, it
18 would further diminish its value because it couldn't
19 be sold and still use tax-exempt financing.

20 I don't have an answer that would
21 suffice to what could the city have done with that
22 \$25 million.

23 I would note to you, as I have noted
24 to others, that the Gallery I garage, which is owned
25 by the City of Philadelphia, through the Parking

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2 Authority, has also lost as a garage substantial
3 amounts of money over the years.

4 And whether or not -- and it would be
5 fair for me to suggest, at least, that whether or
6 not this garage in its number of spaces was owned by
7 the public or by the private, it is fair to say that
8 the overall amount that the city would have had to
9 pay in debt service probably would be the same.

10 COUNCILWOMAN TASC0: So we hope that
11 the construction of the hotel will generate
12 additional revenue for the garage, and we might make
13 some money?

14 MR. EISENSTAT: Correct. And, as
15 well, we will have more control and oversight
16 through this agreement, as well, if approved.

17 COUNCILWOMAN TASC0: So who owns the
18 air rights over the garage now?

19 MR. EISENSTAT: Right now 10 feet of
20 the air rights are controlled by the partnership.
21 The remaining air rights were controlled by either
22 the Redevelopment Authority and the city, the city
23 controlling the air rights of that sliver of air, I
24 think, that may or may not be seen in one of these
25 drawings, of the cube of space, as someone

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2 described, of the street common area.

3 Another ordinance consolidated that
4 within the Redevelopment Authority.

5 So the Authority holds the bulk of
6 the air rights, up into the heavens, as one would
7 say, but for a sliver of 10 feet right above the
8 garage.

9 COUNCILWOMAN TASCO: Why couldn't
10 they buy the air rights from the garage, and they
11 still operate the garage, they still be held liable
12 for the garage?

13 MR. EISENSTAT: Because the
14 considerations of the air rights are really not as
15 substantial as the other considerations here, which
16 are the easement, cross-easements, indemnifications
17 of the nuts and bolts of making the facility work.

18 And that's really what the garage --
19 I mean, the garage needs to give to the partnership,
20 the hotel partnership.

21 They could enter into those -- and
22 the city needs to consent to those, as well, under
23 the bond covenants.

24 So what I'm saying is that the
25 parking partnership could not do this on its own,

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2 without the city's consent to the hotel, with the
3 hotel.

4 COUNCILWOMAN TASC0: Thank you.

5 CHAIRWOMAN VERNA: Councilwoman, are
6 you finished?

7 COUNCILWOMAN TASC0: Yes.

8 CHAIRWOMAN VERNA: Are there any
9 other questions from members of the committee?
10 Is there anyone else to testify on
11 this bill?

12 COUNCILMAN NUTTER: Councilwoman.

13 CHAIRWOMAN VERNA: Yes.

14 COUNCILMAN NUTTER: Thank you.

15 Mr. Eisenstat, I just wanted to bring
16 one further point to your attention.

17 We just received as a part of the
18 Board of Revision of Taxes their budget message from
19 1998.

20 In their testimony is a section
21 called Planned Construction. It is on hotels. It
22 is on Page 9, and it goes on to Page 10.

23 There is a list of 15 potential hotel
24 deals with sites and number of rooms listed. I
25 would now be glad to give you a copy of this.

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2 Again, on the point that I was
3 raising earlier, I would like you to examine this
4 particular list and let me know whether, to the best
5 of your knowledge, any of these particular deals
6 have any level of minority ownership or
7 participation.

8 I'm not talking about on jobs. I'm
9 not talking about on construction. I am not talking
10 goods and services. I am talking about the people
11 who are going to decide what color the wall paper is
12 going to be, what the furniture is, and who is
13 running the place.

14 Given the earlier discussion about
15 the Dr. Emma Chappelle situation, I have to tell you,
16 in all honesty, that I am quite reluctant to support
17 this particular project, given both its complexity
18 and the fact that we can't seem to get some movement
19 on another deal that you have at least had some
20 discussion about.

21 At the same time, I do respect my
22 colleague's interests in trying to get his project
23 moved along.

24 And what I would like to ask, if the
25 sponsoring member will agree, is that should this

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2 bill come out of this particular committee, that
3 there be no action taken on this bill until there
4 has been an opportunity for Councilman DiCicco and
5 yourself and others to get some better resolution to
6 the efforts of Dr. Chapelle to move along on a
7 particular project where there is serious interest.

8 That's really not a question for you
9 to respond to.

10 MR. EISENSTAT: But you have made
11 some statements there.

12 COUNCILMAN DiCICCO: Mr. Eisenstat,
13 let me respond to that, if I may.

14 Councilman Nutter and I had a little
15 sidebar, and I a little bit earlier had a sidebar
16 with Councilwoman Tasco.

17 I understand where we are with this
18 project because I have been involved in it for a
19 number of months.

20 And my colleagues have both agreed
21 that they would, with a commitment from me not to
22 move on the -- we were a little bit confused on
23 first or second reading.

24 But I would make a commitment
25 publicly not to move forward with a second and final

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2 reading until we have had some time, myself and
3 yourself and PIDC, and possibly the Administration,
4 to talk about the proposal that I had just been made
5 aware of yesterday by Dr. Emma Chapelle.

6 I think it is in fairness to all of
7 the people here that we vote this bill out of
8 committee with a favorable recommendation, but I
9 would make that commitment not to move forward on
10 final and second reading until such time as we have
11 had some real substantive meetings and discussions
12 as to the proposal that, again, I can't articulate
13 on, because all I found out yesterday, that someone
14 else was interested in doing a hotel that would
15 require similar air rights at 8th and Market.

16 COUNCILWOMAN TASCO: Madam Chair, I
17 would like to piggyback on that.

18 The particulars of Dr. Chapelle's
19 interests, we are not really aware of. What our
20 concern is, is that we find the Administration has a
21 very difficult time meeting with her to even talk
22 about what she might want. Not any particular site,
23 but any site.

24 And we are asked constantly to come
25 in here and approve deals of this nature, hotels, or

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2 something. And then when we ask to have some not
3 even parity, but maybe a few of the crumbs, we don't
4 even get a conversation. And that is not
5 satisfactory to us.

6 With all due respect to you, since it
7 just came to you, I agreed that, and said that, you
8 would hold it on second and final reading.

9 But I want the message to go forth
10 that I intend to talk to other colleagues on Council
11 to make sure that there is serious, serious
12 discussion and some commitment made to her and her
13 collaborative to have a hotel, and entertain her
14 proposal for a hotel. Because there has been none.

15 COUNCILMAN DiCICCO: If I can just
16 respond a little bit further.

17 As it relates to any proposed
18 development in the First Councilmanic District, you
19 have my assurance that we will have some serious
20 discussions.

21 The results of that, obviously, I
22 can't address, because I can't predict the future.
23 But I am certain, as far as I am concerned, I can
24 assure you that I will make certain there are
25 meaningful meetings. And I will do my best to get

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2 the Administration to the table.

3 As you know, I can't force them. But
4 I have had a number of meetings in the two years or
5 so that I have been in Council, because mostly all
6 of the hotels that are being proposed happen to be
7 in the First Councilmanic District.

8 And you have my commitment that I
9 will assure you, and my other colleagues, that we
10 will have some meaningful discussions.

11 Whether Dr. Chapelle has the
12 wherewithal to do what it is she proposed to do, I
13 don't know. I can't comment on that.

14 Again, I had a four- or five-minute
15 conversation with her yesterday on my cellular phone
16 as I was heading up to Port Richmond.

17 And she may have already called my
18 office today to schedule that meeting. If not, when
19 I go back to my office, I will reach out for Dr.
20 Chapelle and schedule a meeting ASAP.

21 COUNCILWOMAN TASC0: Thank you.

22 COUNCILMAN DiCICCO: Thank you, Madam
23 Chair.

24 CHAIRWOMAN VERNA: You are welcome.

25 Does anyone else have any comments?

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2 Anyone else to testify on this bill?

3 MR. EISENSTAT: I would just ask, if
4 it would not be a problem, and still consistent with
5 what the agreement is that has been reached among
6 the Chair and the colleagues of the committee, that
7 a waiver of the Rules occur, to at least move the
8 bill out of committee.

9 CHAIRWOMAN VERNA: We cannot hear
10 you.

11 MR. EISENSTAT: While being
12 consistent with the agreement I just understood
13 between you and your colleagues, I would still ask
14 that the waiver of the Rules occur for this
15 ordinance.

16 CHAIRWOMAN VERNA: What is the
17 urgency of this?

18 MR. EISENSTAT: The urgency here goes
19 to a relatively sensitive interest rate market and a
20 first lender that would like to schedule a closing
21 and needs to know that the project will move
22 forward.

23 The developer of this would like
24 to -- there are certain lead-type items that relate
25 to the purchasing of steel.

1 BILL 970829

2 And I am not saying to you that any
3 given day or week here is important. But it is
4 standard when we appear before the Finance
5 Committee, we do ask for a waiver of Rules. And
6 that's really a waiver of the Rule.

7 But that's really at your full
8 discretion.

9 CHAIRWOMAN VERNA: Thank you.

10 COUNCILMAN DiCICCO: Mr. Eisenstat,
11 if we were to move for the suspension of the Rules,
12 are you suggesting that the developer would move to
13 closing as a result of that?

14 MR. EISENSTAT: No. I would not
15 anticipate an actual physical closing on this
16 transaction until probably months from now.

17 But we are still dealing with a
18 lender and a capital market who has basically said,
19 I would like to know this is moving forward.

20 COUNCILMAN DiCICCO: Okay.

21 COUNCILMAN NUTTER: Are you saying he
22 is able to lock something in at a certain point?

23 COUNCILMAN DiCICCO: Symbol that we
24 are moving forward, and this has a better potential
25 of becoming real now than it did a month or so ago?

1 BILL 970829

2 MR. EISENSTAT: The lender would like
3 to give a final -- the developer would like to
4 proceed on spending the partnership's money. It
5 wants to do that once it has a firm take-out
6 construction commitment. In order to do that, the
7 lender has asked for --

8 COUNCILMAN DiCICCO: Then I would
9 make a recommendation that this bill be approved and
10 the Rules of Council be suspended as to permit first
11 reading at the next session of City Council.

12 CHAIRWOMAN VERNA: Okay. Thank you.

13 This concludes our Public Hearing.
14 We will now go into our Public Meeting.

15 (Public Hearing adjourned.)

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2 COUNCIL OF THE CITY OF PHILADELPHIA
3 PUBLIC MEETING
4 of the
5 COMMITTEE ON FINANCE
6 - - -
7 Thursday, February 26, 1998
8 - - -
9 Public Meeting conducted by the Committee
10 on Finance, held in Room 400, City Hall,
11 Philadelphia, Pennsylvania, on the above date, to
12 consider action on the following:
13 BILLS 970820, 970829
14 - - -
15 PRESENT:
16 COUNCILWOMAN ANNA C. VERNA, Chair
17 COUNCILWOMAN MARIAN B. TASCO
18 COUNCILWOMAN HAPPY FERNANDEZ
19 COUNCILMAN JAMES F. KENNEY
20 COUNCILMAN MICHAEL A. NUTTER
21 COUNCILMAN FRANK DiCICCO
22 - - -
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24
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1 PUBLIC MEETING

2 CHAIRWOMAN VERNA: The Chair
3 recognizes Councilwoman Fernandez regarding Bill No.
4 970820.

5 COUNCILWOMAN FERNANDEZ: Madam Chair,
6 I recommend, or I move, that this committee
7 recommend this bill out with a favorable
8 recommendation, that was Bill No. 970820, with a
9 request for the suspension of the Rules to permit
10 first reading at the next session.

11 (Duly seconded.)

12 CHAIRWOMAN VERNA: Properly moved and
13 seconded that Bill No. 970820 be reported out of
14 committee, with a recommendation that the Rules of
15 Council be suspended so as to permit consideration
16 at our next session of Council, first reading.

17 All in favor will signify by say
18 aye.

19 Those opposed?

20 The ayes have it. The bill will be
21 reported out of committee with a favorable
22 recommendation and a suspension of the Rules.

23 The Chair recognizes Councilman
24 Nutter regarding Bill No. 970829.

25 COUNCILMAN NUTTER: Madam Chair, I

1 PUBLIC MEETING

2 move that Bill 970829 be reported out of committee
3 with a favorable recommendation, and a further
4 recommendation that the Rules of Council be
5 suspended so as to permit first reading at our next
6 session of Council.

7 (Duly seconded.)

8 CHAIRWOMAN VERNA: Properly moved and
9 seconded that Bill No. 970829 be reported out of
10 committee with a favorable recommendation, also a
11 recommendation that the Rules of Council be
12 suspended so as to permit first reading at our next
13 session of Council.

14 All in favor will signify by saying
15 aye.

16 The motion is so carried.

17 This concludes the Finance Committee
18 meeting. Thank you.

19 (Public Meeting adjourned at 3:25
20 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Thursday, February 26, 1998, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COMMITTEE ON FINANCE

DEBRA A. WHITEHEAD, RPR