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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE COMMITTEE OF THE WHOLE

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- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Weds., 12/9/98, 10:15 a.m.
- - -

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BILL 980799 - Creating West Philadelphia Retail
TIF District and approving project plan of PAID
for redevelopment of West Philadelphia Retail TIF,
being the area generally bounded by 52nd St. on
the west, Jefferson St. on the north, the West
Parkside Industrial Park on the east, and the
Amtrak right-of-way on the south; making certain
findings and declarations, all in accordance with
the TIF Act, being the act of July 11, 19980, PL.
465, No. 113, as amended; authorizing the Director
of Finance and other officers of the City to
execute documents and do all things necessary to
carry out intent of this ordinance.

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RES. 980752 - Appointing Michael McMahon to Board
of Directors of City Ave. Spec. Svcs. District.
RES. 980753 - Appointing Lou Adler to Board of
Directors of City Ave. Spec. Svcs. District.
RES. 980754 - (Withdrawn)
RES. 980755 - Appointing Charles Warfield to Board
of Directors of City Ave. Spec. Svcs. District.

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PRESENT: COUNCIL PRESIDENT JOHN F. STREET
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN
COUNCILWOMAN ANNA CIBOTTA VERNA
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN FRANK DICICCO
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN FRANK RIZZO
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2 I N D E X

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5 Bill No. 980799

6 William Hankowsky, President, PIDC. 4

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2 P R O C E E D I N G S

3 PRESIDENT STREET: Good morning, ladies
4 and gentlemen. This is the Council Committee of
5 the Whole meeting. We would appreciate it very
6 much if Councilmembers who are in their chambers
7 and, undoubtedly, listening to this box, we would
8 appreciate it if you would come to the chamber,
9 please. We need a quorum of Councilmembers in the
10 chamber.

11 We have one bill in front of us and
12 several resolutions, but we do need a quorum of
13 Councilmembers in the chamber. We would
14 appreciate it very much if we could get a quorum.

15 This is all Councilman Nutter's
16 legislation. He informs me that if -- he just
17 uninformed me. If we could have all
18 Councilmembers in the building, please come to the
19 chamber.

20 I'm informed that a quorum of the
21 Council is now present. Today we will have a
22 public hearing on Bill No. 980799, which is an
23 ordinance creating the West Philadelphia Retail
24 TIF District and approving the project plan of the
25 Philadelphia Authority for Industrial Development.

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2 The Chair recognizes Mr. Hankowsky.

3 Please identify yourself for the record and

4 proceed with a summary of your statement.

5 MR. HANKOWSKY: Yes. Good morning,
6 Council President and members of City Council and
7 Committee of the Whole. My name is William
8 Hankowsky. I'm the President of the Philadelphia
9 Industrial Development Corporation and appearing
10 today on behalf of the Philadelphia Authority for
11 Industrial Development, or "PAID," and in support
12 of Bill No. 980799 creating the West Parkside West
13 Philadelphia Retail Tax Increment Financing, or
14 TIF, District.

15 My written testimony, I believe is at
16 every Councilperson's chair. And in deference to
17 the president, I'll summarize.

18 This TIF has been reviewed by City
19 Council, by Council staff, and has been worked on
20 with representatives of the School District,
21 community groups. The School District approved
22 this by resolution on November 9, 1998. It sets
23 up a Tax Increment Financing District for a
24 proposed retail project that will range between 80
25 and 160,000 square feet, including a supermarket

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2 and other retail activity and surface parking for
3 between 320 and 640 cars. And it may include a
4 community center for the West Parkside
5 neighborhood.

6 This range was established because what
7 we want to do here is put the TIF in place and
8 then seek a developer, and so we will have final
9 both financing and project specifics once that
10 developer has been selected.

11 In the case of the lower range of
12 80,000 square feet, we would estimate the total
13 project cost to be 15 million. We would estimate
14 there to be a 2.5 million TIF note, which would be
15 repaid by to 6.1 million of taxes. We are TIFing
16 real estate, use-and-occupancy, sales, and
17 business privilege taxes.

18 We expect it, again, in the lower-end
19 scenario, to create 200 permanent jobs and 150
20 construction jobs, and that there would obviously
21 be new revenue still coming to the City and to the
22 School District.

23 In the larger scenario of 160,000
24 square feet, we estimate the total project to be
25 in the range of 28 million. There would be, then,

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2 a \$4.9 million TIF paid from 11.6 million of
3 incremental revenues. We would estimate there to
4 be 400 in the larger scenario, 300 construction
5 jobs, and, again, revenues to the City and the
6 School District.

7 There have been a few changes in the
8 project plan since introduction, which I want to
9 note for the record. One is that the community
10 center was listed as an absolute in the original
11 project plan. Now it is a "maybe," to be
12 determined by the developer and the community as
13 the project proceeds.

14 In the amended and restated plan, we
15 have new schematic site plans that show potential
16 configurations.

17 We've also expanded the size of the
18 district from 11.5 to 13.5 acres. This was done
19 because, with further analysis, it was determined
20 that the 280 acres which we had acquired from
21 CONRAIL may include certain underground utilities
22 related to Amtrak and, therefore, may not be
23 buildable. So we wanted to make sure that we had
24 a net buildable area of at least eleven and a half
25 acres.

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2 This particular change also affects the
3 ordinance, because in the ordinance, we do need to
4 define the TIF district. So we have and we will
5 pass around -- we have an amendment to the
6 ordinance which simply changes the metes and
7 bounds description of the TIF district.

8 I'd like to close by simply noting a
9 few facts on this TIF. This is a project that's
10 been worked on over the last several years by the
11 community and particularly the Empowerment Zone
12 Community Trust Board, the District
13 Councilperson's office, PIDC. We are in the
14 process now of finalizing the acquisition of two
15 and a half acres of private property that was done
16 with Empowerment Zone funding. We've actually
17 begun the demolition of those buildings.

18 I should note that the remaining
19 acreage is being provided by PIDC from our West
20 Parkside Industrial Park. Currently, the
21 community, PIDC, and the District Councilperson
22 are finalizing our request for proposal, which we
23 will issue to the selected developer. And then
24 the intent is for the community to participate in
25 the financial return from this project by an

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2 agreement with the developer.

3 And, therefore, believe that by having
4 this TIF process move along, we will be able to
5 provide for the strongest developer interest and
6 the overall best project for both the City and the
7 community.

8 I should also note that since we've
9 prepared this project plan, we have been
10 successful in receiving an additional million
11 dollars from the federal government from HUD under
12 the Brown Fields Economic development Initiative
13 Program, which will provide an additional source
14 of funding for the project.

15 In closing, again, I ask for your
16 approval of the bill, 980799. Given that this is
17 a TIF and has statutory requirements, we are not
18 looking for, nor would we want a suspension of the
19 rules, and we understand that this will get final
20 approval after the winter recess, but will allow
21 us to issue the RFP so that the TIF is pending.

22 Thank you very much.

23 PRESIDENT STREET: The Chair recognizes
24 Councilman Nutter.

25 COUNCILMAN NUTTER: Thank you, Mr.

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2 President. I will be very brief.

3 Mr. Hankowsky, just on the one issue
4 regarding the community center, you're aware that
5 there are ongoing discussions about whether or not
6 there may or may not be a community center at this
7 particular location, right?

8 MR. HANKOWSKY: That is correct.

9 COUNCILMAN NUTTER: Okay. By way of
10 the project plan and your testimony, do you have a
11 comfort level and can you affirm for the record
12 that that is a decision that can be made at a
13 later point in time but that there is flexibility
14 with regard to the plan such that the fact that it
15 is acknowledged that there may be one does not
16 necessarily require that there be a community
17 center; but that if the subsequent developer and
18 the community agree that there will be a center
19 there can be. Is that correct?

20 MR. HANKOWSKY: That is all correct.

21 COUNCILMAN NUTTER: In the alternative,
22 if there is no mention made of such a community
23 center or even the possibility of a community
24 center, and there is a subsequent discussion with
25 the community and the developer that they want

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2 one, you would then be required to come back and
3 amend this particular project plan at that point
4 in time that the decision was made to have a
5 community center; is that correct?

6 MR. HANKOWSKY: That's right. And, as
7 you know, because of the mandated legislative
8 process, it require about a two-month-plus cycle
9 to do such an amendment.

10 COUNCILMAN NUTTER: Right. So by
11 putting forward the project plan in this fashion,
12 acknowledging that there is a prospect or
13 possibility of having a community center, we
14 afford ourselves the flexibility of making the
15 decision later on, but we do not have to go back
16 through a legislative process if the decision is
17 made to go forward with the community center.

18 MR. HANKOWSKY: That is exactly
19 correct. And given that, I think, all parties
20 would love to select a developer next year, reach
21 an agreement, and get the project going, that
22 would save us that delay. That's correct.

23 COUNCILMAN NUTTER: All right. Thank
24 you.

25 Lastly, I will be putting forward

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2 amendments to this particular project. We've had
3 some brief discussion about them. One of them, I
4 think, is rather general. It just puts some
5 reporting requirements on this particular project.

6 From time to time, some of the projects
7 that come through Council, members of the public
8 ask, Whatever with that project and did it match
9 up with the various proposals on jobs and
10 contracts? What happened with minority
11 participation and the like many years down the
12 road? And from what I've seen at least, there
13 are often not strict requirements for reporting
14 later on down the line.

15 With this particular amendment, I would
16 like for this project to ensure that there is
17 reporting on what happens with this project for
18 the life of the district. Do you have a
19 particular problem with that?

20 MR. HANKOWSKY: No.

21 COUNCILMAN NUTTER: Okay. If I could
22 ask the chief clerk to circulate the amendments on
23 this, it would be helpful. I'm sorry, I asked for
24 the chief clerk. I think I meant the
25 sergeant-at-arms. I'm already thinking about

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2 tomorrow.

3 The second has to do with an issue that
4 was raised in the public hearings on some other
5 TIF projects that we had a couple weeks ago. Your
6 office was kind enough to provide a chart that
7 indicated, as you did with the project plan, what
8 the revenues are that are generated by these
9 projects even with a TIF, 'cause there are certain
10 tax revenues that come to the City and the School
11 District as a result of these tax increment
12 financing projects, not withstanding what taxes
13 are being TIFed, and then everyone should get one.

14 And then there was a chart that
15 indicated what the project would generate tax-wise
16 if there were no TIF. And we don't have to go
17 back through the "If you didn't have a TIF, you
18 might not have a project," that debate and
19 discussion.

20 But you're aware of my long-standing
21 concern about maximizing tax revenue returns to
22 the School District primarily because of their
23 precarious financial situation. I also care about
24 tax revenues to the City; but between the two
25 governmental institutes, the City is in a better

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2 position than the School District.

3 And through this amendment, what it
4 talks about is the difference, as laid out in the
5 project plan, between the taxes that would be
6 generated if there were no TIF for the project
7 versus the actual taxes to be accrued as a result
8 of having a TIF, and that difference, which I
9 refer to as "a TIF differential," proposing that
10 the City would, in fact, make up that difference
11 so that the School District would always be at a
12 maximum point of tax receipts.

13 I will assume for the moment that you
14 might have some brief reaction to that.

15 MR. HANKOWSKY: As you indicated,
16 Councilman, based on our discussion this morning,
17 where you advised me that you might be proposing
18 these amendments, and given that the second
19 amendment, which deals more with sort of the
20 fiscal policy issues between the City and the
21 District, my view is, though I care about them
22 personally, they're outside the purview of sort of
23 PIDC's role in this process.

24 I did consult with the Administration,
25 and the indication I received from the

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2 Administration is that they would oppose such an
3 amendment in terms of, you know, mandating the
4 fiscal relationship between the two bodies, being
5 the City and the School District. And we're
6 concerned also about whether, from a legal basis,
7 there could be a prospective obligation placed on
8 the executive branch to submit an appropriation
9 for consideration by the legislative branch.

10 So. . .

11 COUNCILMAN NUTTER: Well, I mean the
12 basic obligation that's created is that there
13 would be a calculation of what that difference is,
14 and that the mayor would at least send over an
15 appropriations transfer to make that happen to the
16 Council. Whether the Council enacts it or not is
17 an entirely separate story and discussion.

18 MR. HANKOWSKY: Right.

19 COUNCILMAN NUTTER: We also know that
20 there is the rule of severability with regard to
21 the various bills and ordinances, and we can have
22 that discussion at a later point in time.

23 But I guess, at least for me at the
24 moment, this is the particular bill in front of
25 us, this is a project in the West Philadelphia

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2 area, there's great concern at the impact on the
3 School District and the various schools out there.
4 I would certainly like to go forward with it.

5 I would respect and understand your
6 concern, but as you indicated, it's not
7 necessarily completely within the purview of PIDC;
8 you're more interested in trying to get a project
9 done, and it's an issue between the Council and
10 the Administration.

11 MR. HANKOWSKY: Right.

12 COUNCILMAN NUTTER: Is that a fair
13 characterization?

14 MR. HANKOWSKY: That is an absolute a
15 fair characterization. We hope to create the
16 taxes and then, among all the mechanisms in place,
17 you will decide how believe they should be spent.
18 That's exactly correct.

19 COUNCILMAN NUTTER: All right.
20 Anything else you need to add?

21 MR. HANKOWSKY: No, thank you.

22 COUNCILMAN NUTTER: I think the
23 Councilwoman may have a question.

24 COUNCILWOMAN VERNA: Mr. Hankowsky,
25 this TIF will use a Section 108 loan. What

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2 happens in the event of a default on the 108

3 loan?

4 MR. HANKOWSKY: Councilwoman, you go
5 through tiers, so if there are insufficient
6 revenues to pay the 108 loan -- and in this case,
7 what we're proposing is that a portion of the 108
8 actually fund the TIF notes, so it would get paid
9 by the taxes, and then a portion would be paid by
10 the project rent. And if that's not available, we
11 would have a mortgage position on the property,
12 probably a second mortgage because we're presuming
13 the developer would find private financing on the
14 first mortgage.

15 So we would seek to use our collateral
16 position either to get the developer to pay it,
17 keep the loan current out of other revenues, or
18 seek to foreclose and then get our payment via the
19 value of the real estate.

20 If all those fail, and in the worst
21 case, we cannot find the revenue anywhere in the
22 project or in the asset, then in the worst case,
23 the federal government is permitted to subtract
24 what would be the annual debt service on the 108
25 loan from the annual community development block

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2 grant allocation provided to the City. That's
3 what would happen. That has never happened yet.

4 And, as I think we all know, the
5 portion of the 108 that would be funded by the
6 taxes, I think one would argue, is in the best
7 financial position because the first lien on any
8 property is paying your taxes. So if they don't
9 pay that loan, not only can we foreclose 'cause we
10 have a mortgage that the City can foreclose
11 because you end up with a tax lien and a sheriff's
12 sale scenario.

13 COUNCILWOMAN Verna: Mr. Hankowsky, are
14 there any economic analysis from other cities
15 and/or states that have had TIFs in place for the
16 last 15, 20 years? Do you know?

17 MR. HANKOWSKY: There definitely is
18 literature in public policy periodicals, etc.,
19 that talk about tax increment financing and sort
20 of the pros and cons of what has happened. And
21 there have been articles written about them, some
22 of which I've gotten copies of and read. So I try
23 to keep track of, for example, what's happening in
24 Pittsburgh, where they're doing TIFs under the
25 same legislation, obviously being in the

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2 Commonwealth. And what is -- Chicago has very
3 aggressively been using them over the last several
4 years also.

5 But there is literature out there.

6 COUNCILWOMAN Verna: Have you read the
7 program evaluation performed by the state of
8 Minnesota regarding the TIFs?

9 MR. HANKOWSKY: No, I have not, I have
10 not.

11 COUNCILWOMAN Verna: Well, in reading
12 it, it says that one of the recommendations in
13 that report is that the legislature should
14 consider placing additional restrictions on the
15 use of tax increment revenues for general public
16 improvement projects and community projects.
17 According to this report, it evaluates TIFs back
18 to the 1970s, when they were first utilized in
19 Minnesota.

20 Some types of public improvements may
21 contribute to development activities, but that
22 most improvements have little direct impact on tax
23 base or employment growth let me repeat -- most
24 public improvements have little direct impact on
25 tax-based or employment groups.

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2 What research has been done on this
3 concern?

4 MR. HANKOWSKY: Well, let me start with
5 -- I'm going to respond, assuming I understand
6 how the Minnesota program works. I may be
7 slightly incorrect but my guess is I think I
8 probably understand.

9 Minnesota, California and a few other
10 states were states that have used TIFs going back
11 much further, as the cite indicates, back into the
12 '70s. And the way tax increment financing has
13 been used, I generally call it the sort of -- the
14 stereotype TIF model was where the public, the
15 government, would go and borrow money, issue
16 bonds, borrow money, put in streets, put in
17 utilities, maybe put in a parking garage, on the
18 basis that around it some private party would
19 build development and that those taxes would pay
20 for those bonds.

21 And that what, in fact, has happened is
22 that the development did not occur, the taxes did
23 not occur. And either the bonds went into default
24 or the government entity was forced to take the
25 payment for those bonds out of the general fund,

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2 to use our terminology.

3 When we looked at using TIFs in
4 Philadelphia and looked at that model and
5 consulted with the City's financial adviser,
6 Public Financial Management, we made a
7 determination that that model was not a good model
8 to use here; that we could, in fact, have that
9 exact instance occur, which is, you would have to
10 disconnect between the public borrowing, putting
11 in some sort improvements and no taxes being
12 generated. That, in fact, Wall Street would look
13 less favorably on those potential bonds and would
14 look for what's called coverage; you know, you
15 have to have more taxes than you actually needed,
16 look for debt service reserves, etc.

17 So we made a determination that the
18 most, quote/unquote, efficient way to use a TIF
19 was to link it directly to a project that was
20 going to happen. And there would never be a
21 borrowing unless the project happened. In other
22 words, you'd borrow for the project, sort of the
23 private side of the equation.

24 So, for example, in the model that we
25 have here today, you're authorizing this district.

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2 If we don't get a developer and that developer
3 doesn't put a project together where this is a
4 part of a total financial package, he's never
5 going to borrow against the TIF, we're never going
6 to give him the 108, the taxes are never going to
7 flow to them. And the result is that though you
8 run the business risk that the project could fail,
9 as, you know, any retail project or office
10 building could fail, you know at least from the
11 initial point of the TIF that there is a physical
12 project that's paying taxes.

13 We would never have the instance, in
14 the Minnesota example, of where we would have
15 spent the money and then find the disconnect that
16 the taxpayer never showed up, the project never
17 showed up.

18 COUNCILWOMAN Verna: Mm-hmm.

19 MR. HANKOWSKY: And, in fact, the way
20 we use TIFs has intrigued a number of other
21 municipalities. Just about three weeks ago, I had
22 Baltimore economic development officials up who
23 wanted to understand how we were using TIFs and
24 they how worked and how we used 'em in 108s
25 because they had heard that there was a way that

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2 we were doing 'em that was, again, sort of more
3 efficient. And though you still have risks -- you
4 always have risks -- that we had sort of sort of
5 mitigated much of the risks.

6 So I think that's the comparison
7 between how Minnesota or California had used them
8 historically and how we're using them here.

9 COUNCILWOMAN VERNA: Thank you.

10 PRESIDENT STREET: Thank you very much.

11 The Chair recognizes Councilman Nutter.

12 COUNCILMAN NUTTER: Thank you, Mr.

13 President.

14 Mr. Hankowsky, I just wanted to go over
15 a bit of the information that you had provided.

16 How many TIFs have you testified in
17 favor of here in City Council?

18 MR. HANKOWSKY: I've testified in favor
19 of thirteen. Next week, I'll be doing my
20 fourteenth. We have one pending, so. . .

21 COUNCILMAN NUTTER: Right. And what's
22 been the range of the TIF notes on these various
23 projects?

24 MR. HANKOWSKY: The range in size of
25 the TIF notes?

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2 COUNCILMAN NUTTER: Yeah.

3 MR. HANKOWSKY: The size of the TIF
4 notes have ranged from, I guess, as small as 4 or
5 5 million to as high, as I believe. . . to as high
6 as 62 at Penn's Landing. And then the Navy base,
7 of course we have the district, and that number
8 could be higher there, but that has to happen
9 overtime.

10 COUNCILMAN NUTTER: And that's
11 \$276 million?

12 MR. HANKOWSKY: Yeah. I'll doubt we'll
13 ever have notes of that scale.

14 COUNCILMAN NUTTER: And where are most
15 of these projects?

16 MR. HANKOWSKY: Where are they?

17 COUNCILMAN NUTTER: Mm-hmm.

18 MR. HANKOWSKY: At least a plurality,
19 if not a majority, are in Center City, if that's
20 the question. And then, of course, we have one in
21 Southwest Philadelphia.

22 COUNCILMAN NUTTER: Is that the --

23 MR. HANKOWSKY: That's Bartram Avenue.

24 COUNCILMAN NUTTER: Right.

25 MR. HANKOWSKY: There's one in North

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2 Philly, which is the --

3 COUNCILMAN NUTTER: Cecil B. Moore?

4 MR. HANKOWSKY: Actually, we have two
5 there. We have both Cecil B. Moore and Jump
6 Street. And, actually, a third, Brewery Town, is
7 in lower west north Philadelphia.

8 COUNCILMAN NUTTER: And Brewery Town is
9 the complex --

10 MR. HANKOWSKY: The retail project --

11 COUNCILMAN NUTTER: Is that the --

12 MR. HANKOWSKY: The old
13 (unintelligible) warehouse at 31st and Thompson.

14 COUNCILMAN NUTTER: Is that the Eighth
15 and Walnut --

16 MR. HANKOWSKY: That's the Eighth and
17 Walnut. That would be Washington Square West.

18 The Navy Yard is, of course, South
19 Philadelphia. And the one today is in West
20 Philadelphia.

21 COUNCILMAN NUTTER: Right. So the
22 majority of them have primarily been Center City,
23 and then a couple out in neighborhoods.

24 MR. HANKOWSKY: Well, again, I guess we
25 always -- one, two, three, four, five, six, --

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2 there are six to seven in neighborhoods, the way I
3 would define neighborhoods. Almost half.

4 COUNCILMAN NUTTER: Okay. And from
5 your perspective, neighborhood to neighborhood, do
6 you make any evaluation of the impact that any of
7 these projects can have not only at the location
8 but in the surrounding community in terms of
9 revitalization and bringing a neighborhood back?
10 Is that a part of the decision-making process?

11 MR. HANKOWSKY: Well, I think part of
12 the decision-making -- well, I think there are two
13 aspects to that, Councilman.

14 One is that if a project would come to
15 us in what I would call a vacuum, somebody brings
16 -- and I'll use the example of a private
17 developer that says, Here, I've finally decided in
18 this neighborhood, I'd like to do this project.
19 Well, have you talked to the community? Where are
20 you, what else is going on? And if none of that
21 has happened, we tend to say, You should go talk
22 to the community, you should probably see the
23 District Councilperson to find out if, in fact,
24 the project has viability independent of whether
25 we're going to consider it for a TIF.

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2 So we do it at that level. And then at
3 the second level, in an underwriting sense, we'll
4 -- you know, we would like to make sure it gets
5 paid off, the TIF note gets paid off.

6 So we want to know the project has some
7 viability. So we would question a project that's
8 in an area that had -- where not -- where
9 quote/unquote, nothing else was going on and how
10 that worked in an underwriting sense.

11 COUNCILMAN NUTTER: All right. And,
12 lastly, your summary sheet on all the various TIFs
13 seems to indicate that with the 14 projects, we
14 will have \$460 million in various TIF notes as a
15 result of the 14 projects; is that correct?

16 MR. HANKOWSKY: Yes. In the maximum.
17 Again, the Navy base sort of disproportionately
18 skews that, but that is the maximum potential
19 outstanding amount.

20 COUNCILMAN NUTTER: Right. And this
21 project is scheduled for \$4.9 million.

22 MR. HANKOWSKY: That's correct.

23 COUNCILMAN NUTTER: And that represents
24 about 1 percent of the total?

25 MR. HANKOWSKY: Yes, 1.something,

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2 right.

3 COUNCILMAN NUTTER: Okay, thank you.

4 PRESIDENT STREET: The Chair recognizes
5 Councilwoman Verna.

6 COUNCILWOMAN VERNA: Mr. Hankowsky, I
7 know you mentioned the Navy Yard as a TIF.

8 MR. HANKOWSKY: Yes.

9 COUNCILWOMAN VERNA: How many
10 businesses have relocated to the Navy Yard, to
11 your knowledge?

12 MR. HANKOWSKY: Off the top of my head,
13 Councilwoman, I'd say we're probably in the range
14 of about 25 that are there, currently operating.

15 COUNCILWOMAN VERNA: Is that more or
16 less than you anticipated at this point in time?

17 MR. HANKOWSKY: It's probably a little
18 less than I anticipated at this point in time.

19 I think we've struggled with a host of
20 issues, from issues of land disposition,
21 environmental cleanup, utilities, etc., and just,
22 unfortunately, things tend to take longer than you
23 think to get resolved.

24 I think the past year has seen a very
25 strong foundation built between the Kvaerner

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2 transaction, the cruise ship terminal. We have
3 Building 100 under renovation. We are now talking
4 confidentially at the moment to potential
5 companies who would supply Kvaerner and would want
6 to locate on site so that we're beginning to see
7 kind of the seedlings of how that project could
8 yield.

9 Other companies will take facilities to
10 provide -- a simple example is, if somebody needs
11 a place to put all the welding and equipment
12 supplies that they would supply to Kvaerner, then
13 they're going to need a warehouse, so we'll have
14 25 jobs on the site.

15 So I think it will pick up apace with
16 that anchor.

17 COUNCILWOMAN VERNA: Well, I would
18 just, in closing, like to say that with the TIFs
19 that we have given out, most of them have been in
20 Center City, as has been said. I would really
21 like us to start concentrating on neighborhoods.
22 I think we've got to start revitalizing our
23 neighborhoods, and I really wish you would look
24 into that.

25 MR. HANKOWSKY: Fine, yeah.

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2 PRESIDENT STREET: Thank you very much.

3 Councilman Nutter, what is your
4 pleasure? The resolutions in front of us today
5 are all resolutions for the Board of Directors of
6 the City Avenue Special Services District of
7 Philadelphia and Lower Merion.

8 COUNCILMAN NUTTER: Yes. Mr.
9 President, there are four resolutions. One of
10 them needs to be withdrawn because, unfortunately,
11 between the time of introduction and now, the
12 person no longer works at the particular location.
13 That would be Resolution 980754, pointing to Dr.
14 Linda Dunn. That resolution needs to be
15 withdrawn.

16 I have talked to the other three
17 nominees. They all wish to serve. I do have a
18 copy of a letter from Mr. Charles Warfield, from
19 WDAS. He had planned to actually be at today's
20 hearing but, unfortunately, is now out of town,
21 but he does wish to have a letter indicating his
22 agreement to participate entered into the record.

23 With regard to the others, I would like
24 to move them forward Mr. President. They are
25 looking forward to serving on the City Avenue

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2 Special Services District.

3 PRESIDENT STREET: Is Dean Adler here?

4 COUNCILMAN NUTTER: I believe he is not
5 here.

6 PRESIDENT STREET: And, Mr. Dunn -- I'm
7 sorry, he's been withdrawn. Then there's Mr.
8 Warfield. And then Mr. Michael McMahon, is he
9 here?

10 COUNCILMAN NUTTER: I do not believe he
11 is here.

12 PRESIDENT STREET: All right.
13 Councilman, did you participate in the process to
14 select these various members' recommendations to
15 the board of directors?

16 COUNCILMAN NUTTER: Yes, I did, as well
17 as many other stakeholders in the City Avenue
18 Special Services District.

19 PRESIDENT STREET: And you can vouch
20 for them?

21 COUNCILMAN NUTTER: I can vouch for
22 them.

23 PRESIDENT STREET: We get lunch if
24 anything goes wrong?

25 COUNCILMAN NUTTER: That I'll need to

1 12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980799
2 get back to you on, Mr. President.

3 (Laughter.)

4 PRESIDENT STREET: All right, I figured
5 that. All right. Well, thank you very much.

6 It is my understanding that there are
7 two sets of amendments to Bill No. 980799; is that
8 correct?

9 COUNCILMAN NUTTER: That is correct,
10 Mr. President. There are some amendments put
11 forward by PIDC that have to do with metes and
12 bounds. The area has to be expanded because of
13 some technical reasons. And then I have my own.

14 PRESIDENT STREET: All right. Now, it
15 is my understanding that all of the amendments
16 have been circulated. Is the Administration
17 supportive of all the amendments?

18 MR. HANKOWSKY: No. I consulted with
19 the Administration earlier this morning, Mr.
20 President, and they support the first of
21 Councilman Nutter's amendments, but not the
22 second.

23 COUNCILMAN NUTTER: To be fair, Mr.
24 President, they're not supporting the first.

25 MR. HANKOWSKY: Oh, I'm sorry.

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2 COUNCILMAN NUTTER: They would be
3 supporting the --

4 MR. HANKOWSKY: I stand corrected. The
5 first one deals with the issue of the mayor
6 submitting an appropriation ordinance to balance
7 the TIF differential.

8 PRESIDENT STREET: Do you have any
9 testimony on the ordinance -- on the amendments?

10 MR. HANKOWSKY: I think fairly to say,
11 I became aware of it this morning. I sought out
12 the Administration because it's a fiscal issue.
13 Obviously, it's outside sort of the purview of
14 PIDC's role. Received that response and share
15 with you, which is the best I sort of was able to
16 do in the time frame available, Mr. President.

17 PRESIDENT STREET: Councilman, have we
18 done such an amendment in any other TIF?

19 COUNCILMAN NUTTER: No, not to my
20 knowledge, Mr. President. This came out of a
21 discussion that we had about two weeks ago when
22 there were four TIFs in front of us, and we
23 engaged in somewhat of a lively discussion about
24 the impact on the School District of TIFs.

25 We've made it, I believe, clear for the

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2 record that the School District does not lose any
3 money. This is more a debate about the difference
4 between what they would get with no TIF versus
5 what they'd get with a TIF. Although the argument
6 can be made that if that there were no TIF, there
7 would be no project. That is certainly often used
8 as a defense.

9 Notwithstanding that, since the City is
10 in a better financial position than the School
11 District, and the City also receives usually, with
12 the exception of one project coming to us,
13 significantly more tax revenues than the School
14 District, because normally, its real estate taxes,
15 and often for some projects, use and occupancy
16 tax, that the City of Philadelphia is in a better
17 position to assist the district under these
18 circumstances.

19 I think when there was some discussion
20 going on about this, you may have been in a
21 conversation with Councilman DiCicco at the time.
22 What I said, Mr. President, is that it would be
23 difficult for PIDC to resolve this particular
24 issue. Certainly if there is a dispute about it,
25 all of these ordinances are subject to

1 12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980799
2 severability clauses, and we can fight that out
3 with the Administration and/or the Law Department
4 at a later point in time.

5 I would like to at least move the
6 amendment and keep that discussion viable.

7 PRESIDENT STREET: I -- there might --

8 COUNCILMAN NUTTER: I wasn't making a
9 formal motion.

10 PRESIDENT STREET: I understand that.
11 My concern is procedural, not substantive. And
12 I'm not sure what happens. I'm not sure whether
13 or not this amendment would cause the mayor to
14 have to veto this thing if he felt like it for
15 some reason, and whether or not that now causes us
16 to have to start all over again.

17 Can I do this. I really -- I mean, I
18 have some reservations about whether or not we
19 should do this. I would like to know the
20 implications of it and what complications it might
21 make.

22 Would you have any objections if we
23 just recessed this stuff until tomorrow morning,
24 talk to the City Solicitor, find out what are the
25 implications of putting this in now and then

1 12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980799
2 having somebody having a problem with it, whether
3 or not that slows this whole thing down. Does
4 that put us in a position where you have, you
5 know, potential veto problems and all of that?

6 I don't think anybody has any concern
7 about the TIF itself. The only concern I have is
8 about this language and what procedural questions
9 might get raised depending on how strongly the
10 Administration feels about it.

11 COUNCILMAN NUTTER: I think, Mr.
12 President, what I'd rather do is, at least at this
13 moment, move forward with it. We can't vote on
14 the bill until we return so we will have an
15 enormous amount of time to try to make that
16 decision.

17 If the ultimate decision is that the
18 bill would either be vetoed or that the
19 Administration wouldn't take the severability
20 route, I would then reserve the right on the floor
21 to amend the offending section out. And it would
22 not slow the process down.

23 PRESIDENT STREET: Yeah, but it doesn't
24 slow the process down if we do this in the
25 morning.

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2 COUNCILMAN NUTTER: Well, I understand
3 that. We do have community people here and I
4 think the President is quite aware that we have
5 three other hearings scheduled for tomorrow
6 morning, one of which at least could be rather
7 lengthy, potentially.

8 I mean, obviously, I want the project
9 to happen, and I think -- I mean, I'll make it
10 very clear for the record. I am not going to do
11 anything that's going to potentially slow the
12 project down or damage its ability to go forward.
13 If a final conclusion is made that the piece needs
14 to come out, then I'm going to be responsible, and
15 I can do that right on the floor during the second
16 reading and final passage.

17 PRESIDENT STREET: Does anybody else
18 have a feeling on it?

19 COUNCILMAN COHEN: Mr. President, I'm
20 in favor of the suggestion being --

21 PRESIDENT STREET: Councilman Cohen,
22 there are some of us who have to leave here
23 because we are being waited for at another
24 meeting.

25 COUNCILMAN COHEN: Yeah. I'm among

1 12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980799
2 those.

3 I'm just saying that I think it would
4 be good if we accepted Councilman Nutter's
5 suggestion because for those of us that have many
6 concerns about TIFs in general and have been
7 dragged along, that amendment would make the road
8 much smoother. And for that reason, it makes a
9 TIF much more acceptable if it leads to protecting
10 the School District from any potential harmful
11 effects.

12 It doesn't seem to me that it would
13 involve much money. I can't see it possibly
14 endangering the TIF. But I'm sure that, you know,
15 you will be looking into that and discussing it
16 with the mayor. But I think makes a TIF far more
17 acceptable financial tool if this amendment is
18 accepted, not only for this particular
19 development, but I think in these kinds of
20 development.

21 Thank you, Mr. President.

22 PRESIDENT STREET: Thank you very much.

23 Any other discussion on it?

24 (No further discussion.)

25 - - -

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2 PRESIDENT STREET: The Chair recognizes
3 Councilman Nutter for a motion that the amendments
4 be adopted.

5 COUNCILMAN NUTTER: Mr. President, are
6 you taking a motion for all amendments or just --

7 PRESIDENT STREET: All amendments.

8 COUNCILMAN NUTTER: Okay. Mr.
9 President, I move the adoption of all of the
10 amendments that have been offered either by myself
11 or PIDC.

12 (Duly seconded.)

13 PRESIDENT STREET: All those in favor,
14 let it be known by saying aye.

15 Those opposed, say nay.

16 The ayes have it. It is so moved.

17 The Chair recognizes Councilwoman Verna
18 for a motion on the amended bill.

19 COUNCILWOMAN VERNA: Mr. President, I
20 move that Bill No. 908799 be reported of committee
21 a favorable recommendation, as amended.

22 (Duly seconded.)

23 PRESIDENT STREET: All those in favor,
24 let it be known by saying aye.

25 Those opposed, say nay.

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2 The ayes have it. This bill will be
3 reported out with a favorable recommendation and
4 without a rules suspension.

5 Just before -- would Councilman Nutter
6 please approach the chair.

7 (Councilman Nutter approaches the
8 Chair.)

9 PRESIDENT STREET: This committee will
10 stand in recess until tomorrow morning, at 9
11 o'clock.

12 I'm sorry, the Chair recognizes
13 Councilwoman Verna for a motion on the
14 resolutions.

15 COUNCILWOMAN VERNA: Thank you, Mr.
16 President. I move that Resolution No.'s 980752,
17 980753, and 980755 be reported out of committee
18 with a favorable recommendation.

19 (Duly seconded.)

20 PRESIDENT STREET: All those in favor,
21 let it be known by saying aye.

22 Those opposed, say nay.

23 The ayes have it. It is so ordered.

24 The Chair recognizes Councilman Nutter.

25 COUNCILMAN NUTTER: Thank you, Mr.

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2 President. I'd like to formally put on the record
3 that Resolution 980754 is being withdrawn.

4 PRESIDENT STREET: Thank you very much.
5 The committee stands in recess until tomorrow
6 morning, at 9 o'clock a.m..

7 (Adjourned at 11:00 a.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Wednesday, December 9, 1998, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL NO. 980799
RESOLUTION NO.'S 980752, 980753, 980755

_____,
JOSEPHINE CARDILLO,
Registered Professional Reporter