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

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, 11/17/99
10:55 a.m.

- - -

BILL 990680 - Creating the New Market TIF.

BILL 990681 - Creating the Penn's Landing TIF.

BILL 990683 - Creating the 13th St. Passage TIF.

BILL 990685 - Creating the Gateway TIF.

PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK DICICCO
COUNCILMAN DARRYL L. CLARKE
COUNCILMAN W. THACHER LONGSTRETH

CHARLES MCPHERSON, Chief Financial Officer

- - -

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I N D E X

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P R O C E E D I N G S

COUNCIL PRESIDENT VERNA: I apologize to everyone for the delay.

This is the public hearing of the Committee of the Whole. Mr. McPherson will please read the title of Bill No. 990680.

Bill No. 990680, an ordinance creating the New Market Tax Increment Financing District and approving the project plan of the Philadelphia Authority for Industrial Development ("PAID") for the redevelopment of the New Market Tax Increment Financing District being the area generally bounded by Second Street on the west, Pine Street on the North, Lombard Street on the South, and Front Street on the east, and making certain findings and declarations, all in accordance with the Tax Increment Financing Act; being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other officers of the City to execute documents and do all things necessary to carry out the intent of this ordinance.

Please identify yourself for the record proceeds with your testimony.

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MR. FINA: Good morning, Madam President, members of Council. My name is Robert Fina, Senior Vice President with the Philadelphia Industrial Development Corporation. I'm here with two of my colleagues today. On my left is Samuel Rhoads, and on my right is Caleb Benjamin, both from PIDC. Also here are many representatives of projects who are interested in the actions of City Council, who you can see behind me.

I appear before you today to testify in support of a number of bills. And if I may, I'll name all four bills right now, or I could take them one at a time, Madam President.

COUNCIL PRESIDENT VERNA: Mr. Fina, I would suggest that Mr. McPherson read the titles of the bills first.

Bill No. 980681, an ordinance amending an ordinance approved June 25, 1998 (Bill No. 980306), which created the Penn's Landing Tax Increment Financing District, by amending the effective date of the District, and making certain findings and declarations, all in accordance with the Tax Increment Financing Act; being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other officers of the City to execute documents and do all things necessary to carry out the intent of this ordinance.

Bill No. 990683, an ordinance creating the 13th Street Passage Tax Increment Financing District and approving the project plan of the Philadelphia Authority for Industrial Development for the redevelopment of the 13th Street Passage Tax Increment Financing District, being the area generally bounded by Juniper Street on the west, Chestnut Street on the north, Walnut Street on the south, and 12th Street on the east, and making certain findings and declarations, all in accordance with the Tax Increment Financing Act; being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other officers of the City to execute documents and do all things necessary to carry out the intent of this ordinance.

Bill No. 990685, an ordinance creating the Gateway Tax Increment Financing District and approving the project plan of the Philadelphia Authority for Industrial Development for the

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redevelopment of the Gateway Tax Increment Financing District, being the area generally bounded by 16th Street on the west, Vine Street on the north, Spring Street on the south, and 15th street on the east, and making certain findings and declarations, all in accordance with the Tax Increment Financing Act; being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other officers of the City to execute documents and do all things necessary to carry out the intent of this ordinance.

COUNCIL PRESIDENT VERNA: Mr. Fina, would you please proceed.

MR. FINA: Thank you, Madam President.

As I said, I'm here with my colleagues and representatives of these various developers for the projects that will be discussed in my testimony.

I appear before you to testify in support of Bill No. 990681, amending the Penn's Landing Tax Increment Financing District; Bill No. 990680, creating the New Market Tax Increment Financing District; Bill No. 990683, creating the

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13th Street Passage Tax Increment Financing District; and Bill No. 990685, creating the Gateway Tax Increment Financing District.

Today's hearing is required and is in accordance with the Pennsylvania Tax Increment Financing District Act to create or amend a Tax Increment Financing District. Should the Committee of the Whole approve these bills today, the State requires that Council wait at least three weeks for final approval, which means that Council cannot approve bills until its meeting of December 16. 1999.

Since introduction of the bills, PIDC has briefed members of City Council, Council staff, representatives of the School District, members of the Finance Committee of the School District, and the Board of Education. And on Monday, November 8, 1999, the Board of Education agreed by resolution to participate in these districts should they be amended or created by Council.

For the remainder of my testimony, I will describe each TIF District, review its benefits to the City and the School District, summarize any changes to the project plan on file with the Chief Clerk of City Council made since introduction of the bills, and to the best my ability, answer any questions City Council may have concerning these bills and the TIF program.

The Penn's Landing amendment. Approval of the Penn's Landing TIF amendment will simply move the start date of the TIF District one year forward from the TIF District, as originally approved, extending it to January 1, 2020. The TIF note amount remains the same as originally proposed and approved by City Council, at $62,290,000.

The TIF District is generally located between the Delaware River and Christopher Columbus Boulevard and between Market and Walnut Streets. The project consists of demolition of the existing improvements in the District -- the Great Plaza, the scissors ramps and parking lots. And the new improvement will include 700,000-plus square feet of entertainment and retail attractions, including themed restaurants, state-of-the-art movie theaters, entertainment attractions such as the Please Touch Museum, and

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major retail stores presently not in Philadelphia, such as FAO Schwartz. The new improvements will include a parking garage of approximately 2,500 spaces.

The total project cost is approximately $175 million, plus tenant improvements in excess of the $30.1 million proposed in the project plan. PIDC expects 1,000 construction jobs, commencing February 2000. And approximately two years from then, 1,350-plus new permanent jobs will be created within this TIF District.

During the term of the TIF District, approximately $248 million in new tax revenue will be generated. Presently, only nominal taxes are generated within the TIF District.

The $248 million will be distributed as follows: $183 million to the TIF fund to pay the TIF loan, $80 to the City, and $33.5 million to the School District.

New Market. The approval of the New Market TIF will result in the demolition of the principally vacant, underutilized New Market Pavilion at Front Street, Lombard Street, Pine Street, and Second Street.

New construction will occur, creating a 185-room W Hotel, 20 residential condominiums, a restaurant, health club, parking, and meeting space. The TIF not is in the amount of $8.9 million. PIDC expects to loan $6 million of HUD 108 funds to the developer, a partnership between Treyball Real Estate, Inc., Portman Holdings, and Starwood Hotels and Resorts.

The partnership will invest $11.6 million in the project, plus borrow $37 million from a traditional lender, and be obligated also to fund the TIF note. PIDC expects approximately 500 construction jobs beginning next year, and ultimately 200 full-time permanent jobs will be created.

During the 20-year term of the TIF, $55.6 million in incremental tax revenue will be distributed as follows: $23 million to repay the TIF note, $8.5 million to the City, $7.2 million to the School District, and $16.8 million to the Pennsylvania Convention Center Authority to assist in paying operating costs that the City would otherwise be requested to pay.

13th Street Passage. Approval of the

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13th Street Passage TIF will result in the renovation of the existing retail restaurant, office, and residential space, and the development of 80,000 square feet of new residential space within the TIF District area, located in an area generally bounded by Juniper Street, Broad Street, 13th Street, and Walnut Street, comprising approximately two acres. Approximately 370,000 feet of abandoned and underutilized commercial and residential property exists today in this area.

The TIF note needed for this development is in the amount of $8 million. The developer, Goldman Properties, Inc., or its affiliate, will provide $33.5 million in private debt and equity for improvements within the TIF District. The City Commerce Department will provide a $580,000 grant for facade improvements within the District.

PIDC respectfully suggests that a typographical error in the project plan and filed with the Chief Clerk of City Council be corrected. The chart following Page 8 of the project plan indicates that the TIF note is $15.5 million, and it should be corrected with the

$8 million amount, as stated in other parts of project plan and presented in my testimony today.

Also, a revised legal description has been also filed with the Clerk of City Council, which accurately reflects the metes and bounds of the District.

PIDC expects 188 construction jobs within the District and approximately 200 full-time permanent jobs to be created. Total taxes generated over the 20-year term of the TIF District are projected to be $41 million. These incremental taxes will be distributed as follows: $18 million to pay the TIF note financing cost, $12.2 million to the City, and $10.5 million to the School District.

Gateway. Approval of the Gateway TIF will result in the construction of a 14-story Hampton Inn Hotel containing 275 rooms, a restaurant, meeting space, a pool and a spa. Part of the parcel, located at Vine Street, Spring Street, 16th Street, and the Philadelphia Parking Authority Gateway garage contains a small office building that will be demolished.

The TIF note needed for this hotel

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development to proceed is in the amount $5.5 million. The developer, a partnership between Realen Gateway Development Associates and Hardin Capital LLC, will invest $7.2 million in the project and borrow $21.5 million from a traditional private lender.

PIDC expects approximately 300 construction jobs and 100 permanent full-time jobs to be created from the development. Total taxes generated for the 20-year term of the TIF District are projected to be $35.7 million. These taxes will be distributed as follows: $13.5 million to pay the debt service on the TIF note financing, $4.7 million to the City, $4.4 to the School District, and $13.1 million to the Philadelphia Convention Center to cover operating costs.

It should be noted that in all four TIF Districts that are before you today, there is no obligation by the City, School District, or PAID to pay the TIF note financing unless new incremental taxes are generated in these districts. Should more taxes be generated within the districts than are projected by the project plans, those funds will inure to the benefit of

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City and the School District.

I would like to also note that it is my understanding that the developers have prepared economic opportunity development plans and have submitted and City Council staff has received such plans. And it is -- and I've been advised that final plans will be completed to everyone's satisfaction prior to the proposed approval of the TIF legislation before you on December 16th.

Madam President, this concludes my formula testimony, and I'd be pleased to answer any questions that you may have or that Members of City Council may have.

COUNCIL PRESIDENT VERNA: Thank you very much. I think we ought to take these one at a time at this point.

MR. FINA: That would be fine.

COUNCILWOMAN VERNA: Regarding Penn's Landing, why are you requesting to move the start date of the TIF forward a year?

MR. FINA: That's a fair question, Madam President. It's a fairly simple answer, for two reasons. One, there's been a delay due to negotiations with tenants, and development now should proceed in February of 2000, so there's been a delay of slightly more than a year than expected. And we just wanted to give the full interpret of the TIF. Also, the underwriter for the financing -- all this is being done principally with bonds, particularly the TIF bonds of $62 million. And the underwriters require a 20-year term, they're requiring a 20-year term. To provide that 20-year term, although the project plan indicates that if all goes well, the TIF notes will be retired sooner and all the revenue will be inured to the School District and the City, but just in case all 20 years are needed, the underwriters are insisting on a 20-year term of the TIF.

So that's basically the reason.

COUNCIL PRESIDENT VERNA: And when do you anticipate that the construction portion of this project would start? And when is it expected that it would be finished?

MR. FINA: Well, demolition should begin in February of the scissors ramps, the Great Plaza, and the parking lots. Moving forward, assuming that takes 6 to 8 months, there should be anywhere from 18 months to a 2-year build-out. So we look at somewhat slightly more than two years from this January for opening of the new family entertainment facility at Penn's Landing.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam President.

Just for your information, I met with Mel Simon, who's the principal developer of the entertainment center, yesterday afternoon and a couple other people on his staff, and all indications are that they do intend to proceed in February. We will be having, in the next couple weeks, some more announcements of other retailers that will be there.

And as Mr. Fina pointed out, the delay in the TIF and this project beginning was because of some of the issues with the retailers that were originally being sought by the Mel Simon Group and now have decided maybe to go to the DisneyQuest location. That, in effect, caused the delay in getting enough retailers to make the project move

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forward. And the welcome addition of Please Touch, which was not a part of the original plan, had to be incorporated into the project, and that took a significant amount of time to be able to fit the Please Touch into the project, and that caused the delay.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from members of the committee regarding Bill No. 990681?

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you. Thank you, Madam President.

Mr. Fina, one general question -- not soley or uniquely related to the Penn's Landing project, but since that's the first one up. . .

It wasn't in your written testimony, and I forget the terminology that you used, but it had something to do with either economic opportunity or -- it was right at the tail-end of your testimony. What's that somewhat new phrase?

MR. FINA: You may be referring colloquially to an Affirmative Action plan that

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City Council asked each developer in the TIF District to voluntarily provide to Council staff for review and consideration. And there's negotiations that take place to maximize those economic opportunities to the diversified group of subcontractors, contractors, construction workers, employees, vendors, etc., and a fairly extensive plan is developed. We've done that for all 16 previous TIF Districts that have been approved by City Council, and that's occurring for the three that are under consideration now.

COUNCILMAN NUTTER: What elements or provisions exist in any of those plans that relate to the opportunity for either Philadelphia residents or Philadelphia-based businesses to specifically participate in any of these opportunities? Again, not just related to the Penn's Landing project, but any other various TIFs, either the ones that have been completed or the ones going forward?

MR. FINA: As you may recall, Councilman Nutter, you introduced legislation that we've agreed to support, that would require each TIF developer to reach out to the extent feasible to include local businesses and residents in employment opportunities and in vendor opportunities and in the construction opportunities within all the TIF Districts, and that will be enforce as the legislation retires.

COUNCILMAN NUTTER: Okay. You're talking about the legislation, the Mayor's Executive Order on Neighborhood Benefits Strategy?

MR. FINA: Yes.

COUNCILMAN NUTTER: Okay. And within, again, these economic or Affirmative Action plans, I guess the language or the characterization of either best efforts or -- I mean, especially when the project, I guess, is completed, many of them have either retail stores or, I mean, the kind of jobs that may not necessarily require the highest either skill level or education level, that might be open to a wide sector of people.

Are there provisions specifically that get down to, I guess, the nitty-gritty details of who's working in what stores and the various tenants in these projects and what the actual either retailer or commercial day-to-day

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opportunities are for Philadelphians in these businesses?

MR. FINA: All those categories that you have mentioned are itemized within the Economic Opportunities Plan for that type of participation, and there are projected numbers to meet certain achievements within there. And I'm making certain I don't use words that have been ruled unconstitutional, so those projections to meet those opportunities are embarked on between the developer and Council staff and agreed to. And then the developer commits to that in writing, and that becomes, at their request, at the developer's request, an addendum to the TIF documentation for monitoring by PIDC and actually other monitoring agencies of the City.

COUNCILMAN NUTTER: Okay. And, lastly, either by that legislation or some other legislation that the Council passed which had specifically to do with any TIF District, whether previously passed or any going forward, I think there are certain reporting requirements on what actually happens as a result of any of these TIF Districts specifically related to the Affirmative

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Action plans; is that correct?

MR. FINA: Yes, that's right.

COUNCILMAN NUTTER: Okay, all right. Thank you.

MR. FINA: You're welcome.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Councilman Nutter touched base somewhat on the question that I was going to ask with respect to local retailers having some knowledge of Mr. Simon's developments, what he's done in the past. My understanding is that he looks at high-end type of retailers, more national tenants than local. And that concerns me in that, having seen the strategy develop, that he will be able to, frankly speaking, get local retailers, let alone MBE/WBE-qualified retailers.

Is there something in place that will allow him an opportunity to do that?

MR. FINA: Councilman, that's a fair question. There are ongoing discussions between Council staff and the Simon staff to try to

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achieve that. You may recall from our early days of sitting around the Penn's Landing Board meetings that this was to be a unique retail type of experience, one that otherwise would not be found in Philadelphia, where a tenant mix with such stores as FAO Schwartz, Julian's Pottery Barn, Ruby's Diner, Machiavelli Grill -- stores and retailers like that do not exist today -- and bring that to this project. Otherwise, we'd just be replicating what's already in Philadelphia today and adding competition to those stores.

So we somewhat pushed, as you may recall, Simon to do different types of -- creating the different type of retailing mix. We think they've achieved that, but there still are opportunities for local Philadelphia retailers, such as Circa, which is a local Philadelphia restaurants that is doing a new branch and signed a lease with Simon.

It should be noted that there's a lot of retailers under discussion in the Simon project as of yet. But Simon's policy nationally is not to announce anyone until the lease is assigned.

COUNCILMAN CLARKE: That's kind of one

of the things that I had. I guess on the more local level, with the Penn's Landing Board, it sometimes proved rather difficult to find out who the tenants will be if you're a member of the Board. And I'm concerned that as a staff person of Council, we will really be out of the loop, and that's why I wanted put emphasis on, you know, what special program are we going to have to ensure that we have those opportunities in this particular development. I mean, this is not the normal development. And will we be looking at that on the Penn's Landing level also?

MR. FINA: Well, again, I think it deals with the Economic Opportunities Plan. It's spelled out in there, the participation, projected numbers locally and income-wise and diversity of type.

So at this point, I mean, that's the only goal that we actually have. I'm stuttering here, trying to think of how I could answer your question to fully say that your wishes will be achieved. I mean, there are certainly projected levels of what we think we're going to achieve, but to keep the uniqueness of Penn's Landing, it's

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going to take a difficult balance, that's what Simon is trying to do at this time.

COUNCILMAN CLARKE: Okay. Thank you. Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

I'm a little uncertain as to what the Penn's Landing amendment is now 'cause in your answer, you talked about DisneyQuest at some point.

COUNCIL PRESIDENT VERNA: No, no.

MR. FINA: No, sir.

COUNCILMAN COHEN: Did I misunderstand that?

MR. FINA: No, I never mentioned DisneyQuest, sir.

COUNCILMAN COHEN: You mentioned it. Are you relating to -- what you say has nothing to do with DisneyQuest?

MR. FINA: That's correct.

COUNCILMAN COHEN: So far, all right.

Secondly, Thacher Longstreth years ago

used to tell the story about when he ran for mayor against Richardson Dilworth Dilworth. Dilworth would be asked questions and Dilworth would come up with automatic numbers. He would be asked, Well, how much do you think this is going to produce? And he'd say $4,332.37. And he'd give answers like that right along. And then Thacher said he asked him one day, he said, You know, I'm mystified. You're such a brilliant man, how do you hit these answers? You always have the precise answers. And Dilworth said, I just made them up. And that's how the campaign was.

Is that pretty accurate, Thacher?

And so I look at these numbers about jobs being projected and I see very nice numbers, a thousand construction jobs commencing February 2000, and approximately two years later, 1350.

Let's just deal with those. Where do you get those numbers from? How do you compute them?

MR. FINA: Well --

COUNCILMAN COHEN: I mean, they're very comforting. But there have been a number of articles over a number of years indicating that

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when we go to hunt for those jobs, we very rarely find them.

MR. FINA: Well, Councilman, I --

COUNCILMAN COHEN: You may be doing a disservice in part, but that's always been a part of our problem. How do you count those jobs and how long do they last? Are they -- you know, tell us what they add up to.

MR. FINA: By the way my great-grandparents told me about that election between Thacher and Dilworth.

(Laughter.)

MR. FINA: And I'm glad you kind of brought it back because it brings a linkage with my great-great-grandparents.

No disrespect, Councilman.

COUNCILMAN COHEN: Thacher told me that story, you know, where we were in good times, when I was Chairman of Democrats for Longstreth, you know, back in 1971. He doesn't often tell me that story anymore, but I'm glad he acknowledged it.

So tell us how you get these numbers.

MR. FINA: It's a wonderful story.

I'll start with the construction

number. We work with the developer, and we do have experience in figuring out what the cost of a particular development will be, but we work with the developer and his construction people. We then do a projection of that, and 25 percent of the costs of construction is labor. And then we take what the average laborer earns in various trades and divide that, you know, through.

So let's just use an example. If the construction was a million dollars -- and this is just hypothetical -- and 25 percent of that would be $250,000. And if the average worker in Philadelphia earned $25,000, we then divide the $25,000 into 250 and end up with 10 construction jobs. And that's how we compute the construction. It is a projection based upon our experience in dealing with these projects.

With the employment, we work really a little bit more directly with what the developer's telling us and what we know can occur in retail projects, in hotel projects, in housing projects, etc. And an example of -- these numbers are very conservative. I met yesterday with some representatives of the Simon Group, and they

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thought the 1350 full-time permanent jobs was very low for what they have in other retail facilities around the country. But we took a conservative number, based upon our experience of square footages and gross sales that are generated by square footages and how many retail employment positions will be created from that. It's a fairly basic formula that is used in economic development, sir.

But I think most important is that PIDC tracks jobs afterwards. We monitor, and we could tell you per Council district how many jobs are created by the dollars we funded for projects over the last ten years in Philadelphia.

So we do have a fairly good idea of the jobs that are ultimately created by a project.

COUNCILMAN COHEN: Then you would be able to give us a kind of historical review, say, over the ten years you just mentioned.

MR. FINA: And we have provided that in the past in City Council, to other Members of Council, maybe even yourself, over the years, have asked for that information and we've provided that to you. But we'll be happy to provide that to you in a timely way again, sir.

COUNCILMAN COHEN: All right, very good.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Longstreth:

COUNCILMAN LONGSTRETH: (Off mike, not entirely audible.)

This is just for the record. That took place, that (inaudible) with Mr. Dilworth took place in 1955, not 1971. And Mr. Rizzo, of course, used to use figures that were accurate and had been carefully checked. Mr. Dilworth (inaudible) was a little looser with his (inaudible).

(Laughter.)

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from Members of the committee on the Penn's Landing bill?

(No further questions.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this bill?

(No response.)

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COUNCIL PRESIDENT VERNA: Seeing none, Mr. Fina, why don't we now consider Bill No. 990680, New Market.

Mr. Fina, does the developer currently control the site?

MR. FINA: The developer has an agreement of sale for the site.

COUNCIL PRESIDENT VERNA: And who is responsible for the repayment of the HUD loan?

MR. FINA: The developer will be responsible for the payment of the HUD loan.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

I don't have any substantive questions other than a comment. Do you have any other questions you were going to --

COUNCIL PRESIDENT VERNA: I believe Councilman Clarke may have a question or two on this issue, New Market.

COUNCILMAN CLARKE: Yes. I was actually going to ask a question about the 108. Recently, in one of our, I believe it was the

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Community Development Block Grant hearings, we were told that we had brought a substantial amount of 108. And as a result of that, we were unable to allocate a certain number of dollars to a lot of the community organizations for housing development throughout the Philadelphia area.

And my concern is that you were upping the ante on the HUD 108 housing. What impact will this have on our existing 108 activities?

MR. FINA: Well, I can't speak for what the Office of Housing and Community Development may have said about the HUD 108 Program.

The City of Philadelphia, through OHCD and PIDC, can borrow five times the annual allocation. My last calculation was that that was pretty close to around -- 5 times the annual allocation was around $350, $360 million that we could have of existing 108 HUD debt. Of that debt, we borrowed something less than $300 million so far, including the $6 million. This $6 million comes out of one of PIDC's loan pools, where we do something for Philadelphia that no other city has been able to replicate, although they would like to, and I don't know why they can't.

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What we do is that we create a criteria that we send to HUD for loaning money under HUD 108. HUD approves that criteria and loans us a large amount of money so we have the monies then readily available to make loans to businesses.

The $6 million proposed in the New Market TIF comes out of a loan pool of the dollars that we have readily available that we have presently invested in investments that HUD has approved, ready to loan. And if we don't loan them, we return those dollars to HUD.

COUNCILMAN CLARKE: Okay, thank you.

Oh, one other question. What's the formula on the job creation? What's the dollar figure per job?

MR. FINA: You must create at least -- in any given economic development project, you must create at least one job for every $50,000 of HUD 108. And citywide, we must have an average allocation of $35,000 per job. So if we do 50,000 in one, we have to do 15,000 in another.

COUNCILMAN CLARKE: Thank you.

COUNCIL PRESIDENT VERNA: Councilman Cohen, do you have any questions?

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COUNCILMAN COHEN: What is the basic purpose of HUD 108 funds?

MR. FINA: There are two purposes for HUD 108 funds. First of all, they actually follow all the Community Development Block Grant guidelines, the CDBG guidelines, that HUD provides annually to the City those funds. But HUD 108 allows you to loan dollars based upon a bond issue that HUD sells that is secured first by the project and then by the City's annual allocation of Community Development Block Grant funds.

So the purpose is to basically use your CDBG dollars twice. You have borrowed them for -- I mean, HUD has granted them to you for a specific purpose and then you borrow against those dollars in future years to make a loan to a project, much like we're doing here. And if the project is successful and we have the proper security to protect the HUD 108, even if the project -- okay, if the project's successful, the dollars are repaid. If the project fails, if we have the proper security in collateral, then even if the project fails, there's still enough security there that the City's annual allocation is never at all in danger of having to repay the debt, repay the HUD 108. We have either the project paying it or the security from the project paying it.

Therefore, what HUD 108 allows us to do is to expand use of our CDBG dollars that would otherwise be rather limited to just a grant. And as I said, HUD allows us to do that at five times our annual allocation.

COUNCILMAN COHEN: What's the impact on the usage of the funds? Is there any more or any less money being spent, say, on the -- what's the basic purpose of these HUD funds?

MR. FINA: Well, the basic purpose is the same as the Community Development Block Grant. It's either to create housing for low-income residents of the City or jobs, or to remove blight. So we have to either remove blight, create jobs, or create low-income housing.

In the case of the New Market, we're removing blight because it's a vacant, underutilized facility that the community has asked for many years to have something positive occur there. And, secondly, we're creating -- I believe I indicated we're creating approximately

200 jobs, and most of the jobs in the hotel and restaurant and spa will be jobs for low- and moderate-income residents of the City of the Philadelphia.

COUNCILMAN COHEN: Couldn't we, if we chose to, eliminate the traditional usage of HUD money and just make these kinds of loans?

MR. FINA: Well, no, you can't because, again, you --

COUNCILMAN COHEN: Why not?

MR. FINA: Again, you're borrowing five times your annual grant allocation, so you want to receive that grant because that grant, for the most part, goes to housing programs for low-income residents of the City. All we're doing is, when we pledge that, if the other security fails, if there's a failure of the project, or if it doesn't fail, the project pays the HUD 108 like any debt, and we have the benefit of that because the project -- we prove otherwise that the project cannot proceed without the HUD 108. It is gap financing, but the economics of the projects will not proceed unless there's public assistance. The public assistance we are using here is TIFs and

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HUD 108.

COUNCILMAN COHEN: But it seems to me that the money was being used for one purpose rather than, say, a comparable low-income housing project.

MR. FINA: No. This is permitted under the law, Councilman. This is the law, and in fact, it's promulgated, HUD out of in Washington, they want us to use this. It's an excellent mechanism. There's nominal risk to the HUD 108 annual allocation if the underwriting's done well.

And I must say that Philadelphia's been recognized nationally for running an excellent HUD 108 Loan Program, and many times myself and my staff have toured other cities to explain how we do this in Philadelphia and how it works. And it's been very successful; we have not had any problems with it. The City's annual CDBG allocation has never, ever been in any jeopardy in any of the projects we have funded.

COUNCILMAN COHEN: How could it ever be in jeopardy?

MR. FINA: 'Cause none of the projects

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have failed, plus we provide, as we showed to HUD and we showed to anyone that needs to see, that we have adequate security beyond the success of the project so that we have a second lien on improvements in a project that the value of the project exceeds the first lien position, the first mortgage position and our HUD 108 liens position.

COUNCILMAN COHEN: You said we can borrow five times the amount of --

MR. FINA: Of the annual allocation, yes, sir.

COUNCILMAN COHEN: Of each annual allocation.

MR. FINA: So we can only have outstanding five times of an allocation. So if we (inaudible) $60 million, we can only have $300 million outstanding at any time. The next year, we receive $60 million. It's the same 300 million outstanding. You only have five times your allocation as outstanding debt under the HUD 108.

COUNCILMAN COHEN: All right. I'll leave more time for that later on.

MR. FINA: I'd be happy to meet with

you privately to go into more detail with you.

COUNCILMAN COHEN: All right, I would like that.

Secondly, what makes a -- first, what's a W Hotel?

MR. FINA: A W Hotel is the unique and top of the line of the Starwood Hotel and Resorts industry or business -- corporation, I should say. And they have a number of hotel products, and this is their top line. And it's a very unique line that is not presently in Philadelphia in any of the hotels that exist today or are proposed.

COUNCILMAN COHEN: Well, can you tell me something about it? What's unique about it?

MR. FINA: The quality of service that's provided to the guests, the public advertisement that occurs concerning the W Hotel.

COUNCILMAN COHEN: Is it the nature of a luxury hotel?

MR. FINA: Yes, it is, it's a luxury hotel.

COUNCILMAN COHEN: A luxury hotel.

COUNCILMAN DICICCO: Point of order, Madam President.

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COUNCIL PRESIDENT VERNA: Yes.

COUNCILMAN DICICCO: Harry Smith and the other principals who are developing the hotel are here. They may be able to answer that question.

COUNCILMAN COHEN: I'd like that.

COUNCILMAN DICICCO: Okay, they're willing to come to the table.

COUNCIL PRESIDENT VERNA: Mr. Smith or whoever's here that would like to come forward, please approach the table.

(Messrs. Hazzard and Smith come forward.)

MR. HAZZARD: My name is Robert Hazzard, Vice President of Development for Starwood Hotels.

You asked the question, What is a W Hotel? A W Hotel is a new-concept hotel that Starwood rolled out about a year and a half ago, with the first product opening in New York City. The concept is a very upscale hotel facility that is oriented towards the individual business traveller versus a convention type of traveller.

What makes it unique relative to hotels

like the Ritz-Carlton, Four Seasons, St. Regis, although it competes for the same demographic type of customer, is that the design is a little less formal, a little more residential in feel. And it's focused on serving a customer with very discriminating, demanding needs in a hotel stay, but doesn't overwhelm them with formality.

COUNCILMAN COHEN: Well, I'm sure I'm not telling you any secrets 'cause you must have studied it, but the New Market location has been a bad business location for quite a long time. What makes you feel that this kind of development may succeed where others that looked very good, you know, and we thought they were going to be a success but they failed? In other words, there were other --

COUNCIL PRESIDENT VERNA: Councilman Cohen, I think that --

COUNCILMAN COHEN: Well, why would it succeed here?

COUNCIL PRESIDENT VERNA: Councilman Cohen?

COUNCILMAN COHEN: Yeah.

COUNCIL PRESIDENT VERNA: I think

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Councilman Kenney would like to be recognized.

COUNCILMAN COHEN: Okay, sure.

COUNCILMAN KENNEY: Thank you. Thank you Madam Chair.

My comment was regarding the question that Councilman Cohen was leading to now. About 20, 25 years ago, I worked, while I was in college, at a restaurant in that area, at Second and (unintelligible) Street, which is just above South Street, bussing tables and tending bar and just kind of working my way through school.

That area in New Market at that time was the premier spot to be in Philadelphia -- before Manayunk, before really South Street took off. It was the paradigm of what night life and entertainment and fun was in that area. There was the Rusty Scupper and Lily's, and all the places that were there were really tremendous. But over the course of the years, that has deteriorated into an eyesore and a blight in the center of that community.

My comments were twofold. Number one, to just recognize the fact that we have an opportunity in this project to really build that

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community back up again. And I know Councilman DiCicco has worked with that community in the area there on Delancey Street, which are very discriminating residents, who have a high standard of what they would expect in the area of development. And from what I understand from the Councilman and from the neighbors there, they are very happy with the plans as they are going forward.

The second thing, I think, is the intrinsic value of having this particular corporation involved in this project, and that is Harry and Will Smith's and Harry Smith's involvement. I was going to compliment and thank them, especially Will, for not forgetting where he came from, for bringing dollars back to the City to do development and to employ Philadelphians. He is a mega-star, a mega-star that continually recognizes Philadelphia as his birth place, and continues to put Philadelphia in a national and international spotlight through his art.

And that's an important thing, I think, that people from around the country and around the world can look to Philadelphia to say, Look, even our own hometown mega-stars come back here to Philadelphia and invest in this community.

And I wanted to say from a personal standpoint that he is probably one of the few pop stars, as big as he as, that I can enjoy with my 10-year-old and my 6-year-old, who are big fans of Will Smith, and so am I, and that's not common in today's popular culture.

So as we as enter into the millennium, I'd just like to say thank you for your investment and for your interest in Philadelphia, 'cause it's think very, very important, not only from the economic standpoint, but from the message that it sends, that Philadelphians don't forget where they came from, and even though they get to be big stars through their talent, they continue to come back.

Thank you.

COUNCILMAN COHEN: I'd just like to hear some of the reasoning as to why it's felt, because I, like you, enjoyed it very much. I didn't realize it was quite 25 years ago. I knew it was a long time ago when it was a very important location that drew a lot of people all the time, and we enjoyed visiting there. And then it started downhill. And there were a number of different businesses that came in, different operations that came in and took over but nothing seemed to help.

I was wondering, is it the design? What is it that makes you feel? You must feel -- we're delighted that you're, you know, doing this, but we'd like to know what makes you feel optimistic about it 'cause there were some other spots that --

MR. FINA: Councilman, we all want to respond to your question, but this is Harry Smith, who's the better known brother of Will Smith. And I'll have him introduce himself for the record, and then he can respond. I think we all can respond but, Harry, why don't you begin.

MR. SMITH: My name is Harry Smith. I'm the Vice President of Treyball Development Company.

And to, I guess, address the Councilman's question, we believe that with a little bit of creativity and new blood, that we can return the New Market area back to its hay day. We've been able to attract tremendous partners in Starwood Lodging, who is, I believe, the largest hotel company in the world, one of them, and Portman Holdings out of Atlanta, who are pioneers in the hotel industry, to kind of go along with, I guess, for lack of a better term, the cachet of Will Smith coming back home. Aside from the star power, we are very sensitive to the economic terms and what is necessary to be successful in any new endeavor.

We believe that the New Market area, although it's been dormant, does still have what it takes to be the hottest area in the City, and with Treyball, Portman, and Starwood, we believe that with a little bit of creativity and new blood, we can easily return it to equal and exceed what New Market was 25 years ago.

COUNCILMAN COHEN: All right.

COUNCIL PRESIDENT VERNA: Thank you, Mr. Smith.

COUNCILMAN COHEN: We wish you well.

MR. SMITH: Thank you.

COUNCIL PRESIDENT VERNA: Councilman Cohen, do you have any other questions?

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COUNCILMAN COHEN: No.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

I would just like to echo the remarks of Councilman Kenney, to say thank you. We are so and we welcome you home. I know your mother must be very proud that you all have done so well. And thank you for your commitment to our city.

MR. SMITH: Thank you.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions or comments from the members of the committee on this bill?

(No further questions.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify?

Oh, I'm sorry. Councilman DiCicco?

COUNCILMAN DICICCO: I just wanted to make a very brief statement. Councilman Kenney covered all of the statements that I probably would have made anyway.

In addition to the development that the Smith brothers are bringing to Philadelphia, Will Smith has recently purchased a residence in Pier 5, actually a double property in Pier 5, so the commitment is not only to the development and doing business in Philadelphia, but the commitment is also to being a resident -- although I'm sure it will be on a part-time base because he is very busy in his other business. But there is a dedicated commitment, as Jim Kenney pointed out earlier, to the City of Philadelphia.

And in addition, it's about 20 years, I think, that the New Market has basically been shut down, with the exception of one or two smaller retail ventures that had tried to make a goal of it there. There's a whole host of reasons why I think it failed. One has to do with a lot of the competition in the South Street area and in Manayunk, but also, there were some logistical problems there. It just was too crowded. The only thing that was going in Philadelphia at the time was New Market and because it was so successful, I think it basically led to its demise because they just could not accommodate what was

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there because there was no other place to go.

So the community has had a number of opportunities put forth in the past. All of them have been rejected. They do want to see something happen and they want to take these vacant buildings, basically which are to the rear of the properties, and see something positive happen, and I think that this is the best thing that we can do for the community and the City.

And this is, as far as I know, probably the first TIF that will go to a minority company in the TIF history of Philadelphia, to the best of my knowledge.

And thank you again.

MR. SMITH: Thank you.

COUNCILMAN DICICCO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions or comments from Councilmembers of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you very much, Mr. Smith, thank you.

MR. SMITH: Thank you.

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COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on Bill No. 990680?

We will now consider Bill No. 990683. That's the 13th Street TIF, Mr. Fina.

Mr. Fina, can you please explain what the public grant is, what it's for, and who is making the grant. I see that the grant is for $580,000.

MR. FINA: Yes. The grant is from the City Commerce Department utilizing Economic Stimulus funds that will be provided to the owners of the property to do storefront facade improvements within the TIF District.

This occurs periodically with City funds in a number of neighborhoods going back 20 years, as I recall. It was initially done with Community Development Block Grant funds many years ago and probably before that, and Title 1 housing funds. And it's used in a number of commercial retail properties across the City.

COUNCIL PRESIDENT VERNA: And the value of the TIF note is $8 million, and not $15 million?

MR. FINA: That is correct.

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COUNCIL PRESIDENT VERNA: I wanted to state it so that the record should be very clear on that.

And can you tell us, what are the taxes that you are proposing to TIF?

MR. FINA: Yes, I can. The taxes that we are proposing to TIF on 13th Street are the incremental property taxes.

COUNCIL PRESIDENT VERNA: I'm sorry, I was distracted.

MR. FINA: That's okay, I'll repeat it. The taxes we are proposing to TIF are the incremental properties taxes on this project. And I'll I repeat it -- it's the incremental, it's the new taxes. The base taxes that are presently generated from the district will be paid as taxes and retained by the City and the School District as they exist today.

We're also proposing to TIF 75 percent of the use-and-occupancy taxes within the TIF District. And we're proposing to TIF the City's share of the 1 percent sales tax. Again, these are incremental taxes, not existing base taxes, not existing taxes that are paid now.

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COUNCIL PRESIDENT VERNA: Okay. The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam President.

I just want to go back on the issue of the grant, the grant money for facade improvements. As Bob Fina pointed out, that type of grant had been offered to many neighborhoods throughout the City. A couple years ago, the Center City area had the opportunity - business property owners in that community had the opportunity to take advantage of a facade improvement grant at that time.

The properties -- most of the properties that are in this TIF, in the 13th Street Passage TIF, were formerly owned by property owners who had made the decision not to take advantage of those grants, and a number of these properties were owned by the Rappaport estate -- and I don't think I need to explain what Rappaport did to Center City.

So this is a welcome opportunity, I think, to continue the continuity in recreating and improving the facades of a number of properties in the 13th Street corridor that formerly had been neglected by the Rappaport estate and other owners of properties who are just were not interested in reinvesting in that community.

So this is not something that's just unique to this project. We're offering it at this time, and it had been offered in the past, but as I said in my earlier statement, the former owners did not take advantage of the grants that were offered in the past.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President. I guess at the moment, you're Madam Chair.

Mr. Fina, we had some discussion about this particular project at the briefing, which, I think, was last week.

MR. FINA: That's correct.

COUNCILMAN NUTTER: And Councilman DiCicco and I have had some opportunity to talk about this particular project as well -- which the

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overall project, I do support. But you know from previous TIF hearings and meetings that I've expressed an ongoing concern about the overall and long-term impact of some of these projects on the financial situation of the School District and the impact that the TIF-ing, if you will, of certain taxes that are a part of the City's commitment to financing public education, what those impacts may be.

Let me just for this record. . .

TIF legislation allows for certain taxes to be included in a TIF District and certain taxes not to be included; is that correct?

MR. FINA: That's correct, Councilman Nutter.

COUNCILMAN NUTTER: And the taxes that can be can be included are property tax, use-and-occupancy tax, and the City's portion of the sales tax; is that right?

MR. FINA: That's correct. And the business-privilege tax, which is a very difficult and very -- not very useful tax to TIF because it just cannot be calculated well to provide any debt that can be repaid by it.

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COUNCILMAN NUTTER: Right. Although we still encourage people to pay the tax and --

MR. FINA: Oh, no we insist that they pay those taxes.

COUNCILMAN NUTTER: I understand.

The liquor tax and the wage tax, the City wage tax, cannot be included --

MR. FINA: That's correct, as well as any amusement tax cannot be included.

COUNCILMAN NUTTER: Okay.

MR. FINA: That's under the State law.

COUNCILMAN NUTTER: Right. The use-and-occupancy tax in this particular financing, you're anticipating not a 100 percent utilization, but a 75 percent rate?

MR. FINA: Yes, Councilman. You may recall the last number of TIFs we've done, due to the sensitivity expressed by City Council members to the plight of the School District, to try to reduce the impact on the school, we've tried to the extent the economics of the project warrant, we've tried to reduce the U&O that we TIF, or eliminate it totally.

For example, in the two new hotel

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projects, although there's some U&O generated there, we did not TIF that at all because the economics of the project do not require that. So we've agreed to the extent possible -- and in writing to the School District, in fact, we've agreed that when we can, we will not TIF U&O taxes or we'll reduce that amount.

COUNCILMAN NUTTER: Now, in response to the questions that were raised last week, you did provide -- and I appreciate it -- a chart and printout of three or four pages that listed all 19 projects, 16 completed, and the 3 that are in front of us today. The Penn's Landing was a previously approved TIF.

MR. FINA: Yes.

COUNCILMAN NUTTER: Which laid out answers to the question of, What are the taxes that are generated by these projects if there were no TIF, versus the project plans that you give us, which naturally have a TIF in them?

And my recollection of that chart, at the end of it, on the last page, the total of all of these project, shows approximately for all of those projects, if there were no TIF, that the

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School District would receive upwards of $24 million a year during those TIF years, if there were no TIFs for those projects. Versus $10 million a year, with all those projects having the TIFs, as they're outlined in their project plan. Is that correct for the record?

MR. FINA: Councilman, that is correct from the information that I did supply you, and I submitted that material to Madam President for dissemination, and I do have extra copies if people would like that.

I would note, however, that that's purely hypothetical. I mean, these projects, we believe, would not be able to move forward without the TIF program. So to say -- and we follow your exercise at your request and we showed that if the project somehow got developed without the use of the TIF, these are the taxes that would be generated to the City and School District -- and they are substantially more, there's no doubt about that.

COUNCILMAN NUTTER: Right.

MR. FINA: But we are absolutely confident that if not 100 percent of the TIF

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revenue that's generated is needed for the project, certainly the vast, vast majority of the TIF revenue that's generated from these areas is absolutely needed for the project.

So I do agree with you from a hypothetical point of view.

COUNCILMAN NUTTER: I understand. But notwithstanding the hypotheticals, we know we live still in a real world.

The point of that discussion and that analysis, though, is that even beyond the hypotheticals, your testimony is that the City generally does make out better in these deals on a dollar-for-dollar basis generally than the School District. And the point that I've tried to raise is, even in hypothetical world, there is, by your figures, a $14 million difference between what the District would get annually without a TIF. And I understand the "but-for" argument and that if you didn't provide the TIF, you might not have a project.

But that the City, because of our fiscal situation as compared to the District, there's been this ongoing discussion, and by way of another bill, you have a reporting requirement for all of these TIFs to show what the actual difference is between what would be and what the actuals are.

The argument has been made that City should absorb a greater portion of that either hypothetical or potentially real difference in tax revenues received because we're at a better financial situation than the School District. These are our projects, primarily. The District is kind of sitting there doing whatever they're doing, but they're primarily trying to educate kids. They're not doing economic development, we are.

So, I mean, I just wanted to make sure that the record was clear on those particular issues and that we had an opportunity to discuss that.

Let me more narrowly focus in on -- I just have a couple of questions. The estimated value of the a little use-and-occupancy tax in this district is, over a 20-year period of time, $4.7 million, plus some change; is that right?

MR. FINA: Yes, that's correct, sir.

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COUNCILMAN NUTTER: Do you have any estimate on what the net present value of that $4.7 million would be?

MR. FINA: Yes. I actually did a calculation last night, and that present value in today's dollars would be $2 million.

COUNCILMAN NUTTER: Okay. And so hypothetically, if $2 million was added to the project in up-front dollars, as opposed to the $4.7 million that's helping to fund the TIF note over 20 years, which the developer might use for a wide variety of things, obviously related to the project, it's a $42 million project, it should stay a $42 million project.

But if additional funding sources were made available over some construction period of time, which I assume most of these projects usually take about 18 to 24 months to get done theoretically at least, if those dollars were provided, this project might be able to go forward without even the 75 percent of the use-and-occupancy tax that's a part of the funding base of that project; is that correct?

MR. FINA: Councilman that's correct.

And if I may just paraphrase your question.

You're saying that in replacement for the use-and-occupancy tax, if $2 million is provided from the developer, if he agreed to put more equity in, if he decided to borrow more private debt of $2 million, PIDC would have monies that City Council would allocate to us through the appropriation process or through the Economic Stimulus process, $2 million, yeah, could replace that portion of the use-and-occupancy tax that is now allocated to the TIF fund. And, therefore, that use-and-occupancy tax that we project at $4.7 million would inure totally to the benefit of the School District, in addition to what the School District does receive.

I would like to point out, however, Councilman, that you did correctly state that the City benefits from every TIF District with more tax revenue than exists today in that TIF District, but so does the School District, every TIF District we've done. It's a disproportionate amount. The City does receive more than the School District, but there are many more City taxes that are eligible to go to the City than

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there are taxes to go to the School District.

COUNCILMAN NUTTER: Exactly. I mean, the boats are rising, and they may not be rising at the same level, but all the boats are rising up.

MR. FINA: I would agree with that analogy.

COUNCILMAN NUTTER: Quickly. On the Economic Stimulus Fund, I mean, the present funding for the Economic Stimulus Fund, as I currently understand it, maybe as compared to past understandings about the source of those funding dollars, is it my understanding presently that the bulk of the dollars in the Economic Stimulus Fund have actually come from transferred City General Fund dollars to PIDC for administration in many of these economic development projects; is that correct?

MR. FINA: That is correct. But we're like the bank for the City. The City Administration basically makes decisions on how they use those Economic Stimulus dollars.

COUNCILMAN NUTTER: So once the transfer of City dollars is made to PIDC, there is

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a kind of a new world that opens up in terms of possible uses of those dollars as compared to how we, the City, could use those dollars if they were just sitting in our General Fund?

MR. FINA: Yes, that's correct. And basically, General Fund dollars cannot be used as loans to businesses. But Economic Stimulus dollars are principally used for loans to businesses for expansion of economic development activities, new jobs, etc.

COUNCILMAN NUTTER: Well, what's the magic of us transferring it to you and then all of a sudden it's eligible to do all of these wonderful things?

MR. FINA: I believe it's a Charter issue. I believe that under the Charter -- and I'd rather have you refer to legal experts on how to use and not use these dollars.

And I am certainly not the most skilled person to discuss this, but I believe that the City cannot make direct loans to businesses, while PIDC has been authorized to do such by our nature and our composition as a nonprofit local development corporation.

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COUNCILMAN NUTTER: Okay. Now, what is the prospect of additional funding sources not necessarily coming from the project on this project? To go back to the earlier discussion about trying to help fund his project costs, but taking away the need for the use-and-occupancy of $4.7 million.

MR. FINA: Well, Councilman, in every TIF, we look at what resources are needed to create the project, for every economic development project. At any given time, PIDC is probably looking at 200 economic development projects. An example, we're looking at 200 and we bring 4 before you today, so that would mean that like for 2 percent of them, we're asking for TIF financing for. That's probably the annual average of what we request on projects we're considering to finance in some way, based upon Economic Stimulus, HUD 108, State dollars, State grants, redevelopment assistance. Whatever the project may be, we look at whatever source we have available first and then we try to fit the project to the source based upon the regulations, the availability of the funds, etc.

Now, on this particular project, on the 13th Street Passage, we looked at that, and the Commerce Department pledged the grant funds, and we thought that the next best program would be TIF here because, again, there's no risk that if the project is not successful, that the City at all is economically impacted. The only way that City funds flow to this project is if they are generated from tax dollars, new tax dollars.

So we looked at that and we thought that would be the best way. Plus, candidly, there are no Economic Stimulus Fund dollars available. So they've all been either expended or committed for this year. So we have very limited resources.

A HUD 108 Loan Program would not work in this instance because we didn't know who the actual beneficiary of that would, who would create the jobs, what those jobs would be like. So we could not use HUD 108 in this project because there's too many unknowns here.

So, again, we thought TIF would be the best and we negotiated the developer based upon their numbers that one time, he wanted to have the twice the amount of TIF, and that's why that error occurs at $15.5 million in the plan, and we're down to $8 million, and approximately have cut it in half.

COUNCILMAN NUTTER: Right.

MR. FINA: And that also included reducing the use-and-occupancy tax that was first asked at 100 percent to 75 percent.

Now, of course, if the developer were persuaded to bring more private debt or more equity to the transaction, we could use less TIF dollars. That was in the negotiation we had, and to the best of our ability, this is what came about.

COUNCILMAN NUTTER: Madam President, if I can have just one last question. I saw earlier in their earlier presentation that there is an opportunity to ask the developer a question. Might I have that opportunity in this particular bill?

COUNCIL PRESIDENT VERNA: Certainly. Is the developer in the room?

MR. FINA: Yes.

COUNCIL PRESIDENT VERNA: And would he please approach the witness table?

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MR. FINA: Mr. Tony Goldman should be here. And please step forward.)

(Mr. Goldman comes forward.)

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record.

MR. GOLDMAN: Good morning, Madam President. I'm Tony Goldman, the President and CEO of Goldman Properties Company.

COUNCIL PRESIDENT VERNA: Councilman Nutter?

COUNCILMAN NUTTER: Thank you, Madam Chair. Good morning, Mr. Goldman. Thank you for coming up.

You may have -- I don't know where you were in the course of all this process. You may have heard some of the earlier exchange and statements that were made. You probably know, possibly from Councilman DiCicco -- I mean, I'm certainly personally pleased that we might have this opportunity, and certainly no disrespect at all is intended about your particular project.

There has been this ongoing concern prior to your ever getting here at this point about some of the particulars of some of these deals, and I think you would probably share our concern about finances of the School District -- not that anything that you do individually with your project is going to completely solve their problems. There are other issues that we're trying to talk about here within the Council about how we go forward with these kind of proposals and deals and what taxes should be in and what taxes should not be in.

Having heard some of this discussion, do you have, as you look at your project, and it's at 42, and I'm sure we'd like for it to stay at 42. Do you see any way possible that in taking all of this into consideration, there is any leeway, even on some of the, I guess, the heart and guts of this particular proposal and the numbers that are in this deal that are possible elements of either compromise or reduction that help us at least go in the right direction, while not even significantly maybe or certainly tremendously impacting your project?

MR. GOLDMAN: First of all, thank you for your cordiality, sir. Note that there's no personal hard feelings with regard to how you're approaching this. I have deep respect for you wanting to protect the livelihood of our kids and their education.

I would say -- being a risk-taker, I would venture to say that I would gingerly and gently take the risk of hoping that if I were to acquiesce to taking less of the funds for the use-and-occupancy, perhaps to 50 percent from 75 percent, that we could hopefully ask the City to replace that, and again, not a guarantee, 'cause I know that's not in order at this juncture, but to believe to have the City find some way of filling that gap at perhaps the next budget hearing or at another opportunity, to be able to help us get that far.

I think I feel confident enough to be able to say that we would -- we would agree to reducing the 75 to a 50 percent, but not beyond that. And I would do that in the spirit of your request and in the spirit of helping the School District.

So if that answers your question. . .

COUNCILMAN NUTTER: Well, first, let me say back to you that I appreciate the sincerity of your response. I don't know that we've -- I'm not sure that I've encountered this kind of moment in the past. And I greatly respect your even thinking about it, let alone coming back, quite honestly, with a response that's actually responsive to the question and suggesting, you know, either an alternative or other compromise.

I mean, obviously, in the course of this hearing, whether in the hearing portion or in the meeting portion, that's something that we would, you know, have to take up, and there might be other changes or amendments that may be able to be made to your project plan, but the mere fact that you're putting forward the suggestion that you might be willing to take a little less, with the hope that, one, certainly -- I mean, you want your project to happen, we want your project to happen. It might even happen beyond all of our expectations. That's my way of saying maybe we won't actually have to pick up whatever the differential is, because if it go gang-busters, then, I mean, you would basically be okay.

But I mean, I think that you've done something very special by making that kind of a response, and I do greatly appreciate it. And we we'll have some of our discussion around that particular idea.

But thank you very much.

MR. GOLDMAN: Thank you, Councilman.

I would also indicate that I think that the 200 jobs that would be created are also very conservative. I would hope to develop a restaurant district there, and I would say five or so restaurants on that street alone could account for up to 200 jobs.

And I'm very optimistic about the city. I think this is a great place to be. It's not my hometown but it's becoming more of my hometown every day.

COUNCILMAN NUTTER: Oh, we could help you with that.

(Laughter.)

MR. GOLDMAN: Thank you.

And I really appreciate all of the excellent work that Mr. Fina and the whole group has put for the benefit of trying to be able to make economic development happen, and not at the risk of kids' education, but at the benefit of the

City as a whole.

COUNCILMAN NUTTER: Thank you, thank you very much.

COUNCIL PRESIDENT VERNA: Thank you very much, sir.

Mr. Gold, I'm sorry. Would you remain seated, please.

COUNCILMAN COHEN: Mr. Goldman, for some reason or another, I don't find an explanation generally of the development. Could you tell us what it's going to be.

MR. GOLDMAN: Well, I have observed 13th Street. My business is turning around blighted communities and, hopefully, redeveloping what has not happened for decades, to turn around with a new sense, as my colleagues, the brothers Smith are doing, to try to bring a new sense of vision to the street.

13th Street, from my research, has been a blighted, almost embarrassment to Center City for too long now. And it -- the only way -- I was able to assess that this was the opportunity for me to be able to turn that section of the community around, and I've -- I felt the only way

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to do that is by site control.

So I basically bought, or control, virtually every piece of property from Chestnut Street to Walnut Street on 13th Street. I'm under contract right now and am due to close with the Rappaport estate for the western half of that block. And by doing that, I then have control as to the tenancy that goes in there.

I want to create a very locally-flavored, fabulous retail street that is pedestrian-friendly, historically very authentic in terms of how -- I'm a historic preservationist. So with the appreciated grant that we're anticipating receiving from the City, I truly can restore virtually every building on the street there to its historic relevance.

I really want to engender a sense of safe, clean and sound pedestrian life on 13th Street, to be able to reconnect Chestnut Street, across on the easterly side of Broad Street, and Walnut Street, so that there's a continuity and a rhythm to those great avenues. And the problem that 13th Street has created is almost a stoppage in the flow of activity across 13th Street and down the avenues.

I will also be committing -- the primary market focus is that virtually all of the retail facilities there will be local, and I'm not looking to create national chains, as what works for the Simon group on Penn's Landing is a different sense of flavor that I am trying to be able to bring to Center City, and there is a great sense of local entrepreneurialism that I think by me creating critical mass, I can establish destination.

I've done this 4 times in the past: in SoHo, 20 years ago; in South Beach, Miami Beach, over the last 10 to 15 years; in Wall Street, in the last 5 years. And this is my focus for at least the next five to ten years, to make this part of Philadelphia a part that is a great destination and one that all of us can be really proud to walk and be the customers ourselves.

COUNCILMAN COHEN: How long is it that you've been working on it?

MR. GOLDMAN: On this particular project? About a year and a half.

COUNCILMAN COHEN: A year and a half?

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MR. GOLDMAN: Yes, sir.

COUNCILMAN COHEN: All right, very good. It's needed it badly for a long, long time. The restaurants, a couple of them that are on Walnut Street, just east of 13th Street, Portofino's, is one very favorite one of mine from many, many years. And they've always complained that they've been frightened going out at night and that nobody ever comes in for the second meal. They only sell out one time during the evening.

And I'm delighted to see this coming.

MR. GOLDMAN: Thank you. And it's truly the tear in the fabric of Center City. And with Councilman DiCicco's vision and support, we'll be able to repair that tear and make it a place that we'll all be excited about.

COUNCILMAN COHEN: Very good. Thank you very much.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions? Councilman Clarke, I know you've had your light on for quite some time. I assume that your questions

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were answered?

COUNCILMAN CLARKE: Yeah, I probably could do it at a later date. I just wanted to ask a question about the discrepancy in the current square footage of 370,000, and you anticipate developing 80,000 feet of residential. How does that work?

MR. FINA: Councilman, I'll try to answer that. We said there was 370,000 square feet of vacant space in the area. Then we said all that will be improved, plus there's 80,000 square feet of new residential that will be added to the area. So it's 370,000, plus 80,000.

COUNCILMAN CLARKE: Okay, fine. Thank you.

MR. FINA: Madam President, I just want to clarify one thing while Mr. Goldman's here.

I appreciate his compliment to me and my colleagues at PIDC, but I must state -- and I appreciate very much that he's agreed now to reduce the use-and-occupancy tax that will be used for the TIF fund by approximately, by my rough calculation, over the 20 years by $1.6 million.

But for the record, PIDC is offering no

replacement dollars for that, and Mr. Goldman will have to find private debt or equity to replace that, and they were not dollars coming from PIDC.

COUNCIL PRESIDENT VERNA: Mr. Goldman, were you aware of that?

MR. GOLDMAN: I'm aware of it, but I will be knocking on his door on a regular basis -- and everybody else's door on a regular basis to try to help the gap.

But with or without it, worse-case scenario, if we do not get it, I think that there's enough here for us to be able to go and proceed and make our plans realities.

COUNCIL PRESIDENT VERNA: Thank you very much, Mr. Goldman.

Are there any other questions or comments from members of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this bill?

(No response.)

COUNCIL PRESIDENT VERNA: We will now consider Bill No. 990685 the Gateway TIF.

Mr. Fina, what are the taxes that you

are proposing to TIF?

MR. FINA: In this particular project, Madam President, we are TIF-ing property taxes in the 1 percent sales tax and not use-and-occupancy tax.

COUNCIL PRESIDENT VERNA: Who owns the land that the development will be on? And at the end of the lease period, who will own the improvement?

MR. FINA: Well, the land is owned by PennDOT. It is leased to the Philadelphia Parking Authority and subleased to the Realen Group that I mentioned as the developer entity with its partner.

At the end of the term of the lease, if it's not renewed, PennDOT will own the improvements, that is correct. But that's a long-term lease that all expectations are that it will be renewed.

COUNCIL PRESIDENT VERNA: And how long is the lease for, Mr. Fina?

MR. FINA: It's 99 years at this point. That's what was entered into, so it's a substantial lease. Much like we deal with Penn's

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Landing, all the property along Penn's Landing and the waterfront has 99-year leases, with the expectations of being able to renew them from the estate, and some time long after I'm not involved.

COUNCIL PRESIDENT VERNA: Long after any of us are involved.

Are there any other questions from members of the committee?

COUNCILMAN COHEN: Just one.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: What is the (unintelligible) that the hotels are built in such large numbers for the purpose of creating a demand, that we then have to build an extension to the Convention Center in order to fill the hotels. And then, of course, when we do that, we then have a demand for more hotels. What is the truth, if any, to that scenario?

MR. FINA: Well, let me let me respond that to some of it, I don't think that's a negative scenario, but I don't believe that's the scenario that we are promulgating here.

What we are proposing is that this

hotel has a market niche that is not being met presently. It's at a location in the City where there's not another hotel, other than the Wyndham Franklin Plaza, but the Wyndham Franklin Plaza's at a different price range than this hotel. This hotel can be seen and be recognized when someone's driving into Philadelphia along 676, which you either come from I-95 or from the expressway.

But as far as creating more hotel rooms, let me go back to your statement about the Convention Center. There are plans proposed to expand the Convention Center today not because of the hotel rooms that we have but because of the demand for the Convention Center and for the Convention Center to stay competitive with other expansions of convention centers in other cities. While we have a unique and very successful Convention Center and I believe that this hotel will support the demand now, but also, when that is expanded, which I hope it will be -- in fact, there's a meeting going on right now with a committee to talk the potential expansion of the Convention Center, and that may take place in the near future.

COUNCILMAN COHEN: Mm-hmm. Would you agree that it costs the taxpayers of Philadelphia about somewhere between 35 to $50 million a year to pay for the cost of the Convention Center?

MR. FINA: I'm not familiar with the figure, but the more hotel rooms that are occupied, the more taxes are charged, and then that much less comes out of the City Operating Fund to cover the operating losses of the Convention Center.

COUNCILMAN COHEN: But I think that when all the books are crossed and all the figures straightened out, that it costs the City of Philadelphia a minimum of $35 million a year.

MR. FINA: I can't comment to that number, I'm not privy to that information. I can tell you that the more hotel rooms, the more taxes, and that way, the more revenue that is paid prior to the City paying anything, the more revenue that goes directly to the Convention Center.

COUNCILMAN COHEN: All right, I'm just very concerned. It's now a number of years that the Convention Center has been operating, and I

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just note that caution, that this may very well be a good development, and I hope to see that the hotel rooms stay steadily filled, with at least 70 percent of the rate, which, I understand, is the comfort rate.

You have no comment on that?

MR. FINA: I'm not sure. Did you ask me a question, sir?

COUNCILMAN COHEN: Well, I --

MR. FINA: We can talk forever, and I'd be happy to do it because I love what I do, and I enjoy your perspective. But I'll be happy to answer any question that you may have.

COUNCILMAN COHEN: All right. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

Mr. Fina, this particular project, my understanding, will provide a spin-off to the Parking Authority's 40 percent of net revenue?

MR. FINA: That's correct. The agreement with the Realen Development entity is that 40 percent of the net revenue presently from the garage and parking lot will -- inures to the benefit of the Parking Authority. And any new development, 40 percent of the revenue will inure to the benefit of the Parking Authority.

And the Parking Authority splits some of that with the Commonwealth of Pennsylvania, but as you're probably aware, any excess revenue in the Parking Authority, which, I understand, are millions of dollars a year, is transferred to the City, to the City's General Fund.

So the Parking Authority basically provides net revenue to the City, and this project would, in turn, provide net revenue to the City of Philadelphia.

COUNCILMAN CLARKE: So we're estimating that this particular revenue will be surplus to the Parking Authority and not used for its current administrative functions and operational functions.

MR. FINA: I can't tell you what the details are, whether these have been allocated for certain activities, but I would generally say that's the case because even if this was targeted for something at the Parking Authority, that would mean that other revenue that they currently receive would be freed, then would be transferred to the City.

So it becomes all fungible, the dollars. So to answer your question, yeah, this is excess revenue, or additional revenue to the Parking Authority, which should increase the excess revenue that they have, that is then transferred to the City.

COUNCILMAN CLARKE: To the City. And theoretically, because this is not a current revenue in the City's coffers, that theoretically, this money could then be transferred to the Stimulus Fund.

MR. FINA: I can't speak for -- I mean, that's something that City Council and the Administration negotiate, Councilman. And I won't -- theoretically, we could propose any number of things, but yeah, theoretically, this is new additional revenue to the City.

COUNCILMAN CLARKE: Okay, thank you.

MR. FINA: You're quite welcome.

COUNCIL PRESIDENT VERNA: Thank you.

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Are there any other questions from medication of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this bill?

(No response.)

COUNCIL PRESIDENT VERNA: Mr. Fina, do you want to be recognized?

MR. FINA: Yeah. Not on this -- well, going back to the 13th Street Passage, we had proposed that 75 percent of the use-and-occupancy be TIF-ed in the project plan. We could either amend the project plan here to say that it is now 50 percent of the revenue; therefore, as I mentioned, reducing that to 1.6 million over the 20-year term, or we could keep it at 75 percent and then, under agreement with the developer and the City Finance Department, state that we will only utilize 50 percent of the revenue up to that level that we projected in the project plan. And whatever is legally appropriate, I would say we would do -- not to take anything away from the negotiations.

If we can't amend it here, then I would

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say we amend it as proposed. If for some reason, that prohibits us from doing that, then we will agree in a contract with the developer and the City finance on the School Board that only 50 percent of use-and-occupancy tax would be utilized.

We can do the former position first and then the latter one, if we can't do the former one.

COUNCIL PRESIDENT VERNA: I believe Councilman Nutter and Councilman DiCicco will have to discuss this.

COUNCILMAN DICICCO: Well, I'd move the amendment, if we have to do that. I mean, we can do that today because I want to move this bill today. And if that's the more expedient way of doing that, then I would offer the amendment.

COUNCIL PRESIDENT VERNA: That's fine. Mr. Fina?

MR. FINA: Yeah, that's fine with me. Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

Is there anyone else to testify on any

of the bills that we have heard?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none this will conclude the public meeting.

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COUNCIL PRESIDENT VERNA: We will now go close our public hearing and go into our public meeting.

The Chair recognizes Councilman DiCicco regarding Bill No. 990680.

COUNCILMAN DICICCO: Thank you, Madam Chair. I move that Bill No. 990680 be reported out of this committee with a favorable recommendation and that the rules of Council be suspended --

COUNCIL PRESIDENT VERNA: No. I'm sorry, we do not suspend the rules. We will not suspend the rules on any of these bills since they are TIFs, and they have a three-week wait.

COUNCILMAN DICICCO: Okay. I will move that Bill No. 990680 be reported out of this committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been

moved and properly seconded that Bill No. 990680 be reported out of committee with a favorable recommendation.

All those in favor will signify by saying aye.

Those opposed?

The ayes have it and the motion is carried.

The Chair recognizes Councilman DiCicco regarding Bill No. 990681.

COUNCILMAN DICICCO: Thank you, Madam Chair.

I move that Bill No. 990861 be reported out of this committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Bill No. 990681 be reported out of committee with a favorable recommendation.

All those in favor will signify by saying aye.

Those opposed?

The ayes have it and the motion is

carried.

The 13th Street TIF is also your bill, Mr. DiCicco?

COUNCILMAN DICICCO: Yes.

COUNCILWOMAN VERNA: The Chair recognizes Councilman DiCicco regarding Bill No. 990683. You've really been quite busy.

COUNCILMAN DICICCO: Tell me about it.

I need to do the amendment right now; am I correct?

COUNCILWOMAN VERNA: Yes. Offer it.

COUNCILMAN DICICCO: I move that Bill No. 990683 be amended so as to -- I'm not sure what page we're on here. Is it in the language of the bill?

To amend the project plan to the effect that the use-and-occupancy percentage be reduced from 75 percent to 50 percent.

(Duly seconded.)

COUNCILMAN DICICCO: Is that correct?

And that the --

COUNCIL PRESIDENT VERNA: All those in favor of the adoption of that amendment will --

COUNCILMAN DICICCO: Excuse me, Madam

President. Before we go any further, Mr. Fina is giving me some additional language.

COUNCIL PRESIDENT VERNA: Mr. Fina, why don't you take the witness table and then maybe you could read the amendments as proposed.

(Mr. Fina comes forward.)

MR. FINA: The first amendment, as Councilman DiCicco's has proposed, is to amend the project plan to reduce the use-and-occupancy taxes proposed generating to the TIF fund from 75 percent to 50 percent, and then it's capped at that 50 percent level, as in the project plan.

The second amendment would be to change the legal description that's in the ordinance that I provided to staff of Council earlier. I will not read that because that could become a record, and it is on file with the Chief Clerk. It's changing the legal description as an amendment to Bill No. 990683.

If need be, I can read the --

COUNCIL PRESIDENT VERNA: I don't think that's necessary. Please make certain that the stenographer gets a copy of that.

MR. FINA: Then the third amendment is

to change the amount of the TIF note from the $15.5 million that appears on the chart on Page 8 of the project plan to $8 million.

Those are the three amendments.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

I move that Bill No. 990683 --

COUNCIL PRESIDENT VERNA: No, let's move for the adoption of the amendment first, please.

COUNCILMAN DICICCO: I move for the adoption of the amendments to Bill No. 990683, as described by Bob Fina.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that the amendments read by Mr. Fina be adopted.

All those in favor will signify by saying aye.

Those opposed?

The ayes have it and the motion is

carried.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

I move that Bill 990683, as amended, be reported out of this committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Bill No. 990683 be reported out of committee with a favorable recommendation, as amended.

All in favor will signify by saying aye.

Those opposed?

The ayes have it and the motion is carried.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair. I move that Bill No. 990685 be reported out of committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been

moved and properly seconded that Bill No. 990685 be reported out of committee with a favorable recommendation.

All those in favor will signify by saying aye.

Those opposed?

The ayes have it and the motion is carried.

This concludes the public meeting of the Committee of the Whole. Thank you all very much for your patience.

(Adjourned at 12:24 p.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, November 17, 1999, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL NO.'S 990680, 990681, 990683, 990685

______________________________,
JOSEPHINE CARDILLO,
Registered Professional Reporter