

Committee on Public Property and Public Works
March 24, 2021

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON PUBLIC PROPERTY AND PUBLIC WORKS

Remote location using Microsoft® Teams
Wednesday, March 24, 2021
10:00 a.m.

PRESENT:

COUNCILMAN BOBBY HENON, CHAIR
COUNCILMAN MARK SQUILLA, VICE-CHAIR
COUNCILMAN ALLAN DOMB
COUNCILWOMAN JAMIE GAUTHIER
COUNCILWOMAN HELEN GYM
COUNCILMAN DAVID OH

ALSO PRESENT:

COUNCILMAN DEREK S. GREEN

BILLS: 200677, 210076, 210079

1 - - -

2 COUNCILMAN HENON: Good
3 morning. My name is Councilman Henon,
4 Chairman of the Committee of Public
5 Property and Public Works. Welcome to
6 our Committee public hearing today,
7 March 24, 2021.

8 I understand that state law
9 currently requires that the following
10 announcement be made at the beginning of
11 every remote public hearing as follows:
12 Due to the current public health
13 emergency, City Council Committees are
14 currently meeting remotely. We are
15 using Microsoft Teams to make these
16 remote hearings possible.

17 Instructions for how the public
18 may view and offer public testimony at
19 public hearings of Council Committees
20 are included in the public hearing
21 notices that are published in the Daily
22 News, Inquirer, Legal Intelligencer
23 prior to the hearings and can also be
24 found on PHLCouncil.com. I now note
25 that the hour has come.

1 Our Clerk is Mr. Perzel.
2 Mr. Perzel, can you please call the roll
3 and take attendance.

4 THE CLERK: Councilmember Mark
5 Squilla.

6 COUNCILMAN SQUILLA: Present.

7 THE CLERK: Councilmember Jamie
8 Gauthier.

9 COUNCILMAN HENON: Excuse me.
10 This is Councilman Henon. Would all
11 participants please mute themselves
12 please. Thank you.

13 COUNCILWOMAN GAUTHIER: Good
14 morning, Mr. Chair. Good morning,
15 colleagues. Good morning to the public.
16 Present.

17 THE CLERK: Councilmember Helen
18 Gym.

19 COUNCILWOMAN GYM: Good
20 morning, Council Chair. And good
21 morning, colleagues. I am present.

22 THE CLERK: Councilmember David
23 Oh.

24 COUNCILMAN OH: Good morning,
25 Chairman. Good morning, colleagues. I

1 am present.

2 THE CLERK: Councilmember Allan
3 Domb.

4 COUNCILMAN DOMB: Good morning,
5 Mr. Chair and colleagues. I am present.

6 THE CLERK: Councilmember
7 Curtis Jones, Jr.

8 (No response.)

9 THE CLERK: And that's back to
10 you, Mr. Chair.

11 COUNCILMAN HENON: Bobby Henon
12 is present as well. And I want to say
13 good morning to all our Councilmembers
14 and colleagues and friends. Thank you
15 for attending today. A quorum of the
16 Committee is present and this hearing is
17 now called to order.

18 This is a public hearing of the
19 Committee of Public Property and Public
20 Works regarding Bill Nos. 200677,
21 210076, 210079.

22 Will the Clerk please read the
23 titles of the bills.

24 THE CLERK: Bill No. 200677,
25 authorizing the Department of Public

1 Property to acquire, on behalf of the
2 City, an easement in the area bounded by
3 Chestnut Street, 12th Street, Market
4 Street and 11th Street, all under
5 certain terms and conditions.

6 Bill No. 210076, authorizing
7 the Commissioner of Public Property, on
8 behalf of the City, to convey the
9 Philadelphia Authority for Industrial
10 Development a parcel of land situated at
11 2401 Chestnut Street, for further
12 conveyance, and authorizing the plotting
13 upon City Plan No. 307 a right-of-way
14 for bridge repair, maintenance and/or
15 reconstruction purposes and for
16 stormwater, sewer and drainage purposes,
17 all under certain terms and conditions.

18 And Bill No. 210079,
19 authorizing The Philadelphia Municipal
20 Authority and The Philadelphia Gas Works
21 by Philadelphia Facilities Management
22 Corporation, solely in its capacity as
23 Operator and Manager of the City-own
24 Philadelphia Gas Works, to enter into
25 certain transactions and contracts

1 regarding lease and license of portions
2 of the premises located at 5000
3 Summerdale Avenue and 5501 Whitaker
4 Avenue, Philadelphia, Pennsylvania for
5 the use of The Philadelphia Gas Works,
6 all under certain terms and conditions.

7 COUNCILMAN HENON: Thank you.
8 I'd like to announce that Bill No.
9 200677 and Bill No. 210076 have been
10 held at the request of the bills'
11 sponsors. As there are no scheduled
12 speakers on these bills, we will now set
13 the hearing date. The hearing date will
14 be coming soon.

15 Before we begin to hear
16 testimony from the witnesses we do have
17 for today's hearing, everyone has been
18 invited to the meeting to testify shall
19 be aware that this is a public hearing
20 and this hearing is being recorded.
21 Because the hearing is public,
22 participants and viewers have no
23 reasonable expectation of privacy. By
24 continuing to be in the meeting, you are
25 consenting to be recorded.

1 Additionally, prior to
2 recognizing Members for questions or
3 comments they have for witnesses, I have
4 to note for the record at this time we
5 will use the chat feature available in
6 Microsoft Teams to allow Members to
7 signify that they wish to be recognized.
8 In order to comply with the Sunshine
9 Act, the chat feature must only be used
10 for this purpose only. And I also want
11 to add, would you please make sure that
12 everyone is on mute until it's your turn
13 to be recognized as being a witness or a
14 speaker in the chat feature.

15 Before we call on the witness
16 for Bill No. 210079, would any of my
17 colleagues like to make an opening
18 comment, have any opening comments or
19 remarks on this ordinance?

20 (No response.)

21 COUNCILMAN HENON: Is there
22 anyone in the chat, Mr. Perzel?

23 (No response.)

24 COUNCILMAN HENON: All right.
25 I don't see anybody. For the record,

1 I'd like to make note that Majority
2 Leader Councilmember Cherelle Parker
3 whose District this bill resides in sent
4 a letter to all members of the Committee
5 and respectfully urges support for this
6 bill, Bill No. 210079, as she does a
7 wonderful job with her District and
8 supports this wholeheartedly.

9 So with that being said,
10 Mr. Perzel, would you please call the
11 witness we have to testify on Bill No.
12 210079.

13 THE CLERK: Yes. We have John
14 Zuk and Gemela McClendon.

15 COUNCILMAN HENON: Good
16 morning. You are connected and ready to
17 proceed. Would you please state your
18 name for the record and you may begin
19 with your testimony and thank you for
20 being here.

21 MR. ZUK: Gemela, will you be
22 going first?

23 MS. McCLENDON: (Muted).

24 COUNCILMAN HENON: Mr. Perzel,
25 who's our first witness?

1 THE CLERK: John, you can go
2 first.

3 COUNCILMAN HENON: Yes, John.

4 MR. ZUK: Sorry about that. I
5 submitted testimony previously on this
6 bill. At this point, I'm open for
7 questions. I don't know if you guys
8 want to ask us questions and I can start
9 answering them.

10 COUNCILMAN HENON: John, why
11 don't you read your testimony. And then
12 that will give the Members an
13 opportunity to ask those questions, if
14 necessary.

15 MR. ZUK: Okay. Good morning,
16 Chairman Henon and members of the
17 Committee. My name is John Zuk and I'm
18 Senior Vice-President of Gas Management
19 of Philadelphia Gas Works. In this
20 role, I'm responsible for gas
21 processing, engineering, acquisitions,
22 transportation and gas control at
23 facilities, including PGW properties.
24 I'm here today to offer testimony in
25 support of Bill No. 210079.

1 Briefly PGW desires to
2 consolidate certain PGW operational
3 functions to a new location in North
4 Central, Philadelphia as part of its
5 ongoing building consolidation project.
6 PGW has identified a commercial rental
7 property, suitable for this purpose at
8 5000 Summerdale Avenue and 5501 Whitaker
9 Avenue in Philadelphia. This property
10 will be controlled and managed by NP
11 Philadelphia Summerdale Industrial, LLC
12 referred to NP Summerdale, an affiliate
13 of the National Warehouse Space
14 (inaudible) NorthPoint Development,
15 purchase of 5000 Summerdale Avenue from
16 Philadelphia Authority Industrial
17 Development, paid and leasing 5501
18 Whitaker Avenue from affiliate NP
19 Whitaker Avenue Industrial, LLC.

20 NP Summerdale intends to
21 construct at approximately 255,000
22 square foot building for office and
23 warehouse space at 5000 Summerdale
24 Avenue and lease and license of building
25 and other portions of 5000 Summerdale

1 Avenue to Philadelphia Municipal
2 Authority as well as sublicensed to PMA
3 certain points of 5501 Whitaker Avenue.

4 PMA would then sublease and
5 sublicense the same property assemblance
6 to PGW substantially upon the terms
7 highlighted in term sheet attached to
8 Bill No. 210079. PGW has obtained an
9 industrial market report prepared by SVN
10 dated September 14, 2020 supporting the
11 rental rate negotiated for the sublease.
12 Approval of the terms of the proposed
13 sublease has been favorably recommended
14 by the Gas Commission.

15 PGW's manager believes that
16 entering into the sublease is in the
17 best of PGW at this time due to
18 financial benefit over the terms of the
19 sublease and ask approval to enter into
20 the sublease and for approval for PMA to
21 enter into the lease and the sublease in
22 accordance with terms of Bill 210079.

23 NP Summerdale will enter into
24 an economic opportunity plan approved by
25 the Mayor's Office of Economic

1 Opportunity with respect to the
2 development of the leasehold. I will be
3 happy to answer any questions that you
4 might have and also have with me PGW
5 counsel, counsel to PMA and
6 representatives of NP Summerdale as well
7 who can respond to inquiry. Thank you.

8 COUNCILMAN HENON: Thank you
9 for your testimony. Is Gemela online
10 here?

11 MS. McCLENDON: Yes, I'm here.

12 COUNCILMAN HENON: Gemela, good
13 morning. Are you offering testimony?

14 MS. McCLENDON: Yes, I am.

15 COUNCILMAN HENON: Okay. It
16 might be a good time. Why don't you
17 state your name for the record and
18 proceed with your testimony, please.

19 MS. McCLENDON: Okay. Good
20 morning, Chairman Henon and members of
21 the Committee. My name is Gemela
22 McClendon and I am the Executive
23 Director of the Philadelphia Gas
24 Commission. The Gas Commission
25 appreciates this opportunity to testify

1 in support of Bill No. 210079, which
2 reflects the favorable recommendation to
3 City Council unanimously adopted at the
4 Commission's public meeting held on
5 December 8, 2020. This testimony is
6 meant to supplement PGW's testimony. We
7 respectfully request that this Committee
8 report out this bill with a favorable
9 recommendation together with the
10 suspension of the rules so that it may
11 have its first reading at the next
12 Council session.

13 On October 30, 2020, PGW
14 submitted its petition requesting Gas
15 Commission's approval of the proposed
16 sublease between PGW and the
17 Philadelphia Municipal Authority for
18 PGW's North Operation Center to be
19 constructed at 5000 Summerdale Avenue
20 and 5501 Whitaker Avenue. Upon receipt,
21 the Commission completed its customary
22 due diligence and review of the
23 proposal.

24 The Commission's review found
25 that the proposed transaction was

1 reasonable as well as beneficial to
2 PGW's ratepayers. Since 2015, PGW has
3 been exploring the possibility of
4 consolidating some of its operations at
5 a centrally located site as a
6 cost-savings measure to PGW and to its
7 ratepayers. These proposed savings
8 would be realized through the reduction
9 and the amount of operating and
10 maintenance expenses PGW would be
11 responsible for should it remain in its
12 widespread and outdated buildings that
13 make up PGW's current facility's
14 footprint. The Commission's review also
15 showed that the base rental rate was a
16 fair and reasonable one given the size
17 of the parcel of land and the
18 significantly higher amount of office
19 space available at the site as compared
20 to other industrial spaces in the area.

21 The Commission also felt that
22 the key terms of the transaction were
23 both standard and reasonable for
24 municipal real estate transaction of
25 this nature. The Commission has

1 historically supported PGW measures that
2 benefit its ratepayers and this
3 historical support prompted it to
4 approve the proposed sublease after over
5 five years of planning by PGW, and the
6 Commission respectfully request that
7 City Council do the same. If you should
8 have any questions for me, I'll be happy
9 to answer them. Thank you for your time
10 and your kind consideration.

11 COUNCILMAN HENON: Well, thank
12 you so much for your testimony. Before
13 we open it up for questions for members
14 of the Committee, I'm going to recognize
15 that we're joined by Councilmember Green
16 who is also the Chair of our Gas
17 Commission, and I want to offer him some
18 opening remarks before we get into some
19 questions from the members of the Board.

20 Councilmember, you are up.

21 COUNCILMAN GREEN: Thank you,
22 Mr. Chair, and thank you for the
23 opportunity to offer a few comments in
24 this regard regarding this bill. As
25 Ms. McClendon stated, our Executive

1 Director for the Philadelphia Gas
2 Commission, Philadelphia Gas Works has
3 been looking at building consolidation
4 for a long time.

5 It's taken them a period of
6 time to identify a parcel that was
7 suitable for their needs both now and
8 into the future as a way of benefiting
9 ratepayers, but also being in a location
10 that's centrally located for the wide
11 operations for Philadelphia Gas Works
12 throughout the entire City of
13 Philadelphia.

14 In addition, as part of this
15 process, PGW has worked with a diverse
16 array of businesses to help them locate
17 this location. This is something that
18 the Gas Commission has been monitoring
19 for a number of years and subsequent to
20 their selection of this location, we
21 also approved it at the Gas Commission.

22 Based on our view and based on
23 the long-term posture of PGW, we feel
24 that this is a great opportunity for PGW
25 for having this building consolidation.

1 If you're familiar with their existing
2 location, it is definitely seasoned
3 buildings and it definitely will need to
4 move forward in this regard. And based
5 on that perspective, that is why the Gas
6 Commission supported this decision by
7 PGW that they have been working on for
8 some time and feels it is in the best
9 position of the ratepayers of
10 Philadelphia Gas Works and the City of
11 Philadelphia.

12 Thank you, Mr. Chair.

13 COUNCILMAN HENON: Thank you,
14 Councilmember. And I also agree this is
15 a very good opportunity for this type of
16 consolidation.

17 So with that, a question or two
18 for John or Ms. McClendon. This is more
19 like -- Councilmember Domb's going to
20 ask this question, but I'm going to beat
21 him to the punch. Have you had this
22 property appraised and how many
23 appraisals have you had and what was the
24 comparables?

25 MR. ZUK: Yes, we did have this

1 appraised. And there were dif -- SVN
2 did this work for us. And there was two
3 other ones that was a lease on
4 Meetinghouse Road for the square footage
5 8.25 per square foot, compared to
6 another one, the lease of 2300 South
7 Wycoca(ph) and that was for 11.25 per
8 square foot. And this 5000 Summerdale
9 is about \$9.12 a square foot.

10 COUNCILMAN HENON: Can you
11 repeat the square foot again please?

12 MR. ZUK: For the square foot
13 for Summerdale, it was 5000 square
14 feet -- I'm sorry. 5000 Summerdale is
15 \$9.12 a square foot for Summerdale.

16 COUNCILMAN HENON: Okay. And
17 the land is already for industrial use;
18 is that correct?

19 MR. ZUK: Yes, it is correct.

20 COUNCILMAN HENON: Great. The
21 consolidation, what are we
22 consolidating? And I'm sure there's
23 revenue and savings attached to the
24 consolidation. Ms. McClendon, can you
25 speak on that?

1 MS. McCLENDON: Actually,
2 Mr. Zuk I believe would probably be the
3 best person to answer the question
4 regarding the dollar amount of the
5 actual savings. I can tell you that
6 PGW's main aim, and again Mr. Zuk can go
7 into more detail about this, is to
8 consolidate its sites that are more
9 towards the north of the City, so the
10 Belfield Avenue station which is dated.
11 I can't recall the address offhand, not
12 PGW's main headquarters but the adjacent
13 building I believe is 18 -- is it 1835,
14 John?

15 MR. ZUK: Actually, there's
16 1849 which is right next to our main
17 building. At 800 also is another
18 building right there. Right down the
19 street we have our meter shop, which is
20 about the 20,000 -- on 9th Street 2000
21 block. Also, Castor Station which is in
22 the Northeast and Bell Station are the
23 five properties that we're going to get
24 out of.

25 MS. McCLENDON: Right. And the

1 buildings that are adjacent to PGW's
2 main headquarters, a lot of those
3 actually date from the 1800s, correct?

4 MR. ZUK: Correct.

5 MS. McCLENDON: So there's a
6 lot of remediation that needs to take
7 place. But you can speak with more
8 authority on the actual site and the
9 dollar savings to be realized than I
10 can.

11 MR. ZUK: Yes. To avoid the
12 ongoing capital expense, we're going to
13 save about \$91 million and that's
14 present value, once we lease the
15 properties and not having to put in the
16 internal maintenance for the buildings
17 close to here, the one at meter shop and
18 the two up for our FSD facilities at
19 Belfield and Castor.

20 COUNCILMAN HENON: And the Gas
21 Works have been thinking or trying to or
22 been working on the consolidation for
23 quite some time, so it's not a new idea
24 that you just came across or started to
25 work on last year; is that correct?

1 It's been part of the master business
2 plan for the ratepayers, the Gas
3 Commission, over the past several years?

4 MR. ZUK: That's correct. It's
5 at least been five years we've been
6 looking at this, trying to find a good
7 central location that we can utilize,
8 correct.

9 COUNCILMAN HENON: All right.
10 Great. Thank you.

11 I want to now open it up to
12 members of the Committee. Does anybody
13 on the Committee have any questions for
14 Mr. Zuk or Ms. McClendon?

15 Chair recognizes Councilmember
16 Domb.

17 COUNCILMAN DOMB: Thank you,
18 Mr. Chair. And thanks for asking that
19 question. I appreciate it.

20 And thank you for the
21 presentations. I just want to make sure
22 I understand in simple terms what we're
23 doing here. It sounds like, maybe you
24 can explain it a little, consolidating
25 some older facilities into a new

1 facility basically?

2 MR. ZUK: Correct.

3 COUNCILMAN DOMB: What is this?

4 Is this a new build or is it an existing
5 construction?

6 MR. ZUK: It's a new
7 construction.

8 COUNCILMAN DOMB: How many
9 square feet are we constructing in
10 total?

11 MR. ZUK: 255,000 square feet.

12 COUNCILMAN DOMB: And PGW's
13 going to enter into a lease for this
14 space?

15 MR. ZUK: Correct.

16 COUNCILMAN DOMB: And who's
17 actually building the building?

18 MR. ZUK: NorthPoint, they own
19 the whole property. They own that
20 portion. They also own the old Cardone
21 site, so it's all one big property.

22 COUNCILMAN DOMB: And what is
23 our monthly rent going to be?

24 MR. ZUK: \$293,000.

25 COUNCILMAN DOMB: \$293,000 a

1 month?

2 MR. ZUK: For the year.

3 COUNCILMAN DOMB: For the year,
4 okay.

5 Is there an option that would
6 make economic sense? Has anyone looked
7 at this instead of leasing, that the PGW
8 considers buying? Because I understand
9 it's a 25-year lease and interest rates
10 today are the lowest we've seen in 50
11 years.

12 MR. ZUK: We did look at
13 purchasing, but one of the downsides of
14 purchasing is we would only have one
15 exit and entrance for facility, the
16 trucks going in and out. With
17 NorthPoint owning the whole property,
18 our trucks can go out of the Summer side
19 and also the Whitaker side. So we
20 negotiated so we can use the shared road
21 to go out north and south of the
22 properties.

23 COUNCILMAN DOMB: I guess my
24 question is, is there an opportunity for
25 us instead of leasing this property to

1 buy this property from the owner?

2 MR. ZUK: No, there's not.

3 COUNCILMAN DOMB: I'm just
4 saying in this interest rate environment
5 the choices of leasing versus buying, we
6 should be more focused on buying at 3,
7 3.5 interest rates right now, especially
8 if we're signing up a 25-year lease.

9 Every landlord would want the credit of
10 PGW probably on their books as a tenant.
11 But I'd rather see us focused more on
12 owning than renting. Thank you for your
13 testimony today. I just want to put
14 that in there. And maybe in the future
15 we can look at those options.

16 Thank you, Mr. Chair.

17 COUNCILMAN GREEN: Mr. Chair, I
18 have a point of information.

19 COUNCILMAN HENON: Chair
20 recognizes Councilmember Green.

21 COUNCILMAN GREEN: One other
22 point, and part of the challenge in
23 trying to identify a location was
24 finding a location that was going to
25 make access to both the Northeast as

1 well as to other parts of the City. PGW
2 has been looking for this type of
3 location that also has that industrial
4 access.

5 The challenge has been somewhat
6 difficult to find a location that has
7 this size of the price point that's
8 beneficial for PGW and the ratepayers.
9 Also, this location is the location of
10 former Cardone Industries. Some people
11 may or may not be aware that Cardone
12 Industries was one of the larger
13 businesses in the City of Philadelphia
14 from a remanufacturing perspective.
15 They've since been acquired and may have
16 moved a lot of their operations, if not
17 all of their operations out of the City
18 of Philadelphia unfortunately.

19 So this provides access off
20 Whitaker Avenue and close to Roosevelt
21 Boulevard. And this, if not coming to
22 this location, would also be a very
23 large vacant industrial location in the
24 City of Philadelphia. So it's a good
25 opportunity to take advantage of a

1 location that was used for a number of
2 years in the City of Philadelphia in the
3 9th Council District and now put that
4 back into reuse in a way that's going to
5 be beneficial for PGW and provide access
6 points both for the Northeast as well as
7 Center City as well as the rest of the
8 City of Philadelphia because it's close
9 proximity to Roosevelt Boulevard.

10 COUNCILMAN HENON: Thank you,
11 Councilmember.

12 Also, John, if you can explain
13 to the Committee or inform the Committee
14 a little bit more on the property. So
15 you talked about basically a shared or
16 right-of-entry with the common driveway
17 and park and use of the entire
18 footprint, but the new construction was
19 a PIDC site that was adjacent that you
20 acquired; is that correct?

21 MR. ZUK: Yes.

22 COUNCILMAN HENON: And that's
23 what made it additionally a little more
24 attractive for industrial use in the
25 consolidation?

1 MR. ZUK: Yes. And plus the
2 fact for the bill they do an EOP plan
3 that the City has put up, so it was
4 something that we were excited about,
5 them having to follow also.

6 COUNCILMAN HENON: Okay.
7 Great.

8 Before I recognize
9 Councilmember Domb again, I'd like to
10 recognize Councilmember Gym who's
11 requested clarification, a point of
12 clarity. Councilmember.

13 COUNCILWOMAN GYM: Thank you
14 very much, Council Chair.

15 John, can you just clarify
16 again what is the rent?

17 MR. ZUK: The rent for the
18 first year is \$293,000 for the year.

19 COUNCILWOMAN GYM: For the
20 entire year?

21 MR. ZUK: I'm sorry -- let me
22 get --

23 COUNCILWOMAN GYM: The bill
24 says \$293,000 per month.

25 MR. ZUK: Yes. I apologize.

1 It's 293 a month. I apologize.

2 COUNCILWOMAN GYM: There's kind
3 of a big difference.

4 MR. ZUK: Yes, there is.

5 COUNCILWOMAN GYM: So that's
6 2.5 million, around 2.3 million or 2.4
7 million a year?

8 MR. ZUK: Correct.

9 COUNCILWOMAN GYM: Okay. All
10 right. So I just wanted to clarify that
11 because I think my Council colleague
12 didn't get quite an accurate answer.
13 Thank you.

14 MR. ZUK: I apologize for that.

15 COUNCILWOMAN GYM: Thank you,
16 Mr. Chair.

17 COUNCILMAN HENON: Thank you,
18 Councilmember.

19 Councilmember Domb, did you --

20 COUNCILMAN DOMB: Thank you
21 very much. And thank you, Councilmember
22 Gym.

23 That's why I wanted to come
24 back on that because I'm looking at this
25 roughly 2 million rent per year and

1 saying over 25 years it's \$50 million,
2 okay. And I'm looking at a structure
3 that's how many square feet, 225,000
4 roughly?

5 MR. ZUK: 255,000.

6 COUNCILMAN DOMB: Even if it
7 cost us \$200 a foot to build it, we
8 would pay it back over 25 years and own
9 it free and clear. I just think that
10 buying right now is a better opportunity
11 for the City and PGW. It's just
12 something to look at in the future.

13 I realize this deal is probably
14 already at the finish line. But in the
15 future, I think we should look at these
16 opportunities to really help PGW and the
17 City. Otherwise, what we're doing is
18 we're helping others get great returns
19 on their real estate. I'd rather see
20 the City and PGW get that return.

21 MR. ZUK: Understand.

22 COUNCILMAN DOMB: Thank you.
23 Thank you, Mr. Chair.

24 COUNCILMAN HENON: Thank you,
25 Councilmember.

1 Is there anyone else on the
2 Committee who has any questions for any
3 of our witnesses here today,
4 Ms. McClendon and/or Mr. Zuk?

5 (No response.)

6 COUNCILMAN HENON: Thank you so
7 much.

8 With that being said, this will
9 conclude the hearing of Public Property
10 Public Works. There being no further
11 questions from members of the Committee
12 and other witnesses to testify, I will
13 ask if there is anyone else present here
14 today whose name I have failed to
15 mention or failed to call that wishes to
16 offer testimony on any of these bills
17 which is the one bill that we have here
18 today?

19 (No response.)

20 COUNCILMAN HENON: I do not see
21 any and hearing none, I want to thank
22 the panelists and witnesses for their
23 participation today. As always, we
24 value your opinions and I now invite all
25 panelists and witnesses to please

1 disconnect from this meeting before we
2 go into our public meeting. We will now
3 pause for a moment of these proceedings
4 briefly as the participants leave the
5 hearing.

6 This concludes the public
7 hearing of the Committee. We will now
8 go into a public meeting to consider the
9 actions to be taken on the bills before
10 this Committee here today. We will now
11 reconvene our public meeting. And I'm
12 going to ask Mr. Perzel, the Clerk for
13 today's hearing, to take the roll call.

14 And again, for those Members
15 that are in attendance, will you please
16 indicate additionally to saying present,
17 mention your name and a brief few words
18 in responding so that your image will be
19 displayed as you speak.

20 Mr. Perzel, would you please
21 call the roll.

22 THE CLERK: Councilmember Mark
23 Squilla.

24 COUNCILMAN SQUILLA: Present.

25 THE CLERK: Councilmember Jamie

1 Gauthier.

2 COUNCILWOMAN GAUTHIER:

3 Present.

4 THE CLERK: Councilmember Helen

5 Gym.

6 COUNCILWOMAN GYM: I am

7 present.

8 THE CLERK: Councilmember David

9 Oh.

10 COUNCILMAN OH: Present.

11 THE CLERK: Councilmember Allan

12 Domb.

13 COUNCILMAN DOMB: Present.

14 THE CLERK: Councilmember

15 Curtis Jones, Jr.

16 (No response.)

17 THE CLERK: And that's back to
18 you, Mr. Chair.

19 COUNCILMAN HENON: And

20 Councilman Bobby Henon, Chair, is

21 present as well. So thank you. We will

22 now go into our public meeting.

23 The Chair recognizes Councilman

24 Squilla for a motion --

25 COUNCILMAN SQUILLA:

1 Mr. Chairman, Councilman Domb just had a
2 question.

3 COUNCILMAN HENON: Yes.
4 Councilmember Domb.

5 COUNCILMAN DOMB: I'm having a
6 concern, and maybe I need to be calmed
7 down. If we have a building that's
8 225,000 square feet, do we know the cost
9 to build that building?

10 COUNCILMAN HENON: They do have
11 the cost for that building, yes. I
12 believe they have left this meeting --

13 Councilmember Green, you are
14 still in this meeting. Do you have that
15 cost in front of you?

16 COUNCILMAN GREEN: The cost in
17 reference to building a building?

18 COUNCILMAN DOMB: This
19 particular building.

20 COUNCILMAN GREEN: That I do
21 not have in front of me. Give me one
22 moment. Let me see if I can grab it.
23 And I guess the question --
24 Councilmember Domb, what is your
25 question? What is the question you are

1 trying to gather?

2 COUNCILMAN DOMB: I'm trying to
3 figure out the cost to build a building,
4 because typically a building might be
5 \$100 a foot. I don't think it's more
6 than that. And at this square footage
7 it's \$45 million. And when you do a
8 loan over 25 years, it's almost the same
9 payment as our rent, but we wound up
10 owning the asset. What I'm trying to
11 get across is we need to start looking
12 at things this way so the City benefits.

13 COUNCILMAN GREEN: Well, I
14 think the challenge is and I have to
15 bring that information, is that PGW has
16 been looking for a property for a very
17 long time. It actually predates the
18 five years that Mr. Zuk talked about
19 because of the challenge in buying a
20 property that has the size and the
21 capability that we're looking at.

22 We were fortunate enough based
23 on -- well, fortunate and unfortunate.
24 Unfortunate because Cardone actually
25 left the City of Philadelphia, but

1 fortunate because that location was
2 available in order for this to work.
3 From my understanding, this actually has
4 been going on not just 5 years, but
5 actually close to 10 years.

6 It actually goes back to during
7 the time when Councilmember Tasco was
8 Chair of the Gas Commission. They were
9 attempting to building consolidation but
10 had difficulty finding the appropriate
11 location for this type of project. In
12 fact, they were looking for a location
13 on the Boulevard. They had another
14 opportunity, if I'm correct, they were
15 interested in buying but were not able
16 to work the terms with that property.

17 So this has been an issue
18 that's been in the works for quite some
19 time. I definitely understand the
20 perspective that you bring in reference
21 to trying to buy a building as opposed
22 to lease. But the concern and challenge
23 is that if we continue to delay this
24 perspective, if you think of the
25 buildings that we currently do own and

1 we're operating out of that were built,
2 as Ms. McClendon said, a long time ago,
3 we have to make the decision of making
4 capital investments, millions of
5 dollars, in order to bring those
6 properties up to speed and does not make
7 sense to spend good money after bad.

8 COUNCILMAN DOMB: Well, I'm not
9 questioning the move. I'm questioning
10 the method of how we're approaching it,
11 which is leasing versus owning. I guess
12 my question comes to did Cardone sell
13 that property to someone else?

14 COUNCILMAN GREEN: My
15 understanding is that's how NorthPoint
16 came into the project.

17 COUNCILMAN DOMB: So let me
18 just give you the big picture here.
19 NorthPoint's an investor. They bought
20 the property from Cardone probably for a
21 song. They're going to lease it to the
22 City --

23 COUNCILMAN GREEN: I'm not sure
24 we can make that assumption they bought
25 it for a song. I'm not familiar with

1 the details and negotiations between
2 Cardone and NorthPoint.

3 COUNCILMAN DOMB: I'm sure they
4 bought it at a reasonable price. Let me
5 rephrase the question. And they're
6 going to make a profit on leasing it to
7 PGW, which is a bankable credit tenant
8 for any lender. I'm not saying that's a
9 bad deal. I'm just saying that I'd
10 rather be in the position of owning that
11 asset for PGW. I'm just trying to help
12 PGW. That's all I'm saying --

13 COUNCILMAN GREEN: So I totally
14 understand the concept of wanting to,
15 and I would definitely prefer, owning
16 the property prior to leasing. But I
17 think at the same point considering that
18 this is a project that's been going for
19 10 years at least, I think it actually
20 predates 10 years, trying to find a
21 location that fits the benefits of what
22 PGW needs in order to do a
23 consolidation, yes, it would be
24 preferable to own it, but there's not
25 from my understanding and from my

1 involvement with the Gas Commission not
2 only during my term as Councilmember but
3 also prior to my term as a
4 Councilmember, there were just not those
5 type of locations from an industrial
6 perspective within the City of
7 Philadelphia that has the accessway that
8 PGW was looking for that would be
9 available.

10 Could we have purchased a
11 property that was maybe deep Southwest
12 or far Northeast, that may have been a
13 possibility. But ultimately, what PGW
14 has done over the years, they have
15 looked for properties that meet the
16 goals they have now and into the future
17 and would not have been able to find a
18 location that's suitable to lease or to
19 buy, and that's how they were finally
20 able to come to this location. And even
21 this location has been going through a
22 period of negotiations that's been going
23 on for some time that dates at least a
24 year in negotiations, if not longer.

25 COUNCILMAN HENON: Thank you

1 both, Councilmembers.

2 Just for the record, I'm going
3 to -- there's a couple of things. I
4 enjoy this conversation, one, because I
5 think Councilmember Domb is just making
6 suggestions and a professional opinion
7 why are we leasing over long-term as
8 opposed to purchasing when you have \$50
9 million to \$60 million over the term.
10 So they are very legitimate questions.

11 I think NorthPoint did buy
12 this. I don't know what the purchase
13 price was. And, yes, when you purchase
14 industrial properties and land even at
15 that market rate, it's a lower value
16 than commercial for sure. So NorthPoint
17 did buy it before Gas Commission could
18 enter into any kind of long-term
19 agreement.

20 And location, which
21 Councilmember Domb is not disputing, is
22 actually kind of centered. It's perfect
23 for the use. It's zoned for the use.
24 There was an opportunity for PIDC, a
25 piece of land that was adjacent to it,

1 which will enable for a new building, a
2 new modernized building. As it was
3 mentioned earlier in today's hearing,
4 most of our buildings are dated, some
5 dating back to the 1800s. So along with
6 those dated infrastructure, they have
7 environmental exposures and lack of
8 technology. So this will bring us up to
9 modern technology for the ratepayers in
10 a convenient and efficient way.

11 And, Councilmember Domb, as
12 always thank you for looking after the
13 City's best interest when it comes to
14 our finances.

15 So I just wanted to state that
16 for the record because Councilmember
17 Domb is not disputing. He was just
18 pointing out why we chose to go in a
19 different direction. And I think what
20 it comes down to is location, location,
21 location and timing with another owner
22 purchasing the property prior to
23 entering into any kind of lease. If
24 that makes sense, Councilmember Green.

25 COUNCILMAN GREEN: Yes. And

1 also, a point of information. My
2 understanding is that PGW initially came
3 into this opportunity trying to purchase
4 the property but we were not able to
5 meet the terms, and that's how we got
6 into the situation of the lease for this
7 location.

8 COUNCILMAN HENON:

9 Councilmember Domb, do you want to add
10 anything before we move on?

11 COUNCILMAN DOMB: I'm good.

12 Thanks for your comments, Councilmember
13 Henon. Thank you.

14 COUNCILMAN HENON: Absolutely.
15 I appreciate you. Thank you.

16 We have taken the roll. The
17 Chair recognizes Councilmember Squilla
18 on a motion on Bill No. 210079.

19 COUNCILMAN SQUILLA: Thank you,
20 Mr. Chair.

21 I move that Bill No. 210079 be
22 reported from this Committee with a
23 favorable recommendation and further
24 move that the rules of Council be
25 suspended to permit the first reading of

1 this bill at the next session of
2 Council.

3 COUNCILMAN OH: Second.

4 COUNCILMAN HENON: It has been
5 moved and properly seconded by
6 Councilmember Oh.

7 All those in favor will signify
8 by saying aye.

9 (Aye.)

10 COUNCILMAN HENON: The ayes
11 have it. Motion carries.

12 Bill No. 210079 has been
13 reported out of this Committee with a
14 favorable recommendation with the
15 suspension of the rules as to be heard
16 at our next session of Council.

17 I want to again remind
18 everybody and the general public that
19 Bill Nos. 200677 and 210076 were held at
20 the request of the bills' sponsor. This
21 will conclude the business before the
22 Committee on Public Property and Public
23 Works.

24 And I want to thank you all for
25 your due diligence and your consistency

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1 in championing what's right for the
2 ratepayers and the people of the City of
3 Philadelphia. So thank you all and have
4 a safe day.

5 COUNCILWOMAN GAUTHIER: Thank
6 you.

7 COUNCILMAN GREEN: Thank you
8 all.

9 COUNCILMAN DOMB: Thank you.
10 (Committee on Public Property
11 and Public Works adjourned at
12 10:40 a.m.)

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

I, hereby certify that the
proceedings and evidence noted are contained
fully and accurately in the stenographic
notes taken by me in the foregoing matter,
and this is a correct transcript of the
same.

TANEHA C. CARROLL
Court Reporter - Notary Public

(The foregoing certification of
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