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

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, April 26, 2000
9:30 a.m.

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BILL 000165 - An ordinance amending Title 19-200 of the Philadelphia Code, entitled "City Funds, Deposits, Investments, Disbursements," by amending Section 19-202, entitled "Authorized Investments," by adding subsections on United States Treasury certified Community Development Financial Institutions.

PRESENT: COUNCILWOMAN JANNIE L. BLACKWELL, Chair
COUNCILWOMAN MARIAN B. TASCO, Vice Chair
COUNCILMAN FRANK DICICCO
COUNCILMAN JAMES F. KENNEY
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN BLONDELL REYNOLDS BROWN

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I N D E X

P R O C E E D I N G S

COUNCILWOMAN BLACKWELL: Good morning, everyone. We certainly thank you for your patience.

We will now begin the public hearing of finance for Bill No. 000165. We have a quorum for the Finance Committee: Councilwoman Tasco, Councilman Nutter, Councilman DiCicco, myself (Jannie Blackwell). Councilman Cohen will be here, and Councilman Kenney is on his way into the chambers.

Having said that, we would now ask the City Treasurer to come forward and all else who would like to begin testimony for Bill 000165. Our witness list includes the Treasurer, Dr. Emma Chappelle, Dr. Jeremy Nowak, Christina Weinmann, R.F. Desiderio, Leslie Benoliel, and Robert Farmer. So we are toward begin whenever you are ready to come forward to testify.

If he is not here, we will move forward. All right, the City Treasurer will not be testifying this morning.

And, Dr. Chappelle, we welcome and ask you if you would come forward, identify yourself for the record, and begin with testimony. And, again, thank you all.

Thank you. Councilman Goode is also here and is keeping us informed. Thank you for the information that the City Treasurer will not be testifying this morning.

Dr. Chappelle? Welcome.

DR. CHAPPELLE: Yes. Thank you so much and good morning to all of you. And thank you, too, Councilman Goode, for promoting this bill. It's the support of CDFIs in Philadelphia, Bill No. 165. I am Emma Chappelle, and I am the founder and CEO of United Bank of Philadelphia. United Bank of Philadelphia is proud to say that they are a community development financial institution.

COUNCILWOMAN BLACKWELL: Excuse me, Dr. Chappelle. I neglected to read the title of the bill. Would you permit me to do that?

DR. CHAPPELLE: Certainly.

COUNCILWOMAN BLACKWELL: Let me again thank Councilman Goode, who introduced this bill with Councilwoman Blondell Reynolds Brown.

It is an ordinance amending Title

19-200 of the Philadelphia Code, entitled "City Funds, Deposits, Investments, Disbursements," by amending Section 19-202, entitled "Authorized Investments," by adding subsections on United States Treasury certified Community Development Financial Institutions.

Thank you again.

DR. CHAPPELLE: Okay, thank you.

Again, I'm proud to say that United Bank of Philadelphia is a U.S. Treasury certified community development financial institution located right here in Philadelphia. And if one would ask why we seek to get certification, it is because it provided the kind of governmental support that we needed, as well as private industry support. As a full-service commercial bank, we pride ourselves on being a community development bank also, providing services to the greater Philadelphia area at large and especially in underserved communities.

While we appreciate the fact that we are the first bank in the Commonwealth of Pennsylvania to become federally certified as a CDFI, we also support the non-bank CDFIs and the

4/26/00 FINANCE - BILL 000165

important role that they serve in the community. Bank and non-bank CDFIs increase the low- to moderate-income communities access to capital as well as leveraging public and private-sector dollars -- sometimes threefold. The certification has allowed other banks to invest in us as part of the Bank Enterprise Act Program, which thus increases our ability to lend money in the lower-income communities as well as some of the less desirable area of Philadelphia. And in keeping with this administration's thrust of reinvesting in communities, and especially in neighborhoods, we are most anxious to begin to take on an even greater challenge in that area.

The certification has allowed us, through our nonprofit, to provide much needed financial education to members of the community. We hold workshops regularly, we actually teach at Community College, we use our branches as classroom study centers, and we promote small businesses. We also teach people -- young people and old people alike -- financial literacy. The certification has allowed us to also provide technical assistance to small businesses to help them survive, prosper, grow, and creates jobs in the neighborhood.

Who benefits by us being a CDFI? I would say the community at large, but more specifically, the low- to moderate-income members of the community. I am, therefore, appealing to you to support the passage of this bill so that the CDFIs can continue to increase their capacity to lend in the underserved communities in the City of Philadelphia.

COUNCILWOMAN BLACKWELL: Thank you very much.

DR. CHAPPELLE: Thank you.

COUNCILWOMAN BLACKWELL: And we thank you for coming into West Philadelphia, where the majority of your people are.

DR. CHAPPELLE: Yes.

COUNCILWOMAN BLACKWELL: And the for that you do in and for our city.

Are there any questions for Dr. Chappelle? Councilman Kenny?

COUNCILMAN KENNEY: Good morning, Dr. Chappelle. How are you?

DR. CHAPPELLE: Good morning,

Councilman.

COUNCILMAN KENNEY: Good to see you.

DR. CHAPPELLE: Thanks.

COUNCILMAN KENNEY: Could you explain not only your institution but other institutions that are under the constraints of both state regulatory and federal regulatory rules and regulations about lending policy and how difficult it is for many banks, even one that's in the situation that yours is in, to serve a specific segment of the community along with everyone else. How hard is it to meet those CRA requirements because of the lending requirements that are put on by regulators? And even though we want to invest in certain community and in certain projects, that we are constrained in many ways as banking institutions by these regulations.

Could you talk a little bit about how difficult it is to actually lend money.

DR. CHAPPELLE: Yes. In fact, it is a constraint because we are heavily regulated. In fact, I was just coming back from Harrisburg last night and had this discussion with one of my colleagues, which is that on the one hand, we are

4/26/00 FINANCE - BILL 000165

regulated as a straight traditional bank; on the other hand, we are a CDFI, a community development financial institution. And as we speak, never the twain shall meet.

COUNCILMAN KENNEY: Right.

DR. CHAPPELLE: Because we have requirements to lend, to make loans. We get CRA credit, Community Reinvestment Act credit, but when you're evaluated, when they look at our loan portfolio, they look at it as though it's a traditional bank loan, and it doesn't fit. And so, therefore, you can have your loan portfolio downgraded as a result of that.

And what we've had to do as late as for December 1999 is that we had to increase our loan loss reserves to such a level that it caused the bank to have to show losses because of the requirement on the regulatory side for bank regulatory emphasis is to -- they have a certain standard. If your payment has not been paid by 30 days, you fit into one category, or 60 days or whatever the case might be. So then you have to keep increasing loan loss reserves relative to how fast the customer is paying.

4/26/00 FINANCE - BILL 000165

And oftentimes, especially in the minority communities, when we make loans to them, unless, say, for example work, they're working a contract -- and the contract could be with the City of Philadelphia -- if they are not paid in 60 to 90 days, then they cannot pay the loan. And so while we might put the loan on a non-on accrual basis, it still then is downgraded as a result of the regulatory requirement.

But the CDFI certification -- in fact, we just organized a trade association representing the 23 CDFI banks in the United States -- and there's only 23 -- because we found that we had a specific -- a particular set of circumstances even beyond what the nonprofit CDFIs had and beyond what regular straight traditional banks have. And that is, we are dancing with two masters, we have two masters.

So on one side, we do fit the community development requirement in terms of lending back in the community; on the other side, we are penalized by our regulatory bodies for doing that. And so we're trying to get them to talk together.

COUNCILMAN KENNEY: So does the CDFI designation make it easier? Or it really has no -- it's not taken into consideration by the regulatory agencies?

DR. CHAPPELLE: They say that they want to take it into consideration, but they are not taking it into consideration. They say, That's all well and good, you're doing a great service for the community, but we have no other way to evaluate you except as a straight traditional bank.

But where it helps is, it's capacity-building if we are invested in through the CDFI -- which we have been. If we hadn't been, we would never have been able to create the nonprofit that we did, which now takes some of the weight off of the bank by providing education and training. On the bank's side, it helps build capacity because as equity investment that we are currently getting, we would never have been able to grow the bank where we have if it had not been for CDFI support.

So it's both ways.

We are challenged by our mission -- and

that is by serving people who typically have low balances, high-transaction accounts. And so it's more costly to service that group. And so I would say, though, that the CDFI certification has gone a long way in strengthening our financial institutions.

COUNCILMAN KENNEY: But it is safe to say that even institutions that are desirous of lending in the communities that have been traditionally underserved, they do run into regulatory problems, both state and federal.

DR. CHAPPELLE: That's right, absolutely.

COUNCILMAN KENNEY: Fine, thank you.

DR. CHAPPELLE: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilwoman Tasco?

COUNCILWOMAN TASCO: Who created the CDFIs and who issues the certification?

DR. CHAPPELLE: It's the United States Treasury Department. It comes under the U.S. Treasury. It is an outgrowth of this administration's and their attempts to reinvest in the community.

And I think it came out of the President's commitment -- in fact, I had been at a very important meeting at the White House where there were a number of banks involved where we talked about the need to reinvest in communities like Philadelphia, inner-city communities. And one of the things that I was privy to is that once before, there used to be something called "min bank" that allowed particularly minority banks to receive equity capital to help under-gird their support because you have to have a certain capital-to-asset ratio.

And the President himself indicated in that meeting with other bank regulators present that he wanted to create a fund that would allow not only banks but other economic development agencies to do the kinds of things that we're doing.

COUNCILWOMAN TASCO: Your regulators -- well, who regulates your bank on the federal level?

DR. CHAPPELLE: The Federal Reserve Bank.

COUNCILWOMAN TASCO: So what connection do they have with the federal government? This is just for --

DR. CHAPPELLE: It's very important that -- I would like to see the Federal Reserve talk with the U.S. Treasury. In fact, we did have a meeting with FDIC so far. But the Federal Reserve, at least the local feds, are not on the same page as the CDFI fund. And so it means that we are pioneers and we are kind of educating as we go, but we're also very much penalized -- getting to Councilman Kenny's point, very much penalized on one side for being a CDFI as opposed to being a straight bank.

Otherwise, we would -- if we were not a CDFI, it would continue the status quo of minority communities and underserved communities not having access to capital.

COUNCILWOMAN TASCO: Are CDFIs created through legislation?

DR. CHAPPELLE: Yes.

COUNCILWOMAN TASCO: Or is it just a program that --

DR. CHAPPELLE: It's through

4/26/00 FINANCE - BILL 000165

legislation.

COUNCILWOMAN TASCO: It's through legislation, okay.

To your knowledge, when the program was presented to Congress, was the Federal Reserve involved in any way to be supportive or understand the purpose of this program?

DR. CHAPPELLE: Not to my knowledge. I think -- at least from the minority bank perspective, I think what happened is, the National Trade Association was going through some upheaval itself, so they were not at the table at the time they should have been there. They were privy to this coming down. In fact, our national president admitted that, therefore, it meant that we were always going -- riding upstream, trying to educate them on how minority banks work and what was needed to get the regulatory bodies to understand what the CDFI fund was intended to do and how it can work in concert with being a commercial bank.

COUNCILWOMAN TASCO: Describe this program in relationship to the Community Reinvestment Act. I mean, do you still come under the Community Reinvestment Act?

DR. CHAPPELLE: No. It's a separate fund unto itself. The Community Reinvestment Act is the one that's been in existence for a long time, CRA. And banks get credit from investing in certain communities and certain vehicles, and they get CRA credit, and that is a requirement. There is an exam, a specific exam by the regulatory bodies to do that.

But even with that, if you're a small bank like us, you are still penalized if you do CRA-type credits because -- the big banks can absorb it because they are big, and they can do a lot and get CRA credit for that; or they cannot do a lot, depending on what they decide to do.

But little banks like us are penalized because it makes up a larger percentage of our portfolio. We are a CRA bank, our whole bank is CRA. So we exist as a result of that.

And so it really requires a bringing together, I think, of some of the regulatory bodies to help them understand what it is we're up against.

COUNCILWOMAN TASCO: Mm-hmm. Thank

you.

COUNCILWOMAN BLACKWELL: Are there any other questions?

DR. CHAPPELLE: Thank you.

COUNCILWOMAN BLACKWELL: Oh, I'm sorry. Mr. Nutter?

COUNCILMAN NUTTER: That's all right.

DR. CHAPPELLE: I didn't mean to cut him off.

COUNCILMAN NUTTER: No, no, no, no, no. You've got a bank to run. I can. . .

DR. CHAPPELLE: Okay.

COUNCILMAN NUTTER: Thank you.

DR. CHAPPELLE: Thank you.

COUNCILMAN NUTTER: Thanks for being here.

COUNCILWOMAN BLACKWELL: Thank you very much.

DR. CHAPPELLE: My pleasure.

COUNCILWOMAN BLACKWELL: Dr. Jeremy Nowak, President of the Reinvestment Fund.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Thank you. Welcome again and thank you for all the fine work

4/26/00 FINANCE - BILL 000165

that you do.

DR. NOWAK: Thank you, Councilman Blackwell.

COUNCILWOMAN BLACKWELL: And would you formally identify yourself for the record.

DR. NOWAK: I would. My name is Jeremy Nowak, and I'm the President of the Reinvestment Fund. We're a 15-year-old community development financial institution. We're located in Philadelphia, we are regional, although we do the majority of our work in Philadelphia. And I am here to testify in favor of Bill 165.

What I would like to do is tell you a little bit about what we do, maybe a little bit about the field in general, a few ideas about the kind of role the City might play. And then if -- I was around at the dawn of this legislation and testified in front of the Senate in 1992 for the original federal bill and so I'm certainly happy to comment on some of the issues that Dr. Chappelle spoke toward.

We're an $80 million asset company, we've been around since 1985. We finance housing and economic development projects that we think will revitalize neighborhoods and also create economic opportunity for low-income people.

Since we have been around, we have done about $165 million in financing -- about half of that in the last two years. We have made loans and investments to more than 800 borrowers, we've financed about 5500 units of affordable housing, and as you know, Councilwoman Blackwell, about 800 of those units are in West Philadelphia, in fact.

COUNCILWOMAN BLACKWELL: And we love it. Thank you. We want to keep on doing it.

COUNCILMAN DICICCO: My District Councilpeople wonder where there people are.

DR. NOWAK: No, no, no. And in the northwest too. We're all over the City, but we've probably had, actually, our largest concentration in West Philadelphia, of housing.

We've rehabilitated more than 2.5 million square feet of commercial real estate and community facility space. It would be fair to say that we're the largest inner-city day care lender and investor by far. It would also be fair to say that we are, by far, the largest charter school lender. About 60 percent of all charter school seats in Philadelphia have been financed by us.

We have created a preserve during our lending and have created about 12,000 jobs; we have a loan fund of over $40 million; a bank consortia, which does construction lending of 22 or $23 million in it now; and a $10 million venture capital fund, a venture capital affiliate.

We're structured as a -- the parent corporation is structured as a nonprofit organization, although there are two -- there's one nonprofit affiliate and two for-profit affiliates, including the venture capital fund. All of our capital has come from private investors, individuals, and institutions, which include banks, insurance companies, foundations, hospitals, universities. The only public money that we have ever had invested in the Reinvestment Fund has come from the U.S. Treasury Department's CDFI program.

We are one of more than, I think, about 500 institutions in the country that are referred to today as "community development financial institutions." Collectively, our best sense is that they represent about $4 billion in social investment resources. They include community development credit unions, community development loan funds, micro-lending groups, specialized venture capital funds and, of course, community development banks like United Bank.

While the banks and credit unions are regulated financial institutions, the majority of CDFIs, including the reinvestment fund, are not regulated as depositories, although they are subject to a variety tax and securities regulations. CDFIs share a common mission commitment to community development; that is, the creation of economic opportunity for low-income people and the revitalization of economically distressed areas.

I think during past two decades, this field has shown a few things:

Number one, it has shown that it can manage risk while making loans and investments in some of the country's most stressed neighborhoods and most isolated rural areas;

Secondly, it's shown that it has the capacity to attract and manage private-sector investments by really managing the dictates of what we refer to as a double bottom line -- capital preservation and return to investors on the one hand, and social mission on the other hand.

Thirdly, it has shown that it can work closely with conventional financial institutions to leverage their capital. It has demonstrated that it can provide high-quality technical services to unsophisticated borrowers, and it has shown that it has got a significant capacity for innovation.

And I should just say that during our -- through our $165 million of investment, our charge (unintelligible) freight is actually less than 1 percent of total outstanding assets.

Few investment guidelines, I think, just to let you know about. There's no simple rating system for CDFIs, and that really makes it difficult in many ways for investors to invest in them. They are rarely rated by bond agencies, although, of course, the depository CDFIs have conventional measurements and receive call reports.

The unregulated CDFIs, like the Reinvestment Fund, can be evaluated through the application of common-sense financial and management standards. The best source of this, in fact, can be found at the National Community Capital Association, which is located here in Philadelphia, Pennsylvania. NCCA is a trade association of more than 50 of the nonprofit CDFIs.

While they underwrite the field on its own terms, not in comparison to other financial sectors, they stress the importance of strong balance sheets, strong financial and portfolio management systems, and the strategic capacity to build and serve a mission-based market.

It would not be hard to imagine, I think, the City of Philadelphia taking a pool of assets and making a combination of deposits and investments in CDFIs through a similar application of CDFI-appropriate performance standards.

In so doing, we would recommend that the City identify institutions that demonstrate management capacity and track record to effectively and safely use these financial resources, particularly in places and for financial products that are scarce. We would also recommend that the City resources not overwhelm institutions by providing too high a percentage of their overall assets.

Finally, we think that the City of Philadelphia has an opportunity to use its assets to build the partnerships with CDFIs and banks around specific products and neighborhood revitalization strategies that it wants to promote. This could take a variety of different forms: the business-sector approach, a high-risk loan product that does not have easy secondary market access, or the concentrated investment in a particular commercial real estate market in a key area of the City.

CDFIs take the position that capital investment is a necessary component to building opportunity and reducing poverty. A City of Philadelphia partnership with these organizations would represent a constructive step and a common goal.

Thank you for your interest and for your attention.

4/26/00 FINANCE - BILL 000165

COUNCILWOMAN BLACKWELL: Thank you very much. And, again, we thank you for your commitment to housing and to low-income people in neighborhoods, and certainly we realize that we would not be successful were it not for your support. And we truly thank you.

Are there any questions for Dr. Nowak? Councilman Kenney and Councilman Nutter.

COUNCILMAN KENNEY: Thank you. And good morning, Doctor.

There have been some discussions with OHCD relative to investments that the City has made with federal dollars primarily to some of the new construction and rehabilitation of housing throughout the City, and it's been determined by some look at the OHCD's most recent report that the cost of the average rehab or construction that OHCD has done has been about $160,000 a property.

DR. NOWAK: Right.

COUNCILMAN KENNEY: Could you give me an idea as to what the average cost of some of the properties are that you have rehabbed or constructed throughout the City? And why do those numbers seem -- or at least the OHCD numbers seem

4/26/00 FINANCE - BILL 000165

-- to be so high?

DR. NOWAK: Well, you know, I could write a book about this. It's actually one of my favorite topics.

We have financed projects that are -- where the costs are way too high. For the most part, most of the rental housing projects that we have financed and home ownership projects that we have financed have tended to be, in terms of total cost, in the 80 to $100,000, not in the $150,000 range. If you look, for example, at 46th and Market, in Councilwoman Blackwell's district, again, those houses came in at around 77, $80,000 a house, if you then discounted for the City cost of the land.

COUNCILMAN KENNEY: Was that rehab or new construction?

DR. NOWAK: That was new construction.

Now, what actually particularly alarms me, Councilman -- and I know this will go a little bit off the subject of these hearings -- is for new construction that the costs should be so high. I mean, you can understand that what's happened in so many parts of City is that the rehabilitation of infrastructure is so problematic that the costs of rehabilitating, particularly in historically designated areas, particularly in, you know, the old brownstones or the old three- or four-stories, we can understand that those costs would be high. We understand that because of the cost of environmental remediation that those costs would be high.

But in some instances, I think we just have not been smart about soft costs and we have not been smart about scale. Some of it has to do with economy of scale, some of it has to do with the experience of developers and builders. Some of it has not been that we have not collectively -- and by "here" I mean the City, I mean collectors like us, we have not collectively been disciplined about those costs and have not asked tough questions about costs.

Now, there's another issue. The other issue is that those units are heavily subsidized because of what the values of those properties are in those neighborhoods. So then the question is, do we have a housing strategy that tries to effectively build values in some neighborhoods so that you can limit the amount of subsidy going forward? Do you use subsidy strategically to get you closer to a market, or do you use subsidy as a never-ending hold that you can never get out of?

Do you see what I'm saying?

COUNCILMAN KENNEY: I understand.

DR. NOWAK: And I would say that in far too many cases, strategy in this city has not asked, what is the most effective use of subsidy? Here, I would say, this is not simply a housing issue. And, Councilman Nutter, you and I have talked about this with Section 108 loans and TIFs, one of our favorites. Here I would say it's also an issue for economic development investing.

You have to ask, What's the most effective use of subsidy, why is subsidy applied, is it a market issue, will we eventually get to a point where we don't need the subsidy. If you can't explain it in terms of getting to a place where you're not going to need the subsidy, what's the strategic reasoning behind it?

And this, again, is a little bit off the subject, but if looked, for example, at the application of 108 loans, in the economic development sphere, for the most part, I would say that the 108 loans have got an underlying cash flow that is going to repay, hopefully, the City.

COUNCILMAN NUTTER: Exactly.

DR. NOWAK: The 108 loans in the housing sphere are going to cause a reduction of CDBG allocation every year.

Now, maybe there was a strategy as to why you would use this or not, but I think they're the kinds of questions that Council has got to ask.

So -- not to get off on a tangent, but they are important questions.

COUNCILMAN KENNEY: Well, I guess it's of concern of me because I see the numbers when we look at the housing stuff. And, I mean, the average person in Philadelphia doesn't live in a $160,000 home.

DR. NOWAK: No.

COUNCILMAN KENNEY: And I'm wondering what we could do to expand the ability to house people in need if we weren't spending those kinds of dollars per unit. We could probably double. Considering what you've been able to do at 65, 75, 80, maybe we'd be able to double the number of people we're housing in the City, as opposed to spending $160,000 a unit.

DR. NOWAK: If you went to Councilwoman Blackwell's district and you looked at the -- even the tax credit, which, by their nature, tend to pump costs up because of syndication costs, and if looked at the tax credit transactions that Mazo (ph.) and Levin have done, the numbers are way down in comparison to other numbers.

So I think we've got to be smart about this or the end-user -- see, part of this question is, who's the end-year? In our view, the end user is the low-income person or the neighborhood or the citizens of Philadelphia. The end user is not a particular developer or sector. The end-user, or the customer, are the low-income people or the residents of Philadelphia and the taxpayers. And I'd say you want to maximize the use of subsidy to maximize the amount of product, and you want to make decisions based on that, including housing strategy decisions.

That is not, for the most part, the way we've done it -- and not simply in the last 10 years but in the last 20 or 30 years, I think. So I think it's important.

COUNCILMAN KENNEY: What's the appropriate agency in your mind in Philadelphia that should be asking these, quote/unquote, hard questions to developers on soft cost and overall costs?

DR. NOWAK: Well, in the last administration, I would have said that the appropriate agency probably would have been either the Office of Housing or the Redevelopment Authority, at least on the housing realm.

As I understand it in this administration, I guess, the way the flow chart works is, all of those agencies will report strategically into Commerce. And so I think what I would do is ask those questions of the Commerce Department because Commerce has got all housing, economic development, the Redevelopment Authority, and even a live transportation departments that report into it.

So I would think that the whole part would -- see, I think what you're saying is that cost structure is de facto, also policy. And if that is so, which I agree with, then I would ask the Commerce Department under this administration, which, of course, is easy to do 'cause there's not a Commerce Department director yet. But I would ask the Commerce Department to take that issue up, and I would think it's an issue they'd be interested in taking it up.

COUNCILMAN KENNEY: On the opposite side of the argument, do you think that there is a potential that some developers who are in this business now would opt not to be in that development kind of business -- not to be in that kind of development business if, in fact, those hard questions were being asked about soft and overall costs? I mean, would they decide that, you know what, I mean, if you're going to twist me and turn me and ask me all these questions relative to my cost, perhaps I ought to be in some other business.

I mean, my point is --

DR. NOWAK: In some instances. But, see, I think it gets back to the issue of --

COUNCILMAN KENNEY: Not that I mind them leaving the development business either, as far as this is concerned, but it seems to be lucrative on the backs of poor people.

DR. NOWAK: On the tax credit side, I think that that's right, that's exactly right.

So I would say that some developers would just get more efficient, some developers would leave the business. So I think that both of those would happen.

So you don't want to create a situation where it's not profitable. If it's not profitable, then investors and consumers and entrepreneurs are not going to be part of -- they're not going to be in the City. So you want to create a system where it is profitable but it's not off the backs of poor people. I think that's what you're saying.

But you want to create a situation where the system is transparent and predictable. What developers and entrepreneurs and investors need is transparency and predictability -- whether it's around the acquisition of land or the investment and development of product. If they know the rules of the game and if they think they can be profitable within the context of the rules of the game, they'll be there.

And my sense is that developers and entrepreneurs in Philadelphia complain more -- and I see this on the small business end. They complain more about the issue of predictability and transparency in some instances than even the cost of doing business. That's a big issue, and that gets back to the opaque nature of regulatory processes in the City.

COUNCILMAN KENNEY: Right, thank you. Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Councilman Nutter?

COUNCILMAN NUTTER: Thank you.

Before we leave this part of the topic, Mr. Nowak, what specifically do you mean by "transparency" and, I think it was, "consistency"?

DR. NOWAK: It was transparency and predictability.

You know, I mean that if I am the resident or an entrepreneur and I want to acquire a piece of land or I need to know what kind of license to get to open up a business, that I do not have to figure out the arcane nature of city government.

COUNCILMAN KENNEY: Like who do I go to, who do I deal with?

DR. NOWAK: That's right. If there are four or five different ways to acquire a piece of land, that all of that is the city government's problem, that there is a point of entry to the customer that is transparent. Do you see what I'm saying?

So that -- and if I know it's going to take me 60 days or 90 days, then I can plan for that within the business model that I'm using.

COUNCILMAN NUTTER: Well, as you know, if you think it's complicated for the developer, it's actually sometimes complicated for us too.

DR. NOWAK: Yes.

COUNCILMAN NUTTER: In trying to figure out which agency to deal with and who has jurisdiction and all of that.

DR. NOWAK: Absolutely.

COUNCILMAN NUTTER: The other thing is, it just -- I would not be in my proper character if I didn't go back to a comment that you made earlier. You know, because of our conversations, that I have a particular feeling about the use, the excessive use, in my opinion, of the HUD 108 loan program on the housing side -- having nothing to do with the quality of work that was done, the need for people to be in good housing. This is more of an internal issue of, do you use loan money to support housing, which you then have to pay back from the same pot that you do your housing from?

DR. NOWAK: Correct.

COUNCILMAN NUTTER: And I think that we have clearly mortgaged the future for the short-term benefit. And if you've got one of those houses and you're sitting in your house right now, you know, watching some TV show, it's great for you. But the reality is, is that we now have to take $13 million off the top of the CDBG allocation.

DR. NOWAK: That's right.

COUNCILMAN NUTTER: Which does not grow at all.

DR. NOWAK: Correct.

COUNCILMAN NUTTER: And that goes to

4/26/00 FINANCE - BILL 000165

principal and interest payments because a policy was pursued and the decision was made, and we went from 2 or $3 million to now $13 million a year for the next 10 years right off the top, before you ever put a dollar out in the street so -- but that will be CDBG time.

Let me ask you a couple questions now, kind of back on point about CDFI. Just for the record, what types of projects -- and if you could give some specificity to it -- are funded by CDFIs? And if you want to talk about some of yours, that's fine.

DR. NOWAK: I'll use our example. I just came -- before I was here, I came from a breakfast with Willy Johnson, who runs PRWT, which is a call center, which is one of the largest now minority-owned companies in the country. It's a call center that does the back-office work for AT&T, Bell Atlantic, and many others. We've got a half million equity investment along with the $1.5 million equity investment from another venture fund. We've helped grow that company in the last four years and they've created 300 jobs for inner-city families.

COUNCILMAN NUTTER: Mm-hmm.

DR. NOWAK: So there's an example of a company.

Our SBA unit -- we've now an approved SBA lender -- is making loans all the time. And here I find it pretty -- we're making loans all the time, SBA loans that have been pre-approved by the SBA, that no one else will make. And we have very quickly, in 8 or 10 months, become the tenth-largest SBA lender in the region. This is not to brag about us. I mean, this is just a problem.

In the world of things like charter schools -- there's a gentleman here from Universal Community Company and we just made a $1.5 million loan to expand their charter school. We've been up in the northwest, the principal lender to that charter school associated with West Oak Lane. And we are the financier of FAME, which was the job training program that Dwight Evans and many others put together up there.

So the gamut is really broad.

COUNCILMAN NUTTER: On the development, that you mentioned, out in West Philadelphia, and to my colleague Councilwoman Blackwell's credit, were these housing developments that the City was also supporting and Reinvestment Fund provided a part of the financing, or were these primarily private deals?

DR. NOWAK: In the neighborhood restorations projects, which are really interesting for this perspective, the only City support came in land and actually not in subsidy, until their last project.

COUNCILMAN NUTTER: So acquisition was the City's support?

DR. NOWAK: Acquisition of land was the City's support, and then it was tax credits and our debt. So we've actually put about $20 million in those projects and then sold them to the secondary market.

In the case of the Nehemiah one, at 46th Street, there was $22,000 per house, I think, of City subsidy. And, you know, our goal there -- again, we didn't want to lose money, but our goal there was to actually limit the amount of subsidy, if I could. I mean, my view was, the less subsidy, the less I have to deal with regulatory headaches. So if I can limit the subsidy, it seemed to me that that was the best thing to do.

So in that instance, it was all private debt, individual mortgage lenders, and then there was some subsidy from the City.

COUNCILMAN NUTTER: Okay. So, I mean, the variety of projects that you might potentially fund or support, I mean, it seems fairly broad.

DR. NOWAK: Absolutely.

COUNCILMAN NUTTER: Just about anything that kind of comes along, and if there was a funding gap or something, someone might be in touch with you or with Miss Chappelle?

DR. NOWAK: Absolutely.

COUNCILMAN NUTTER: I mean, in this concept, I can see where you might be able to fill some gaps.

DR. NOWAK: Absolutely.

COUNCILMAN NUTTER: Okay. Do we have any -- does anyone have any estimates on what you guys, I guess, anticipating the passage of this bill, what you could expect in terms of investment from the City out of making this available?

DR. NOWAK: No, I don't. If you gave

me a number of what was possible from the City, I could then work with that number to lay out what it would lever and what it would produce and what the multiplier is, but since I don't have a number, I haven't worked with that.

COUNCILMAN NUTTER: Okay.

DR. NOWAK: But I could --

COUNCILMAN NUTTER: This is just creating the authority.

DR. NOWAK: That's right.

COUNCILMAN NUTTER: For the City and for the Treasurer's Office to execute, and then they'll, either by design or by negotiation or hammer or twisting somebody's arm, we would then figure out what the actual numbers were.

DR. NOWAK: That's my understanding, Councilman.

COUNCILMAN NUTTER: Okay, thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any other questions for Dr. Nowak?

(No further questions.)

COUNCILWOMAN BLACKWELL: Again, we

thank you see you soon.

DR. NOWAK: Thank you.

COUNCILWOMAN BLACKWELL: See you soon.

Christina Weinmann?

Excuse me, Councilwoman Tasco now has a question.

DR. NOWAK: Sorry.

COUNCILWOMAN TASCO: Hi. How are you?

DR. NOWAK: How are you doing today?

COUNCILWOMAN TASCO: I forgot my question, but I just want to say that I appreciate the comments that you made this morning in the Daily News regarding the points you made about the time it takes and understanding the system on acquiring property, which is a concern I have as we move towards dealing with the issue of blight.

DR. NOWAK: Absolutely.

COUNCILWOMAN TASCO: If we don't deal with the systemic issues, then that won't matter in terms of what we do with blight money.

DR. NOWAK: Absolutely.

COUNCILWOMAN TASCO: 'Cause if we don't prevent properties from sitting so long, we're just throwing good money after bad.

DR. NOWAK: And if we're not strategic about how we use the money, absolutely.

COUNCILWOMAN TASCO: Could you comment on the regulatory process that I raised with Dr. Chappelle in terms of the regulators not really having the sensitivity to what the City advised those that are the regulated by --

DR. NOWAK: Yes. If I could go back to what Councilman Kenney said also, I think banks get a double message. I think there's safety and soundness regulators and there are community investment regulators. And the double message is: Make this loan, do this work; don't make this loan, don't do this work. They get a double message, right?

COUNCILWOMAN TASCO: Mm-hmm.

DR. NOWAK: So banks are able to, depending on the capacity of the bank, they're able to manage that better or worse in a particular environment. So they clearly get a double message between the safety and soundness people and the CRA regulators. So I think that's a structural problem, structural tension in the field.

At the same time, I think what some banks have done, and I think Dr. Chappelle has used the CDFI money to do this effectively, but what banks have done is create affiliates to make higher-risk loans that are shielded from the regulatory process. And so what CDFI does is open up an opportunity to have relatively soft money without the same kind of investor demand on it, to be able to do things that would be hard to do out of the core bank program. See what I'm saying?

So that's what -- and the -- you know, look, the both luxury that we have is that we don't have a bank regulator, you know; on the other hand, if I'm stupid about self-regulation, I'm going to lose all of my money. So the other side of not having a bank regulator is you've got to have the self-discipline to create the kind of regulation that will allow you to make the loans and investments that we just talked about and come out of it with a healthy portfolio so that investors will want to invest and you'll be able to growth.

So the issue for us is a little bit different than it is for Dr. Chappelle, but it puts some pressure on the need for self-regulation and for discipline. And that's important.

COUNCILWOMAN TASCO: It seems that the SBA lenders tend to be more cautious in lending in low-income communities or to minorities. How are you so successful?

DR. NOWAK: Well, we're willing to incur the transaction costs, the time costs that others will not incur -- that's in some situations the thing.

I think in low-income neighborhoods, as we look at the data, we find two things: we find significantly less conventional capital going in, particular for small businesses, into those neighborhoods; but we also find significantly less numbers of businesses.

And so then the question is, where is it a capital access problem and where is it an enterprise development problem? And how do those two things feed one on the other?

And so part of the issue is capital, but part of the issue also is rates of business formation. And the rates of business formation, particularly in inner-city Philadelphia, have been abysmally low. Now, on the mortgage side, or on the home equity, home refinancing side, there's a different set of problems. There, the problem is not the lack of capital; there, often the problem is the wrong kind of capital.

So if you look at data, and we're actually starting to track this in a study that we're doing, you will, on the one hand, find in a lot of neighborhoods active prime lenders, and then you'll find in a lot of inner-city neighborhoods, particularly African-American neighborhoods, largely sub-prime higher-risk but higher price lenders. And in a piece of sub-prime, what you'll find are lenders that we call "predatory lenders," who are taking advantage of relatively unsophisticated borrowers and stripping their equity.

So in some products, the problem is not the lack of money; the problem is capital that is not socially constructive. So you've got different problems, depending on from where you're analyzing it.

COUNCILWOMAN TASCO: Okay, thank you.

COUNCILWOMAN BLACKWELL: Thank you very

much. We appreciate your work again.

DR. NOWAK: Thank you.

COUNCILWOMAN BLACKWELL: We might also note that Councilwoman Reynolds Brown is also here for the hearing. And, as you know, she is a cosponsor.

Next is Christina Weinmann, Program Associate, National Community Capital Association.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Please identify yourself for the record and begin your testimony, and welcome.

MS. WEINMANN: Thank you. Good morning.

COUNCILWOMAN BLACKWELL: Good morning.

MS. WEINMANN: My name is Christina Weinmann, and I'm a policy associate for National Community Capital Association, headquartered here in Philadelphia.

Madam Chair and distinguished members of the committee, I'm honored to appear before you today in support of this bill to authorize investments in certified CDFIs in the City of Philadelphia. My statement today briefly explains

4/26/00 FINANCE - BILL 000165

who National Community Capital is, what CDFIs are, what they do, and an overview of the CDFI industry, and why this bill is a critical step towards supporting the work of CDFIs already working in our neighborhoods.

In interest of brevity, I'd like my testimony just to be recorded for the record, and just I'd like to highlight several important points from a broader view of the CDFI industry because I think that my colleagues on this panel have very eloquently spoke to what CDFIs are doing in the neighborhoods here in Philadelphia.

COUNCILWOMAN BLACKWELL: Thank you.

MS. WEINMANN: National Community Capital Association was founded in 1986 and represents a membership of more than 400 CDFIs and affiliated organizations nationwide. Our mission is to help --

(Disturbance from audience members talking among themselves.)

COUNCILWOMAN BLACKWELL: Excuse me one moment.

Please, could we ask that you please try to keep your voices down. It's very, very difficult to hear testimony.

Thank you very much.

MS. WEINMANN: National Community Capital's mission is to act as a catalyst for lasting social, economic, and political justice. We help institutions and individuals promote capital that increases resources and opportunities for economically disadvantaged people in communities. We are working to build a strong national CDFI industry through our financing, training, consulting, and advocacy. Each year, we train more than 750 CDFIs, regulators, investors, bankers, and others in the practices. And this year, we're holding our 16th annual training conference here in Philadelphia.

There are three important points that I wanted to make. First, I think that Dr. Nowak spoke to -- well, two of the -- one of the things that National Community Capital has been able to do is to keep very good data on the impact of CDFIs in the field. The CDFI industry is in a major growth phase, both in terms of capital; and, two, they are able to raise and in opportunities they're able to create in poor communities. They are managing and leveraging increasingly larger amounts of private and public-sector capital.

A strong capital base is critical to the long-term performance of many CDFIs within their communities. And despite their level of sophistication and performance, many CDFIs are still thirsty for capital to meet those growing demands in these underserved markets, and so they continue to seek innovative ways to meet those needs. This proposed bill is such an innovation for the City to partner with CDFIs in serving in our neighborhoods.

Another point is in the area of performance. As the CDFI field grows and expands, CDFIs are challenged to demonstrate their performance by measuring impact. National Community Capital believes this is a good trend. CDFIs have intimate knowledge of their markets and they manage their risk well. They provide flexible and responsive products and services to distressed communities and make real impact in underserved communities.

As Dr. Nowak recommended, we highly -- I'd like to point out that Treasury-certified

CDFIs are more of a testament to their primary mission and that they are financing entities not beholden to government's control. However, they are not a testament of their effectiveness or of financial liability of the certified organization. And one of the things that National Community Capital actually is working on now is a rating system for CDFIs, and that's currently in the works.

A final point that I wanted to make is that consolidation in the financial services industry makes linking poor people to mainstream institutions is all the more important. The U.S. financial system is no longer characterized predominantly by locally-based intermediary institutions but by, rather, the mega-banks. As local savings flow out into regional, national, and international markets, the credit and capital gaps that plague struggling communities widen.

As a result, CDFIs must play an expanding role in the future of providing financial services to put poor people in local communities. In addition, it's also a more critical role for CDFIs to be there to serve as an alternative financing institution to the predatory lending practices of some of the financial institutions moving into the communities.

In a recent study published by Councilman Goode's office, it noted that the City of Philadelphia should prepare its most disadvantaged neighborhoods for future private-sector investments. CDFIs are a strategy, a proven strategy, to effectively deliver on that recommendation today. Again, this bill is a key component to complement the City's community economic investment strategies for our neighborhoods.

In conclusion, National Community Capital strongly supports Bill 165. We applaud Councilmembers Goode and Reynolds Brown for introducing this important legislation.

Thank you for the opportunity to share my views, and I'd be pleased to answer any questions you have.

COUNCILWOMAN BLACKWELL: Thank you very much. Are there any questions?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you so

4/26/00 FINANCE - BILL 000165

much, and your testimony is excellent and describes things quite well.

MS. WEINMANN: Thank you.

COUNCILWOMAN BLACKWELL: We will provide the testimony for the PNC Bank and make that a part of the record.

And now we will call on -- R.F. Desiderio, the Senior Vice President of PNC Bank, will not be here, but we will make that testimony a part of the record.

And we will now call on Robert C. Farmer, Vice President of First Union National Bank, are you here? He's gone?

All righty, I understand that Mr. Farmer had to leave. Let me also note that Bob Fishman, who heads Resources for Human Development -- are you here to testify for Bob Fishman?

UNIDENTIFIED MAN: Yes.

COUNCILWOMAN BLACKWELL: All righty. Please come forward.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Thank you very much, and we appreciate the work that R.H.D. does, and we look forward to doing some great things in the southwest.

Please identify yourself for the record and begin your testimony.

MR. STEIKER: Good morning, everyone. My name is Joel Steiker and I'm here to testify because Mr. Fishman was unable to stay for this testimony.

First of all, I'm a West Philadelphia resident and want to say that I strongly support this bill. It's very, very vital that the City put money into early-stage companies and existing businesses, and the CDFI has been a strong vehicle to do so.

Let me give you a little background on Resources Human Development. We are a $72 million nonprofit organization. We're one of the largest affordable housing providers in the City. We also provide other services -- economic development, mental health, and a lot of the welfare-to-work initiatives. We currently employ about 2600 people in the Philadelphia region.

In terms of coming before this body this morning, I want to specifically support Bill 165 and tell you a little bit about our activities as a CDFI. Our organization has a program called "Capital to People," and the CDFI specifically is Murex Investments. We're in the final stages of receiving approval from the U.S. Department of the Treasury. We have been doing this now for about 18 months, and so far we've raised about 3.3 million and have invested about 1.5 in about 6 businesses.

The reasons I think you should support this type of legislation is the following. First of all, with the consolidation in the lending industry, banks are basically pulling out of cities and not making investments in cities. And as more and more consolidation continues, the trend is that groups and small businesses cannot get adequate funding. The CDFI was specifically set up to do that, and so that's the number-one reason why you should support this bill.

Number two, as a leverage for both private and other types of public capital, the federal government has a requirement that community development financial institutions get a match from either private-sector or other government sectors, and your funds can be used as a way to leverage other CDFI money from the federal government. That's reason number two.

Third, and I think for us the most interesting, we have carved out a slightly different niche than other CDFI entities in the City, that we are really focusing on employee ownership and in creating wealth for individuals, specifically low-income individuals in the City of Philadelphia. And let me give you some interesting statistics here about wealth creation and why we think it's so important and how the CDFI specifically ties to wealth creation.

According to the Federal Reserve survey of customer finances, the median financial wealth for African-Americans in this country was $200. And what that means is --"median" means half above and half below. And what this figure means is that if you exclude housing and look at people's assets, they have a net asset of $200. I mean, in the bank, they have $200, not including their homes. And if you look for Hispanics, that number is actually zero.

In summary, you can say that a lot of people are basically swamped in credit card debt.

4/26/00 FINANCE - BILL 000165

And the CDFI is one way to help create wealth, and it's very, very vitally important to do that.

When we make investments in our companies -- and, as I've said, we've invested in six companies so far -- we require that employees own at least 10 percent of the companies that they're involved in and specifically so that they can share in the wealth. The other requirement that we have is that employees are paid a living wage of 7.90. And if a company comes to us and cannot meet either of those criteria, we basically say we don't to make the investment, and we are trying very, very hard to make sure that the public money and private money that's going into these investments is being shared by the lowest rungs of people in our society.

Let me conclude by saying that in terms of the long term -- you asked the question, what can people expect from making an investment? and Dr. Nowak said he would need a number to sort of tell you what the kind of impact is, but I think you can look at it from different sectors.

First of all if you -- you can typically -- we invest equity primarily in our

4/26/00 FINANCE - BILL 000165

businesses as opposed to debt, and find that there is a lot of money out there that if you have equity, you can leverage other kinds of debt that's available. And so our particular program is focusing on small manufacturers and high-end service businesses to try to give them the equity so that it can give them the ability to grow as businesses.

And the businesses we've invested in -- and I'll give you three examples of businesses we've invested in Philadelphia to give you an idea of the kinds of activities:

Thermal Flux Corporation is an industrial tire recycling company in the American Street Empowerment Zone. We've invested $250,000 in equity there. The gentleman is a retired colonel from the Air Force. He was not able to get any conventional financing, and we put that equity in and now we're working to stabilize the business and have him grow.

Secondly, we invested in a high-end eyeglass lens manufacturer. And it's a similar situation -- not able to get conventional financing, and we're in the process of -- this is literally a business turnaround. They employ about 35 people. When the business is stabilized and when it gets a chance to grow, we think they can employ upwards of 70 people.

And, lastly, a company called Urban Works, which is a janitorial service company. We're trying to change the way business is done in this industry. Specifically, the wage rates in this industry are in the 6.50 to $7 an hour range, and we are requiring that the entrepreneur pay people 7.90.

And while this is a struggle 'cause it's bucking a big tide, you're just beginning to see what's going on in the country where you see strikes going on in California and other places like that by janitors because the wages are not adequate to basically support their families. And we're basically taking folks from the city out to the suburbs for jobs.

In this particular company, we're employing about 25 people right now, and are growing the company slowly, and we think this could be a several-hundred-person company in short order. And the major issue is getting the capital so that he can handle the accounts that he needs to be able to grow.

So I want to urge you to support this bill 'cause these are the kinds of activities that you can look forward to in the future by basically creating jobs for residents inside the City of Philadelphia.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you so much.

Are there any questions, any questions?

(No questions.)

COUNCILWOMAN BLACKWELL: Let me thank you again.

I understand that Robert C. Farmer, Jr., Vice President of First Union National Bank, is now back in the room. Please come forward, identify yourself for the record, and testify.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Welcome.

MR. FARMER: Thank you very much. Good morning. My name is Robert C. Farmer, Jr., and I'm Vice President of First Union National Bank and the Sales Manager in charge of community development lending for the States of Pennsylvania and Delaware.

The mission of community development lending is that we provide a full-service financial solution to businesses and organizations that serve low- to moderate-income communities throughout First Union's marketplace. We promote economic and housing opportunities for low- to moderate-income communities through public and private partnerships, direct lending, and investments.

The CDL unit focuses on building partnerships and alliances with federal and state government agencies and community-based organizations such as CDFIs to identify profitable ways to enhance local economic development, affordable housing, and social services.

Because of our profit-driven focus, not all community projects fall under CDL. Due to loan policies which require certain historical and projected performance measures, First Union has recognized fooprint-wide that it should support alternative mechanisms to disseminate loan capital.

4/26/00 FINANCE - BILL 000165

Within the past two years, First Union has begun to provide capital for CDFIs by providing non-revolving capital usually over a five-year period such that the CDFI may continue its mission, and First Union may realize its community responsibility under the CRA Act.

The benefits realized by funding CDFIs are to all parties. The CDFI has capital accessible to organizations that understand the needs of the borrowers through the provision of technical assistance and other measures of strategically hedging their risk.

The bank has an effective way to further disseminate capital throughout the communities, which, in turn, stabilizes these communities in which they serve, as well as oftentimes, there's an additional potential for capital to be infused into projects that it participates in, along with charging those interest rates that the CDFIs do. The borrower benefits by having capital potentially available to projects which may not otherwise be available.

The sole sourcing of capital can be problematic to the CDFIs in that the retraction of the sole source can devastate the capital base of that CDFI. First Union and other institutions are willing to provide capital to these institutions but if, in fact, those loans are repaid, then it can be problematic for the CDFI to continue its mission.

The repayment of the loan obligations to the funder -- in this instance, First Union -- may satisfy the obligations of that bank, but the reality is that the long-term impact of the CDFI can be devastating. Further access to a pool of funds such as that supported in this legislation minimizes the potential impact of the funding source drying up, thus increasing the probability of ongoing capital being available for long-term projects that have a positive impact on these communities.

In conclusion, the viability of the CDFIs will continue to be supported by First Union, and we hope that this will be supported by the City through the passage of this legislation.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Farmer.

Are there any questions for Mr. Farmer?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. FARMER: Thank you.

COUNCILWOMAN BLACKWELL: The next and last person will be Leslie H. Benoliel Program Director, Philadelphia Development Partnership.

(Witness comes forward.)

COUNCILWOMAN BLACKWELL: Welcome. Please identify yourself for the record and proceed with your testimony.

MS. BENOLIEL: Thank you. My name is Leslie Benoliel, and I'm the Program Director at the Philadelphia Development Partnership. Thank you very much for giving me the opportunity this morning.

COUNCILWOMAN BLACKWELL: Would you pull your mike closer, please. Thank you.

MS. BENOLIEL: Thanks very much for the opportunity to testify before City Council, the Finance Committee of City Council in support of Bill 165, to invest in CDFIs.

First, I just want to give you a little brief background about my agency and give you a quick glimpse of the people that we're trying to serve with our services and products.

Philadelphia Development Partnership is a 10-year-old agency, a nonprofit organization, that provides small loans, technical assistance, training, networking opportunities to low- and moderate-income entrepreneurs in the Philadelphia region. The bulk of our work is in the neighborhoods of Philadelphia, and we've been operating these specific programs for a couple of years now -- first targeting West Philadelphia and now we're starting to work in areas of North Philadelphia.

Our target audience are low- and moderate-income entrepreneurs. These are folks that are operating tiny, tiny businesses out of their homes. Usually, they're the only ones operating their business. Occasionally, they'll have one or two other people working for them part-time. They are isolated from the mainstream economies, they have lack of access to capital training and technical assistance; hence, the reason why we've developed our programs to serve these needs.

4/26/00 FINANCE - BILL 000165

We don't have an accurate count of how many of these folks are out there since they're off the radar screen and they're not accounted for in any statistics. But given our work in the last year, we know there are hundreds -- perhaps even thousands -- of these folks working in our neighborhoods, struggling to make ends meet with this supplemental income that they're generating from their small businesses.

Right now, we have over 100 people participating in our community capital works peer-lending program, and we're seeing firsthand what small amounts of capital, training, and technical assistance can do for them. That's why we feel it's so important that the City invest in CDFIs like ourselves to effectively channel this needed capital training and technical assistance. We think it's absolutely essential that the City join with so many others from the private sector, the federal government, and the Commonwealth of Pennsylvania, who has made an investment in CDFIs throughout the State, to provide additional resources to support this vital and growing industry.

What we're seeing is improved levels of self-sufficiency amongst these folks. By running these businesses out of their homes, it gives them the flexibility to work with their -- to deal with their families, it provides them with very much needed skills, and it taps them into a network of their peers, something they didn't have before. All these are absolutely essential for their growth and stability and ultimately for the growth and stability of their neighborhoods.

I thank you very much for this opportunity to make this testimony, and I strongly encourage you to support this bill.

COUNCILMAN NUTTER: Thank you.

MS. BENOLIEL: Thanks.

COUNCILWOMAN BLACKWELL: Are there any questions?

(No questions.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any other questions?

(No further questions.)

COUNCILWOMAN BLACKWELL: Is there anyone else here to testify with regard to Bill

165?

(No response.)

COUNCILWOMAN BLACKWELL: This will end the committee hearing for Bill No. No. 165; we will now enter the meeting.

I would like to ask for a motion with regard to Bill No. 000165 and for a suspension of the rules.

COUNCILWOMAN TASCO: Madam Chair, I move that Bill No. 000165 be reported out of committee with a favorable recommendation and with a request for the suspension of the rules so that this bill can be heard at the next -- read at the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 000165 be reported out of committee with a favorable recommendation, and also that the rules be suspended so as to permit first reading at our next session of Council.

All in favor, say aye?

Opposed?

All right. The ayes have it, and so

4/26/00 FINANCE COMMITEE PUBLIC MEETING

Bill 000165 is passed and will be on our next calendar in Council.

(Applause.)

COUNCILWOMAN BLACKWELL: Let me thank all of those who have come to testify on this excellent bill. We are now on our way with that.

Again, thank you all who have come to testify on this bill and certainly Councilman Goode for the work he's done to have this ready for us -- he did all the work -- and for Councilwoman Reynolds Brown, who cosponsored it.

Thank you.

(Adjourned at 10:35 a.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Wednesday, April 26, 2000, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE ON FINANCE
BILL NO. 000165

________________________________,

JOSEPHINE CARDILLO,
Registered Professional Reporter