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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COUNCIL COMMITTEE ON
COMMERCE AND ECONOMIC DEVELOPMENT

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- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, 10/24/00
10:15 a.m.
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11 Bill 000355 - Tax Increment Financing District
Certification.

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13 BILL 000546 - Establishing the Philadelphia
Community Reinvestment Corporation.

14 BILL 000180 - Increase Safe Harbor Goals in
Neighborhood Benefits Strategy.

15

16 BILL 000181 - Employment of Low- and
Moderate-Income Persons by City Contractors.

17

18 PRESENT: COUNCILMAN MICHAEL A. NUTTER, Chairman
COUNCILMAN FRANK DICICCO, Vice Chair
19 COUNCILMAN DARRELL L. CLARKE
COUNCILMAN W. WILSON GOODE, JR.
20 COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILWOMAN MARIAN B. TASCO

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

3 COUNCILMAN NUTTER: Good morning. The
4 Committee on Commerce and Economic Development
5 will be starting in a couple minutes. There is a
6 Councilmember on his way, which will give us a
7 quorum, and we will get underway in a couple
8 minutes.

9 Thank you.

10 - - -

11 COUNCILMAN NUTTER: Good morning. This
12 is the Council Committee on Commerce and Economic
13 Development. We now have a quorum and we will
14 start today's hearings. I'm Councilman Nutter,
15 chairman of the committee, and to my far right, we
16 have breaking -- breaking new ground today is
17 Councilman DiCicco, leading a sartorial effort to
18 have a relaxed dress code at Council hearings;
19 Councilman Goode; Councilman Ortiz is in agreement
20 with Councilman DiCicco's new look; as well as
21 Councilwoman Tasco; and Councilwoman Reynolds
22 Brown.

23 There are four bills before us this
24 morning. We have a couple logistical hoops that
25 we're going to try to jump through and accommodate

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2 a couple of people. At the end of the day, we
3 will get all of the business done, and I've worked
4 out with Councilman Goode that we will initially
5 hear testimony from our City Controller, Jonathon
6 Saidel, on Bill No. 000355. After that testimony,
7 we will then go to Bill 000546 so we can hear from
8 all of the witnesses on Councilman Goode's bill,
9 and then the other bills will be called up after
10 Bill 546.

11 Is that in accord with the
12 understanding of the rest of the committee? Okay.

13 The clerk of the committee will read
14 the title of Bill No. 000355.

15 THE CLERK: Bill No. 000355, an
16 ordinance amending Chapter 21-1400 of the
17 Philadelphia Code, entitled "Tax Increment
18 Financing Districts," by providing for certain
19 additional requirements for Tax Increment
20 Financing District project plans relating to a
21 certification statement, good-faith efforts to
22 provide employment opportunities for youth, and to
23 provide contracting and employment opportunities
24 for minority, female, and disabled business
25 enterprises and individuals and the filing of

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2 certain documents, all under certain terms and
3 conditions.

4 COUNCILMAN NUTTER: Good morning, can
5 we have the Controller at the table for Bill No.
6 0003556789.

7 (Witness comes forward.)

8 MR. SAIDEL: Good morning.

9 COUNCILMAN NUTTER: Good morning, sir.

10 MR. SAIDEL: I have just a quick
11 statement, and then I'll certainly be available
12 for any questions that you may have, Mr. Chairman,
13 or the other Council people.

14 I come before you today to offer
15 testimony on Bill No. 000355, which would provide
16 additional requirements for Tax Incremental
17 Financing Districts. I applaud Councilman Nutter
18 and City Council for focusing on this important
19 subject.

20 As you know, Tax increment financing
21 allows the City to finance projects by issuing
22 bonds or notes that are repaid by the increased
23 revenues resulting from improved property values
24 and business activity. Ideally, tax Increment
25 financing encourages a project to move forward

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2 where it would otherwise not and then help with
3 funds of projects for future tax revenues that
4 would not have come to the City but for the tax
5 increment financing.

6 City Council's considered and approved
7 more than twenty Tax Increment Financing Districts
8 in the past five years, from recently completed
9 development of the landmark PSFS building into a
10 premier hotel to the soon-to-be-completed
11 conversion of the Schmidt's Brewery site from a
12 blighted eyesore to a neighborhood shopping
13 center.

14 But I know this legislative body has
15 been frustrated when considering requests for
16 TIFs. Each time a new TIF request comes before
17 this Council, you are told that but for the TIF,
18 the project would not move forward, and that each
19 prospective TIF deal will, in the long run, be a
20 winner for the City. I know you wonder if
21 projects could move forward without the TIF, I
22 know you question whether the City uses TIFs to
23 encourage projects based on a grand economic
24 development plan, or whether TIFs have simply
25 become entitlement that any developer seeks before

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2 moving forward with any deal.

3 Government is often asked to subsidize
4 private enterprise through direct governmental
5 grants, tax abatements, infrastructure
6 improvements, and other expenditures. In theory,
7 government benefits if its investments produce a
8 positive, sustained, and widespread private market
9 reaction. The test for whether public investment
10 should be used to encourage private investment
11 must then compare the costs asked of the public to
12 the benefit of the public can expect to derive
13 from that particular project.

14 Among other provisions, Bill 000355
15 would require the Mayor to submit to Council a
16 statement signed by the Controller, Finance
17 Director, and Executive Director of PICA endorsing
18 the revenue and job projections involved with a
19 given Tax Increment Financing District.

20 I think this could be a part of the
21 strategy to help ensure the economic development
22 efforts of this city -- and specifically TIF
23 projects -- move forward based on sound
24 assumptions. But I fear that such an endorsement
25 alone would do little toward helping the Council

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2 achieve its goal of guaranteeing that it is acting
3 in the public's best interests in these matters.

4 First, unless we find a way to actually
5 look into a developer's heart, we will have no way
6 to truly determine if a given project would move
7 forward without a TIF. If a developer tells us
8 that a deal would not move forward but for the
9 TIF, we will still be left to take the developer
10 at his or her word. Even if I suggest that the
11 City no longer needs to TIF hotels, only the
12 individual developer truly knows whether or not he
13 or she could build a new hotel without a TIF.

14 Second, I can certainly examine the
15 specifics of a given TIF deal to determine if the
16 revenue and job projections will result in a deal
17 that benefits the City over a long term, but I
18 would never be able to look into the future to
19 determine whether the revenue and job growth will
20 occur, as projected. Even if I endorse the
21 revenue and job projections, I could only predict
22 economic downturns or industry conditions that may
23 be cause those revenues or jobs to wane.

24 I do believe that with a few changes,
25 this legislation can achieve its goal of helping

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2 to assure this Council that it is acting in
3 public's best interests when considering tax
4 increment financing legislation specific. I
5 suggest four specific changes:

6 1. The City should adopt an overall
7 economic development plan designed to support
8 businesses and growing industries and businesses
9 that create a significant impact on local
10 economy. With such a plan, the Administration and
11 this City Council could then develop criteria to
12 help guide which industries the City is willing to
13 subsidize, how much the City is willing to
14 contribute for each new and retained job, and
15 where to target subsidy assistance within the
16 City's neighborhoods. Similarly, a plan would
17 include an overall reevaluation of our tax
18 structure to encourage economic development that
19 would naturally eliminate some of the need for
20 targeted assistance.

21 2. Philadelphia should follow the lead
22 of cities like Minneapolis, which is considering
23 proposing application fees of \$5,000 to \$50,000
24 for developers who propose TIFs to help fund
25 economic-risk studies for the TIF project. Such a

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2 measure would help ensure that only serious
3 developers apply for TIF assistance, while
4 providing necessary funding for the City's due
5 diligence.

6 3. The City only support a TIF if it
7 is accompanied by an agreement between the City
8 and the subsidized developer that indicates the
9 conditions upon which the City shall terminate a
10 tax abatement or request repayment of all or a
11 portion of tax savings received if the developer
12 fails to meet agreed-upon job or tax revenue
13 growth. Indianapolis employs such an agreement,
14 which is called a "claw-back agreement," to make
15 sure that the city protects its investments.

16 4. Finally, as we consider the ailing
17 financial situation of the School District of
18 Philadelphia, we must look to hold the District
19 harmless when considering new TIF projects. While
20 it is true that we are not taking away from the
21 District to do a TIF deal, the District
22 customarily gives up more than half of its future
23 taxes, but must be repaid at a much slower rate
24 than the City because of the different mix of
25 taxes collected by each entity. In the future, we

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2 should consider only using the City portion of the
3 real estate tax for TIFs or, at the very least,
4 make sure that the District's return on the TIF is
5 paid back at the same rate as the City's return.

6 I will be pleased in the future to work
7 with Council to help ensure that tax increment
8 financing is used in the most responsible manner
9 to encourage economic development in Philadelphia.

10 I thank you for your attention to this
11 matter and, again, applaud you on your efforts to
12 focus concern on such an important issue.

13 COUNCILMAN NUTTER: Thank you,
14 Mr. Controller.

15 Are there any questions for the
16 Controller?

17 (No questions from the committee
18 members.)

19 COUNCILMAN NUTTER: Mr. Saidel, I would
20 only ask if you could provide any additional
21 information on -- you made mention in your
22 testimony about process and procedures they use in
23 Minneapolis as well as -- what are some of the
24 traditional methodologies that are used to
25 evaluate the projections that are often laid out

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2 in these project plans, or how would you get to
3 the essence of, you know, do the numbers make
4 sense on this particular deal, will the jobs
5 actually materialize.

6 Again, I'm not asking anyone to make a
7 guarantee that things are going to work out. We
8 know people going into business have great ideas,
9 have the best of intentions, but often things, for
10 not even bad reasons, don't always work out.

11 So how do we, I guess, ensure that the
12 project plan is in fact viable?

13 MR. SAIDEL: Indianapolis is a -- I use
14 in many cases as a good starting point when you
15 look at an analysis. They have an overall
16 economic plan not only for housing, but for
17 economic development in the City of Indianapolis.
18 And what they have done, and what we have
19 suggested over a period of time, is you evaluate
20 the type of industry that can grow and prosper in
21 a place like Philadelphia, and then when you look
22 at the different TIFs, you then begin to look at
23 what types of industries that you think not only
24 accelerate that production in those particular
25 fields, but increase the job growth in those

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2 areas.

3 And in Philadelphia, fortunately, I
4 haven't seen an overall economic plan in this city
5 for a number of years upon which to then
6 incorporate where we should give TIFs, the type of
7 TIFs to the different types of industries we'd
8 like to attract. If you can begin to attract
9 businesses in Philadelphia, say, in the health
10 care and related industry fields that we are well
11 known for, and then look at how that domino effect
12 of having that industry in Philadelphia, coupled
13 with the industries that are already here, it is
14 much easier to project the job growth in that
15 particular field and the basis upon our return of
16 investment by continuing that segment of our
17 population of our economic development to be
18 healthy and move forward.

19 In many cases, when you look at the
20 series of TIFs in Philadelphia that have been
21 accepted in Philadelphia, they are a hodgepodge of
22 different types of development schemes, without
23 any overall sense of the impact or the overall
24 ability to get a return of investment as to what
25 would be good for the City in total.

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2 COUNCILMAN NUTTER: Thank you.

3 Councilman Ortiz?

4 COUNCILMAN ORTIZ: Yes. To the
5 Controller. The thing that bothers me about the
6 TIFs is that there's a sense of entitlement among
7 the developers, it seems, and it seems that cities
8 posture. The Administration, both the previous
9 one and this one, have taken it that if you don't
10 approve a TIF, then you are really anti-business,
11 anti-job development. And so the individual
12 developers and this Council have really been put
13 into -- this Council have been put into a posture
14 of really defensive and not really asking the
15 questions as to what benefits, what payback, what
16 does the City taxpayers get for its abatement of
17 taxes for such a period of time.

18 And like you said before, we don't have
19 a targeted strategy to see what are the specific
20 economic development needs that we have and who we
21 should be using TIFs to attract to get to the City
22 of Philadelphia. If you have a garage that you
23 need, before, you built the garage, but now you
24 ask for a TIF. Why not? You know, it's given
25 almost automatically. So why not ask for it, even

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2 if it's right in the center of the City, where you
3 know that it's going to do business.

4 What -- you know, we are put into this
5 situation and we don't have the mechanisms really
6 to go into the study of each and every one of them
7 that comes before the City of Philadelphia, you
8 know. And I wonder what process does the
9 Controller's office could offer us along those
10 lines.

11 MR. SAIDEL: I think you're absolutely
12 right, Councilman Ortiz. I have never seen a
13 development scheme sent to me by a developer in
14 Philadelphia that did not have a TIF mentioned,
15 did have any type of tax abatement mentioned. It
16 has not become -- it was supposed to be a way for
17 us to compete with other major cities for
18 multinational corporations, it was supposed to be
19 a way for us to compete, to reduce the tax burdens
20 of Philadelphia, in competition with the suburban
21 counties and South Jersey, but it has become
22 almost a fait accomplis that within their
23 presentation, all I find is that they already are
24 getting -- they're already considering in their
25 numbers all types of tax breaks that we should use

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2 as leverage to bring businesses into the City of
3 Philadelphia.

4 And I think that's a problem, and
5 eventually you have to say no to some TIF to show
6 that you won't be taken for granted.

7 And you mentioned a garage in Center
8 City, which is a TIF that I am not in favor of,
9 and I think it's a perfect example. I am sure
10 someone else will open up a garage in Center City
11 without a TIF.

12 But you always get, as you know, in
13 government, something 15 minutes before you have
14 to vote on it and you say -- you're told that if
15 you don't give the TIF --

16 COUNCILMAN ORTIZ: The wrong message
17 will be sent.

18 MR. SAIDEL: -- the world will collapse
19 as we know it.

20 COUNCILMAN ORTIZ: And the wrong
21 message will be sent, we'll be known throughout
22 the world, the universe.

23 MR. SAIDEL: But I think the primary
24 emphasis and what I can certainly help with, as is
25 mentioned in your bill, is to look at the job

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2 estimates, to look at the cost estimates. But
3 what's really necessary to even get to that point
4 is to have an overall economic strategy as to what
5 type of businesses you're going to try to
6 attract. Because if you have an overall strategy,
7 then you can say, I'm going to attract X types
8 because that dollar investment in a TIF 6 is
9 almost a public subsidy and has a multiplier
10 effect because that's the type of businesses we
11 want to try to foster in Philadelphia because we
12 already have a basis for that.

13 So I have never seen, in my years of
14 being the controller, some overall economic plan
15 that can benefit South Philadelphia, North
16 Philadelphia, West Philadelphia, Northeast Philly,
17 and the River wards by having a total look at the
18 economic scheme that we need to have in
19 Philadelphia.

20 COUNCILMAN ORTIZ: Mm-hmm.

21 MR. SAIDEL: It is much more a
22 blueprint for, Well, we'll put a parking lot in
23 Center City, we'll put this over here, we'll put
24 this over there, but there's no real tie-in of
25 economic benefit to the people of Philadelphia for

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2 the TIF.

3 COUNCILMAN ORTIZ: Thank you.

4 COUNCILMAN NUTTER: Councilman
5 DiCicco?

6 COUNCILMAN DICICCO: Thank you,
7 Mr. Chairman. Good morning, Mr. Saidel.

8 MR. SAIDEL: Good morning.

9 COUNCILMAN DICICCO: I guess I have
10 more of a statement than a question. When you
11 talk about overall strategy, I certainly agree
12 that we need to have something. I mean, I'm five
13 years on the job here and most of the TIFs that
14 have been awarded are in the 1st Councilmatic
15 District, which I represent. And I am of the
16 opinion that on the large scale, they are
17 necessary. And I'm not a developer, I'm not into
18 the fine-tuning of developing the TIF and where
19 the financial gap may be that requires a TIF; I
20 basically rely on the information that comes to me
21 through the good folks over at PIDC or the
22 Administration.

23 But I think the strategy should be,
24 maybe, and maybe it's the role of this committee,
25 is, I always believe that the Planning Commission

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2 should have a greater role in this city in
3 determining the strategy for economic development,
4 and incorporate what the Planning Commission's
5 vision is, along with the Commerce Department and
6 PIDC, to develop this -- such a strategy.

7 To put a parking garage at Eighth and
8 Market for the purpose of what we were hoping to
9 be the DisneyQuest development, in my opinion,
10 made a lot of sense. I still think it makes sense
11 to do a garage there. Now, whether the Parking
12 Authority or a private development should do that,
13 that remains to be seen, because I do see the need
14 for parking in that section of Center City because
15 it's a growing community.

16 But I think that we have, as a
17 government, really not utilized the Planning
18 Commission or put them to the task of not just
19 developing grandiose plan of what the City will
20 look like in twenty years, but actually be a
21 working partner in attracting investors and
22 developers and working in conjunction with them
23 and the Commerce Department and PIDC to develop
24 not only the structural plan for that -- for those
25 communities, but also the financial and economic

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2 plan. Because I think one goes with the other.

3 I look at some of these books that the
4 Planning Commission has put out over the years,
5 and it's really spectacular what their vision of
6 the City was, but are they doable, can we bring in
7 the right people to make these things become a
8 reality?

9 So I think that, again, this may be the
10 role of this committee to, in the future, when we
11 look at TIFs, but also to incorporate the Planning
12 Commission in that discussion as to what they
13 foresee the City's growth and how we may want to
14 develop certain neighborhoods, even outside of
15 Center City. Because, you know, you have to do it
16 block by block by block, and I think Center City
17 is, for the most part, in great shape. But where
18 do we go beyond Center City and how do we attract
19 private developers to put money into those
20 communities.

21 Maybe TIFs are worth exploring but,
22 again, I think it's something we may want to
23 challenge this made by this committee to play a
24 greater role in the future.

25 MR. SAIDEL: I think, Councilman

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2 DiCicco, that it is always been the history of
3 Philadelphia that we have a thousand boards and
4 commissions but they never talk to each other. We
5 have a series of initialed organizations that
6 never talk to each other.

7 And I think that one of the things in
8 the responsibility of the Council, then, is to
9 draw all of these individuals so there's a
10 coordinated plan, not only of economic development
11 but how that economic development impacts on the
12 re-creation of neighborhoods and blighted areas
13 that I think are indispensable to the future of
14 Philadelphia.

15 If you coordinate the Housing Authority
16 with the Parking Authority with the Planning
17 Commission with OHCD with all of these thousand
18 different organizations, which seem to drift on
19 their own, and many do a nice job in their own
20 particular venue, but there's no coordinated
21 effort between the RDA and a variety of other
22 things, then I think you have a patchwork of
23 economic development and a patchwork of housing.
24 But if you can put them together and have an
25 overall strategy, an overall plan, then not only

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2 does that TIF benefit that particular developer,
3 but it benefits the entire scheme of where we want
4 Philadelphia to go.

5 And then you can argue whether a
6 parking garage on Market Street should have been
7 built by a private developer or whether the
8 Parking Authority, which was originally created to
9 create parking in areas where no parking developer
10 would ever build a parking lot, should go back to
11 that original purpose. But until you bring
12 everyone together to have a common goal, you'll
13 never really know the impact of a TIF or the
14 variety of different ways that we can try to
15 attract businesses in a healthy environment.

16 COUNCILMAN DICICCO: And that's the
17 point I was making, was that the communication
18 between the various agencies just doesn't exist.
19 I mean, everyone is off in their own direction --
20 with all good intentions, but it just doesn't come
21 together, and that is major task. It's breaking
22 old habits, it's traditional that the Streets
23 Department believes that they have a certain
24 jurisdiction and they don't talk to the Planning
25 Commission or they don't talk to the Department of

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2 L&I until something happens.

3 And, again, I think that's our role,
4 either as this committee or as the full Council,
5 to make some of those changes, because I don't
6 think we'll ever really reach the potential that
7 we -- I think we should be able to reach, or could
8 reach, unless we start really pulling together.

9 And thank you for being here.

10 MR. SAIDEL: My pleasure.

11 COUNCILMAN DICICCO: And it was a
12 pleasure driving you around for four years when I
13 worked for you.

14 (Laughter.)

15 MR. SAIDEL: And you've done well for
16 yourself, Councilman.

17 COUNCILMAN DICICCO: If you want to
18 become councilman, drive the Controller around for
19 three years, and the next step up is Councilman.

20 COUNCILMAN NUTTER: That might actually
21 be a step down.

22 Councilwoman Reynolds Brown is next and
23 then Councilman Clarke after her.

24 I have one piece of information that I
25 need to share in the realm of full disclosure. In

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2 addition to our session, as is always, they're not
3 only held in public but they're normally taped by
4 stenographic services, I am participating in a
5 project. A gentleman over to my left, your right,
6 Charles Seymour, Jr., who's the proprietor of
7 Claushdor (ph.) Productions, is going to be
8 following me around for a couple days. And so I
9 am, in addition to these microphones, I have a
10 wireless mike on my tie or lapel, which will have
11 no impact on my behavior whatsoever.

12 But for those of you who may dare to
13 talk to me for the next couple of days, just
14 understand that there is a gentleman following me
15 around. We won't, naturally, engage in anything
16 inappropriate, but full disclosure is always best.

17 Having said that, Councilwoman Reynolds
18 Brown.

19 COUNCILWOMAN BROWN: Good morning.

20 MR. SAIDEL: Good morning.

21 COUNCILWOMAN BROWN: I would like to
22 flip to another argument that's often given on why
23 it's valuable to support TIFs, and that is, at
24 some juncture, the School District of Philadelphia
25 benefits. And I have reluctantly been persuaded

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2 to support TIFs, but I move to vote for them
3 because, at some juncture, the School District of
4 Philadelphia benefits.

5 You make a very specific recommendation
6 in number 3, last sentence: "In the future, we
7 should consider using only the City portion of the
8 real estate tax for TIFs; or, at the very least,
9 making sure that the District's return on TIFs is
10 paid back at the same rate as the City's return."

11 Whom would you suggest would be charged
12 with assuring that? Where would that packaging or
13 those numbers-crunching happen?

14 MR. SAIDEL: Yeah, the argument has
15 always been that if it's a vacant land, then the
16 School District wasn't getting any money --
17 meaningful money to begin with; therefore, if you
18 give a TIF, the School District wasn't getting its
19 portion of real estate tax that could eventually
20 be, after a five-year period of an abatement. As
21 an example and that in the future, the School
22 District would get this money.

23 And that's on the -- that's based on
24 the assumption that the TIF is a good deal.
25 That's based the on the assumption that nothing

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2 would be done on that property but for giving a
3 TIF.

4 COUNCILWOMAN BROWN: Right.

5 MR. SAIDEL: The other reality that we
6 face is that the City of Philadelphia gives a
7 break on real estate taxes, but in many cases, we
8 get back the money in gross receipts tax, we get
9 back the money in net profits tax, we get back the
10 money in City wage tax if there's additional
11 employment. None of those taxes that we get money
12 back by fostering a TIF goes to the School
13 District of Philadelphia; it needs the real estate
14 taxes or it gets nothing.

15 So it has always been my assumption
16 that you cannot guarantee that a TIF is going to
17 work. And it may be that in three or four years,
18 you find out that that TIF -- that the TIF was not
19 necessary. Therefore, if we would have had
20 someone who built on that property without the
21 benefit of a TIF, the School District would have
22 gotten their portion of the real estate taxes.

23 So in many ways, what I'm stating to
24 Council is, maybe we ought to give them some
25 funding out of the General Fund, because we are

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2 getting benefits by additional employment,
3 additional business taxes, and a variety of other
4 taxes that come to Philadelphia that come into the
5 General Fund but never see the light of day in the
6 School District's fund, because they either get
7 real estate taxes or they get money from the State
8 or the federal government. They don't have an
9 income tax to speak of and they don't have a City
10 wage tax to speak of, and they're not an
11 independent taxing authority, as they are in other
12 school districts throughout Pennsylvania.

13 COUNCILWOMAN BROWN: And so then would
14 PIDC be the agency charged with that scenario?

15 MR. SAIDEL: It could be the direction
16 of the bill that however the functioning unit that
17 you prescribed under the new legislation would be,
18 that pooling of funds for the TIFs, that it could
19 come out of PIDC, it could come out of our General
20 Fund as a -- as after the end of the fiscal
21 period, you estimate how much money the School
22 District might have gotten and then give them a
23 certain portion of that every year, just to keep
24 them going.

25 You know, theoretically, if we TIFed

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2 every property in the City of Philadelphia, the
3 School District would have no money except for the
4 money get they from the State.

5 So it may work in five years, but they
6 would not have any funding base, because their
7 primary funding base is the real estate taxes.

8 COUNCILWOMAN BROWN: Okay, thank you.

9 MR. SAIDEL: Certainly.

10 COUNCILMAN NUTTER: Councilman Clarke.

11 COUNCILMAN CLARKE: Thank you,
12 Mr. Chairman. Good morning, Mr. Saidel.

13 MR. SAIDEL: Good morning, Councilman.

14 COUNCILMAN CLARKE: It was a pleasure
15 seeing you last night.

16 MR. SAIDEL: You too.

17 COUNCILMAN CLARKE: Mr. Saidel, first I
18 have one quick question and, I don't know, maybe
19 -- I see Mr. Fina here, and I don't know, he may
20 be the best person to answer this, but I'll ask
21 you this: What's the benefits associated with the
22 TIF ordinance versus a 108 loan?

23 MR. SAIDEL: Well, 108 loans are
24 limited, and usually they're done in combination.
25 Usually, it -- I've never seen somebody get a TIF

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2 who didn't get the 108 money. You know, one is
3 not directly through the City of Philadelphia, and
4 the TIF is -- directly affects our taxing power by
5 effectively forgiving taxes for a period of time,
6 and then that money is used along usually with 108
7 money. And that whole mixture that usually comes
8 in to a developer when -- when some of these deals
9 are approved by Council. And I've never seen one
10 without the TIF and 108 money.

11 But they're just different categories,
12 but the TIF is a taxing provision that directly
13 affects our revenue stream as -- you know, HUD 108
14 money is federal.

15 COUNCILMAN CLARKE: I just recall
16 instances where we decided not to do a TIF, and
17 the Administration felt that it may be appropriate
18 to provide a 108 loan.

19 MR. SAIDEL: Well, it depends on the
20 availability of the 108 money. We use different
21 -- there's supposed to be different criteria for
22 both of them, but anytime I've ever seen a TIF,
23 they have 108 money, but you can find areas, even
24 in your district, where 108 money has been
25 available, but a TIF was not something that was

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2 pursued.

3 COUNCILMAN CLARKE: With respects of
4 the legislation that we speak of today, it talks
5 about opportunities for low-income individuals
6 low- and moderate-income individuals in
7 neighborhoods throughout the City of Philadelphia.
8 In reality, I would say probably 99.9 percent of
9 these TIFs will ultimately pay prevailing wages.
10 Do you think -- do you agree with that
11 assumption?

12 MR. SAIDEL: I have not seen any ones
13 that don't have prevailing wage. I --

14 COUNCILMAN CLARKE: So when you're
15 talking about prevailing wages in this particular
16 city, you're normally talking about unions.

17 MR. SAIDEL: Right.

18 COUNCILMAN CLARKE: Realistically, as
19 it relates to the goals of this particular
20 legislation and, actually, one of the bills that
21 we speak of a little later on in this testimony
22 today, is it realistic to assume that we would be
23 able to meet these goals given the number of MBE,
24 WBE individuals or low-income and moderate-income
25 individuals in the various neighborhood throughout

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2 the City that are members of the union across the
3 board?

4 MR. SAIDEL: I think that has to be the
5 case. I think that we have to make every effort
6 to make sure that we meet the goals.

7 I think that if you look at where we've
8 been given TIFs for the last number of years, I
9 have always believed that TIFs and 108 money
10 should be used in areas that partly you represent
11 and you've been, you know, you've been pushing
12 TIFs in the Cecil B. Moore area, which I applaud.
13 I think that if you can utilize economic
14 development schemes that truly are areas where
15 someone may not want to build a development or
16 build a business opportunity within an area that
17 they wouldn't go unless they were given viable
18 entitlements by the City if Philadelphia, I think
19 that that is a perfect example of where those
20 opportunities should occur.

21 And prevailing wage and union benefits,
22 to me, is not something that is ever arguable.
23 That has to be the case in any development or
24 housing scheme the City of Philadelphia.

25 COUNCILMAN CLARKE: Well, if those

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2 individuals -- I guess I'm more to the workforce.
3 In reality, the majority of the trades have a very
4 low number of minority participants among its rank
5 and file. And if we're requiring a certain number
6 under this legislation, how realistically are we
7 going to be able to achieve that goal if people
8 just are not in those particular trades?

9 MR. SAIDEL: I remember, you know, when
10 I had the pleasure of being associated with the
11 Housing Authority a number of years ago that we
12 set up an agreement with the building trades that
13 they would actively recruit tenants and children
14 of tenants within the housing developments to
15 become journeymen, eventually journeymen within
16 the trades, and I know that that's been expanded.

17 I think one of the areas for this type
18 of a bill is that for the building trades and for
19 anyone's that involved in the construction
20 industry, that they have to actively recruit
21 minorities and women to be involved in the trades
22 and give them an opportunity to receive the
23 benefit of union pay in the City of Philadelphia;
24 and, therefore, move forward and look at that also
25 as an investment opportunity to bring people up

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2 from being working poor to middle class and making
3 them stakeholders in the community and giving them
4 an opportunity to have the same respect and
5 opportunities that you and I have had, and lucky
6 to have, in the City of Philadelphia.

7 But that has to be -- I think that has
8 to be something that's worked out and actively
9 recruited. If somebody wants our benefits and our
10 forgiveness for taxes, then they're going to have
11 to make every effort available and show us every
12 effort available to -- so that people get a
13 prevailing wage and, I think, be a part of the
14 trade and workforce.

15 COUNCILMAN CLARKE: Should the
16 developer be responsible or the trades? I mean,
17 in a number of these particular trades or -- well,
18 all of them, actually, there are certain
19 requirements above and beyond what some
20 individuals may have in some of these
21 communities. And a number of business agents that
22 I've met with over the years have indicated a
23 willingness to do that, but people aren't
24 qualified for the various apprenticeship
25 programs. And I don't see any mechanism that gets

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2 them into the system that will allow them to pass
3 the apprenticeship test and ultimately become a
4 journeyman.

5 And I'm wondering who's -- at some
6 point, who's going to take the bull by the horns
7 and say we need to provide these particular
8 opportunities on the front side so that people
9 will benefit on the back side. The Housing
10 Authority, because Mr. Green has been very
11 aggressive in that, I agree with you, incorporated
12 a relatively decent program, but that's a small
13 percentage of the population.

14 And at some point I'm wondering, should
15 the City of Philadelphia step forward, or should
16 we require that the developer step forward, should
17 we require that the various building and trades
18 step forward and provide some sort of training
19 mechanism that allows these people to get the
20 appropriate educational skills to go into the
21 apprenticeship program and ultimately placement.
22 And that's my --

23 MR. SAIDEL: I think, Councilman, it's
24 probably a combination of both. I would always
25 hold the developer responsible. Anybody who's

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2 getting a tax break from the City of Philadelphia
3 should be responsible to meet the levels that we
4 impose as a condition upon receiving that tax
5 benefit.

6 Though, again, I've seen the IBW, I've
7 seen a number of the building trades that are now,
8 much more than they were 10, 15 years ago,
9 actively beginning to recruit the minorities of
10 all persuasions. And if need be, there should be
11 ongoing classes, preschool classes, before they
12 take the apprenticeship test so that people can
13 have an opportunity in the long run to get the
14 good-paying jobs that we're giving tax breaks for.

15 But I think a developer, anybody who's
16 getting a break from us should be held accountable
17 if they want that break, and that should be a
18 condition.

19 COUNCILMAN CLARKE: Treat it as an
20 educational fund.

21 MR. SAIDEL: Yeah.

22 COUNCILMAN CLARKE: All right, okay.

23 COUNCILMAN ORTIZ: Could I add
24 something too, Councilman Clarke?

25 COUNCILMAN CLARKE: Yeah.

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2 Thank you, Mr. Chairman.

3 COUNCILMAN ORTIZ: Mr. Controller, all
4 of the data I've seen in terms of -- in the
5 direction that Councilman Clarke was talking
6 about, in terms of projects that have been done in
7 the City of Philadelphia, Center City, the hotels,
8 the other construction that has taken place
9 through the use of either TIFs or Office of
10 Housing and Community Development grants and so on
11 down the line, they have shown they have shown --
12 the data has shown that most, the overwhelming
13 majority of individuals that come in and work in
14 those projects are from outside of the City of
15 Philadelphia. And I don't mean 60/40; I mean 70,
16 80 percent of the individuals outside of the City
17 of Philadelphia.

18 And that says to me that most of the
19 monies that are being taken in by the developer
20 and the workers are -- is just going outside of
21 the City of Philadelphia, obviously. And I'd like
22 to see that change. I'd like to see the figures
23 really correspond in which we have the
24 overwhelming majority of citizens of Philadelphia
25 get those jobs in those projects and a small

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2 minority from outside. And I think we have to
3 strive and I think we are going to have to
4 legislate that developers really adhere to that.

5 And I -- and this is not talking about
6 minorities; this is talking about citizens of
7 Philadelphia working of all of the different
8 racial and ethnic groups in the City.

9 MR. SAIDEL: Well, I think you have to
10 watch the legality of that type of legislation.
11 In many cases, the unions have open shops and
12 they'll come in and a developer will say, I need
13 20 laborers, 20 electricians, and they'll grab
14 from a pool. So they may not necessarily be
15 living in Philadelphia, but I'm more than happy to
16 take their wage taxes while they're working in
17 Philadelphia. Though I've always believed --

18 COUNCILMAN ORTIZ: Well, I'd like to
19 get the wage taxes, but also I'd like for the
20 aggressive --

21 (Unintelligible, parties talking over
22 each other.)

23 MR. SAIDEL: Yeah, and the investment
24 is placed back in to pay your mortgage and living
25 in a vibrant community within Philadelphia.

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2 I would -- if I had my druthers, I
3 would just hire Philadelphia folk, but I don't
4 know -- I don't know if that could meet any type
5 of legal muster, and I think that's something that
6 should be looked at. And when you place a
7 paragraph like that in a piece of legislation, you
8 have to make sure that it can, you know, pass the
9 constitutional muster and legalities that may
10 exist in the Commonwealth. That I don't know.

11 But I think we are all in agreement
12 that we'd like to hire Philadelphians first for
13 everything, but the object is -- I believe that.
14 But how you do that in a legal matter, I think,
15 would have to be looked at very closely.

16 COUNCILMAN ORTIZ: Well, the reality is
17 that the huge overwhelming majority of the
18 individuals that are being hired on these project
19 are not Philadelphians.

20 MR. SAIDEL: No, I -- years ago, I was
21 in favor, Councilman, where, you know, you have a
22 contractor that's competing in an RFP that's
23 located in Philadelphia with a contractor that's
24 located in New Jersey and we never gave that
25 contractor in Philadelphia credit for paying wage

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2 taxes to his employees or business taxes. And I
3 was told years ago that we could not favor
4 contractors located in Philadelphia in comparison
5 to an RFP.

6 COUNCILMAN ORTIZ: I think as long as
7 we don't make it race-specific.

8 MR. SAIDEL: I was doing it by
9 dollars-specific.

10 COUNCILMAN ORTIZ: I think as long as
11 it's not done race-specific, I think
12 constitutional muster can probably be passed.

13 COUNCILMAN NUTTER: Councilman Clarke
14 has a follow-up and then Councilman DiCicco.

15 COUNCILMAN CLARKE: Thank you,
16 Mr. Chairman.

17 Mr. Saidel, in your response to both
18 Councilman Ortiz and myself, you talked about the
19 developer being responsible to some degree for the
20 workforce. Isn't it true that the developer
21 traditionally hires a general contractor, that
22 general contractor hires the subs, and they are
23 ultimately responsible for the workforce. And
24 isn't it realistic to say that the developer
25 couldn't, frankly speaking, care where that

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2 individual who's working on that project lives,
3 what zip code that person is, what color that
4 person is, as long as they can come on time and
5 under budget?

6 MR. SAIDEL: I think that's the case,
7 but if you make a condition upon the developer
8 getting a tax benefit, the power of funds will
9 flow down to an enforcement provision that you
10 necessarily want within that law. I mean, if you
11 give a developer a \$5 million tax break and you
12 condition it upon X, Y and Z, if you're that
13 developer, you're going to make sure that whoever
14 your subs are, that they live within that
15 compliance. And then what we should do as a city
16 is to go and examine their books and records to
17 make sure that they're within the compliance and
18 we have a claw-back provision.

19 COUNCILMAN CLARKE: So you're saying
20 that the contractor shouldn't have any
21 responsibility for --

22 MR. SAIDEL: Oh, no. I think that --
23 you know, you follow the dollar. If you're giving
24 a tax break to the developer and that development
25 would not occur but for the TIF or the 108 money,

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2 then the contract, the GC would not be working but
3 for the TIF and but for the 108 money.

4 So if you're giving a tax break to the
5 developer, then it's the developer's
6 responsibility to make sure the GC follows those
7 rules and regulations that are conditioned upon
8 that tax break. If they do not and you take away
9 the abatement or take away the 108 money, then the
10 GC loses his employment too.

11 So the economic benefit is what creates
12 the enforcement of rules and regulations. And I
13 think, you know, people's profit motive actually
14 makes them better people.

15 COUNCILMAN CLARKE: Okay.

16 COUNCILMAN NUTTER: Councilman DiCicco.

17 COUNCILMAN DICICCO: Thank you,
18 Mr. Chairman.

19 Just to follow up on the question
20 raised by Councilman Ortiz, or the comments raised
21 by Councilmember Ortiz. A year or two ago --
22 Mr. Applebaum's in the room, I see him -- I
23 thought we had a conversation that when we
24 discussed -- when we make purchases or do
25 contracting we were able to -- or I thought we

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2 were looking at the possibly of giving a point
3 preference, more or less, for those companies that
4 were Philadelphia-based, all things being equal.

5 MR. SAIDEL: All things --

6 COUNCILMAN DICICCO: I'm not sure if we
7 ever got to that, but I thought we were working
8 towards that goal and if there's a way in which we
9 can legally attain that --

10 MR. SAIDEL: Well, all things being
11 equal, that's -- we could that, because then we
12 the choice between someone giving us -- both
13 giving us the lowest bid, I would always pick the
14 Philadelphia person.

15 But the reality is, as you know,
16 Councilman, that it costs more money to do
17 business in Philadelphia than it does to do
18 business out in Perry County. So if you're going
19 to buy goods and services in Perry County, nine
20 times out of ten, that bid request will be lower.
21 And that's -- I've always had a problem with that,
22 but the legal department has always had a problem
23 with that type of issue.

24 COUNCILMAN DICICCO: Not to take off on
25 a different subject, but when we're talking about

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2 contracts, and I think we got into the discussion
3 a year or two ago when we were speaking about
4 buying cars for our fleet. I think we were
5 purchasing the cars from a dealer in New Jersey,
6 and if I'm not mistaken, I think the cost of the
7 cars was maybe \$10 less per car at the New Jersey
8 dealership than it was with the Philadelphia
9 dealer. But by law, because it was the lowest
10 bid, we still had to go there, and I was wondering
11 if there's a way, you being an attorney, maybe you
12 can help us, if we could do some sort of a point
13 preference because of the reasons you stated. We
14 are getting the wage taxes out of that dealership,
15 the sales taxes are staying in the City and in the
16 Commonwealth.

17 Shouldn't those two factors alone weigh
18 into the cost of buying the car versus buying it
19 in New Jersey or in another state? You know \$10 a
20 car, I see Mr. Applebaum shaking his head.

21 MR. SAIDEL: I think they should, but
22 the -- and I'm sure you can ask the Commissioner,
23 but the manner in which RFPs are presented, they
24 have never been Philadelphia-first RFPs. You
25 know, based on the lowest, we're supposed to get

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2 the best bid for the most -- the lowest bid for
3 the best qualified within the terms and conditions
4 of what we're looking for.

5 But I would much rather deal with
6 Philly folk than -- because -- and I do the same
7 thing with New York. When New York comes down and
8 wants to take our money and invest it, I asked
9 them the last time some company in Philadelphia
10 got business out of New York.

11 But in the end, I've got to look at the
12 competition, regardless of geography. And that's
13 unfortunate.

14 COUNCILMAN DICICCO: And maybe we
15 should get the Pennsylvania Society to have their
16 --

17 MR. SAIDEL: Or the New York Society to
18 Philadelphia.

19 COUNCILMAN DICICCO: I always wondered
20 about that, you know, all the law-makers going to
21 New York to spend their hard-earned money.
22 Whatever.

23 And the other comment I wanted to make
24 about -- with working with developers and trying
25 to encourage them to hire Philadelphia contractors

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2 is, in my experience, dealing with many of the
3 developers in my district, and particularly those
4 developers that were requesting a TIF, I was able
5 to develop a relationship with those developers
6 over a period of time, and, more or less, was able
7 to encourage them, again, all things being equal,
8 that it would be in not only their best interests
9 but in our best interests if they would look to
10 Philadelphia contractors and subcontractors
11 first.

12 And I'm happy to say that in the
13 majority of those cases, even with the
14 entertainment center, which is probably one of the
15 biggest projects we're undertaking, the Simon
16 folks have entertained those referrals, or at
17 least the request to look at Philadelphians
18 first. And in most cases, they did hire
19 Philadelphia-based companies to do the
20 architectural work, subcontracting, engineering
21 work; they did that first. All things, again,
22 being equal, I wouldn't want them to accept an
23 inferior contract in terms of what they needed for
24 their project just because that contractor was a
25 Philadelphia company. But there are so many of

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2 them here, I'm sure in the scheme of things, they
3 could find someone or a few of them to pick from.

4 So that's the kind of thing that, as a
5 District Councilperson, I'm able to -- when we're
6 talking about the TIF and they're seeking my
7 support on a TIF, I'm able to work that into the
8 dialogue of why I would be willing to support, you
9 know, when I'm willing to support the TIF.

10 And thank you again, Mr. Controller.

11 MR. SAIDEL: My pleasure, Councilman.

12 COUNCILMAN NUTTER: Let me mention
13 quickly that Councilwoman Tasco has a question.

14 Given the discussion and the direction
15 that it's going, I should mention that many of the
16 ideas and concepts that are being discussed are
17 actually very pertinent to another bill that will
18 be heard today, which is Bill No. 000181, which
19 lays out certain additional requirements on
20 contractors for City -- to get City work, one of
21 which is provision that deals with the issue of a
22 certain percentage of workers on the job who would
23 be low- and moderate-income people. We'll have an
24 extensive discussion, I'm sure, on that particular
25 bill and also on the percentages that are laid

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2 out. I know Commissioner Applebaum is here to
3 discuss that particular bill, but that bill may
4 get at some of the -- many of the issues that my
5 colleagues have just been discussing with regard
6 to contracting opportunities for workers and
7 businesses.

8 Councilwoman Tasco. Councilwoman, hold
9 on for one second.

10 Councilman Ortiz, we actually had a
11 couple of yields while you were in your
12 questioning a while ago, which went on
13 extensively. Were you finished, or do you want to
14 come back?

15 COUNCILMAN ORTIZ: (Inaudible, off-mic.)

16 COUNCILMAN NUTTER: All right, I'm just
17 trying to keep track of everything.

18 COUNCILWOMAN TASCO: It's on his yield
19 too. I think it's the same question.

20 COUNCILMAN NUTTER: Great.

21 COUNCILWOMAN TASCO: In terms of
22 developing the specifications which we would
23 require of the developer to meet -- for instance,
24 the lowest responsible bidder -- how do you --
25 couldn't we define what "responsible" would mean

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2 in terms of, saying, Well, if it's a Philadelphia
3 company, it has a benefit added to Philadelphia
4 for getting the Philadelphia company. Don't we
5 establish our own criteria? Or are we subjected
6 to State laws or something like that?

7 MR. SAIDEL: Yeah. Councilwoman, you
8 know, as I mentioned years ago, I've always
9 believed we should hire and buy Philadelphia
10 first, because not only is there a benefit that we
11 get goods and produce and product and development
12 out of a company that's located in Philadelphia,
13 but we then reinvest our payment for that product
14 back into our community to keep our businesses
15 open. I mean, we spend, you know, 6, \$7 billion a
16 year on a variety of different projects. I can't
17 imagine why we would need to buy anything outside
18 of Philadelphia businesses. And then we benefit
19 greatly by increasing the employment pool because
20 of the reinvestment of those tax dollars back into
21 those communities by utilizing those businesses.
22 But I have never found a mechanism to stay within
23 the parameters of the law, as to the State law, in
24 relationship to those type of bidding procedures.

25 Now, I would be more than happy to

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2 approve, as the controller in the pre-audit
3 function, anything that would pass legal muster to
4 give Philadelphia first people an opportunity --
5 to compete, actively compete for their goods and
6 services that we need, as well as the variety of
7 other things that we purchase almost on a daily
8 basis. It would be great if we could just plow
9 that money that we take out of their pockets back
10 into a business located in Philadelphia so that
11 they can continue to prosper and hire more people.

12 And that domino effect, you know, then
13 increases our tax flow in the long run, because as
14 they hire more people, the less people that need
15 government assistance, more people that are paying
16 wage taxes, they're paying their mortgages, their
17 gas bill, their water bill, and a variety of other
18 things. And I think we benefit from that in a
19 multiplier effect.

20 How you do that within the legal
21 framework is another story is, another story.

22 COUNCILWOMAN TASCO: Okay, thank you
23 very much.

24 MR. SAIDEL: My pleasure, Councilwoman.

25 COUNCILMAN NUTTER: Any other questions

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2 for the Controller on Bill No. 000355?

3 (No further questions.)

4 COUNCILMAN NUTTER: Mr. Controller,
5 thank you very much.

6 MR. SAIDEL: Thank you, Mr. Chairman.

7 COUNCILMAN NUTTER: I hate to do this
8 to you. Actually do have one last question for
9 you myself.

10 MR. SAIDEL: I almost got away.

11 COUNCILMAN NUTTER: Almost.

12 A question has been raised with regard
13 to the first section of the bill on the -- that
14 talks about TIFs should not be approved by Council
15 unless there are essentially three signoffs. One
16 of the questions that's been raised is whether or
17 not that can potentially result in a virtual veto
18 or -- and I'm not saying you would do this, but
19 talking more about anyone in the office, that
20 there would be an unnecessarily withheld approval,
21 which could potentially collapse a project or
22 would be in direct conflict with the sponsor of
23 the TIF or the Administration.

24 And I guess I needed to at least ask
25 you for the record, if there was, I guess, a

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2 different mechanism that at least required some
3 statement, something short of a signoff, but more
4 than nothing.

5 MR. SAIDEL: Right.

6 COUNCILMAN NUTTER: But something in
7 the middle that essentially says the package at
8 least goes to you, that the City should get or
9 would be required to -- I want to choose my
10 language carefully. That the City should at least
11 get some response from the Controller or from the
12 PICA Board that they've at least looked at this
13 and opine whatever they opine, but that that
14 opinion does not necessarily block the TIF or
15 prevent it from going forward; you always again
16 naturally have the opportunity to come and testify
17 at any public hearing on a TIF project, and
18 certainly, the weight of your argument would weigh
19 heavy on our hearts and minds.

20 What's your reaction to that?

21 MR. SAIDEL: I never really thought
22 about it being a blocking mechanism; I actually
23 thought of this bill as being an ability for me to
24 help Councilpeople to better understand what the
25 implications are of the projections, but I would

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2 never send a document back to Council that said I
3 disapprove, without any statement as to the reason
4 -- a comprehensive statement as to the reasons
5 why.

6 And I -- and if Council decides that if
7 -- that PICA, myself, or the Finance Director are
8 wrong, then I think there should be a mechanism of
9 two-thirds vote, or however you want to do it,
10 where there can be an override, if it's the
11 concern of the majority of Council that that is
12 something that is necessary. But I never thought
13 about the fact that I would have carte blanche to
14 do that 'cause that never really entered into my
15 thought about the bill.

16 COUNCILMAN NUTTER: Okay. So if an
17 arrangement was made whereby you are, you know,
18 clearly and obviously a part of the process that
19 we are going to get some kind of response or
20 reaction, anything from, you know, yes, no, to,
21 you know, a short novel, you're not -- I don't get
22 the impression that you're particularly rigid in
23 what the mechanism is versus that there be a
24 process, that you have an opportunity to comment,
25 for instance, on what's going on and, again,

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2 naturally, taking advantage of your right to come
3 and publicly testify, and we'd have to take all of
4 that into consideration in the course of the
5 evaluation of that particular TIF project.

6 MR. SAIDEL: No, I think that if it was
7 anything more than that, it would be an
8 infringement upon your responsibilities and powers
9 as a city council for me to unilaterally be able
10 to say no to something like that. I think that --
11 I think when I looked at the bill, I thought that
12 my job would be, because I was asked by Council to
13 be involved and look at the process, and if I
14 thought it was not an adequate return on our
15 investment, that I would say so. And then the
16 ultimate decision, I've always believed, is in
17 your branch of government, and I respect that.

18 COUNCILMAN NUTTER: Okay, thank you. I
19 appreciate that.

20 Any questions for the Controller?

21 (No further questions.)

22 COUNCILMAN NUTTER: Okay, thank you
23 very much.

24 MR. SAIDEL: It's my pleasure, Mr.
25 Chairman.

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2 COUNCILMAN NUTTER: Thank you.

3 Okay. I know he's here and I know we
4 also need to move on to Councilman Goode's bill.
5 Mr. Fina, would you wish to be grilled now or
6 would you rather sit with the Commerce Director,
7 Mr. Curato later?

8 (Mr. Fina responds off mic.)

9 COUNCILMAN NUTTER: You choose later,
10 yes. Very smart move on your part.

11 (Laughter.)

12 COUNCILMAN NUTTER: We will now ask the
13 clerk to read the title of Bill 000546 so we can
14 take all of the testimony on that bill.

15 THE CLERK: Bill No. 000546, an
16 ordinance amending Chapter 21-800 of the
17 Philadelphia Code, entitled "Advancement of
18 Economic Opportunities," by adding Section 21-802
19 on the Philadelphia Community Reinvestment
20 Commission.

21 COUNCILMAN NUTTER: Councilman, do you
22 wish to make any opening statement? I thought I
23 saw about a 10-page speech that you had prepared
24 over there and I'd like to give you an opportunity
25 to give it.

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2 COUNCILMAN GOODE: My comments will be
3 very brief.

4 COUNCILMAN NUTTER: Thank you very
5 much, we've enjoyed that.

6 (Laughter.)

7 COUNCILMAN GOODE: Let me first thank
8 the Chair for the timely hearing of this bill.
9 This bill is based on legislative findings from
10 the Community Reinvestment Report released by my
11 office a couple months ago, which was made
12 available to this committee and the full Council
13 and the public at large.

14 I would also like to thank those who
15 testify on behalf of this bill, including the
16 Administration. I think that all of the things on
17 the agenda actively move forward in the whole
18 issue of neighborhood transformation and creating
19 opportunities for disadvantaged persons,
20 businesses, and neighborhood. I look forward to
21 hearing the testimony.

22 Thank you very much.

23 COUNCILMAN NUTTER: Thank you,
24 Councilman.

25 We'll first have the City Treasurer.

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2 (Witness comes forward.)

3 MS. OLANIPEKUN: Good morning.

4 COUNCILMAN NUTTER: Good morning.

5 MS. OLANIPEKUN: My name is Folasade
6 Olanipekun, and I am the City Treasurer. I am
7 here to testify on behalf of proposed Bill No.
8 000546, introduced on September 14, 2000. Bill
9 No. 546 would amend Section 21-800 of the
10 Philadelphia Code, entitled "Advancement of
11 Economic Opportunities," by adding a subsection,
12 21-802, to create the Philadelphia Community
13 Reinvestment Commission.

14 The Administration is fully supportive
15 of the CDFI Program's mandate of using limited
16 financial resources to invest in and build the
17 capacity of private, for-profit, and nonprofit
18 financial institutions to provide capital and
19 services under-served people and distressed
20 communities. It is a very important tool to be
21 used for neighborhood in desperate need of
22 economic stimulus.

23 The Administration also supports the
24 creation of a Philadelphia Community Reinvestment
25 Commission as a strategy for helping to realize

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2 the full potential for the CDFI Program.

3 However, as you know, the Home Rule
4 Charter, as a general rule gives the Mayor sole
5 authority to create boards and commissions, except
6 in special circumstances that do not apply here.
7 Since Council is legally unable to act upon Bill
8 No. 546, it is the intent of this administration
9 to create by executive order a commission that is
10 comparable to and embraces the spirit and intent
11 to proposed Bill 546.

12 This concludes my testimony, and I'll
13 be happy to answer any questions you may have.

14 COUNCILMAN NUTTER: Are there any
15 questions for the Treasurer?

16 (No questions.)

17 COUNCILMAN NUTTER: Madam Treasurer,
18 you have stunned the community.

19 (Laughter.)

20 COUNCILMAN NUTTER: We have no ability
21 to respond to your testimony. And for that, you
22 are free to go.

23 MS. OLANIPEKUN: Thank you.

24 COUNCILMAN NUTTER: Unless other
25 questions come up.

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2 Mr. Ray Desiderio.

3 (Witness comes forward.)

4 MR. DESIDERIO: Thank you. I'm Ray
5 Desiderio. I'm a senior vice president at PNC
6 Bank of Philadelphia here. And I'm happy to lend
7 our support to this bill.

8 My job at the bank, I'm a senior
9 community development officer of PNC Bank, and I'm
10 responsible for managing the bank's community
11 development activities. I've been in banking for
12 38 years and have worked on community development
13 issues for the past 30 years.

14 PNC Bank strongly supports this bill,
15 which will provide much needed capital for
16 community development financial institutions
17 through the institution of Philadelphia Community
18 Reinvestment Commission and the operation of local
19 CDFI Fund for the primary purpose of lending
20 support to Philadelphia-based intermediaries and
21 CDFIs.

22 The Greater Philadelphia Coalition, of
23 which I am a co-chair, has seen fit to create a
24 task force under the offices of the Committee for
25 Community Economic Development to support this

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2 issue. We feel that the ultimate result will be
3 the fostering of proactive, cooperative initiative
4 around small-business lending and economic
5 development in the City of Philadelphia.

6 PNC considers CDFIs and intermediaries
7 to be much needed conduits between the bank and
8 the community which the bank serves. These
9 intermediaries play a vital role in supporting the
10 bank's community development lending, investment,
11 and service activities. There are a welcome and
12 important complement to the overall community
13 development business strategies.

14 Strong CDFIs possess day-to-day
15 intelligence on the community development
16 community due to their active involvement. Strong
17 CDFIs understand the community strengths and
18 weaknesses of borrowers, the availability of
19 quality funding, the details of public and
20 private-sector financing required to get the deals
21 done, and the political culture within the
22 business which is transacted. The best CDFIs use
23 this market information to create efficiency in
24 the way projects or businesses are financed.

25 We at PNC have had the good pleasure of

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2 working with an excellent, well-managed CDFI here
3 in Philadelphia, the Reinvestment Fund, and for
4 all of the reasons stated here, are an active
5 supporter and we are an investor in the fund. The
6 Reinvestment Fund takes a three-pronged approach
7 to economic development:

8 First, it is an active small-business
9 lender in Philadelphia, providing debt for scores
10 of urban-based businesses. More than 50 percent
11 of its borrowers are minority owners. TRF is a
12 licensed SBA lender.

13 Secondly, TRF provides equity financing
14 for growth businesses through a venture capital
15 affiliated called DVCRF Ventures, in which PNC is
16 an active investor. The venture financing
17 supports companies that are profitably expanding
18 and provide quality jobs for entry-level workers.

19 Thirdly, TRF is an active source of
20 grant support for a small group of quality
21 workforce programs that are training inner city
22 workers and linking them to urban and suburban
23 community.

24 And PNC supports the International
25 Community Association, a trade group which

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2 supports CDFIs. In fact, PNC is the corporate
3 sponsor for NCCA's national conference here in
4 Philadelphia in November.

5 PNC has a major commitment to the
6 Pennsylvania Community Development Bank. The goal
7 of this bank is ultimately one of empowerment,
8 specifically financial empowerment, through
9 CDFIs. Without an influx of investment capital
10 opportunities for low-income Philadelphians in the
11 communities in which they live, these resources
12 will continue to shrink.

13 The importance of new financial tools
14 and resources in the revitalization of the
15 Commonwealth's disadvantaged communities cannot be
16 overstated. The bank and PNC's investment are
17 designed to provide these resources by supporting
18 CDFIs. We expect that our support of this issue
19 will impact the CDFI movement in Philadelphia.
20 Funding provided by this legislation will leverage
21 the support provided by this program.

22 While not officially designated CDFIs,
23 PNC Bank has worked very closely with two other
24 important intermediaries in the City of
25 Philadelphia. These are the Local Initiative

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2 Support Corporation and the Philadelphia
3 Neighborhood Development Collaborative. Both of
4 these organizations provide much needed,
5 technical, and systems-building capacity to
6 community development corporations engaged in
7 economic activities in Philadelphia. If these
8 organizations elect to become CDFIs, this
9 legislation would also enhance their capability.

10 We at PNC hope that the information
11 provided in this testimony will be helpful in the
12 final determination of passage of City Council
13 Bill 546. We applaud the efforts of the sponsors,
14 and especially Councilman Goode, in this
15 initiative. Public-private partnerships are
16 important in this city, and we're happy to join in
17 this effort.

18 Thank you.

19 COUNCILMAN NUTTER: Are there any
20 questions for Mr. Desiderio?

21 COUNCILMAN CLARKE: Yeah. Good
22 morning.

23 MR. DESIDERIO: Good morning.

24 COUNCILMAN CLARKE: First I'd like to
25 thank you for your support for Greater Exodus.

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2 MR. DESIDERIO: Thank you.

3 COUNCILMAN CLARKE: I wanted to ask you
4 a question about a particular business corridor,
5 or it could be anywhere in the City of
6 Philadelphia. As you know, I represent most of
7 North Philadelphia, on the lower side, and we have
8 several commercial corridors, some of them
9 thriving, some not doing so well. We get
10 questions from business owners and people who are
11 interested in opening businesses on those
12 corridors, particularly on Cecil B. Moore here of
13 late about financial assistance, access to
14 capital, lending practices that are somewhat
15 beyond the traditional lending practices, and I
16 see here in Councilman Goode's document that he
17 speaks to that.

18 But what happens on a number of
19 occasions is that we make the capital available
20 but we don't necessarily give the technical
21 assistance to businesses, and two, three years
22 down the line, they end up folding.

23 And I'm wondering, what is your
24 suggestion or recommendation as it relate to the
25 technical side of it, developing an appropriate

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2 business plan, making sure that that business plan
3 is carried out, and other things related to
4 operating the business long-term. Can you spoke
5 to that for a minute, please?

6 MR. DESIDERIO: Yeah. I know well the
7 corridors you're speaking about, and I know that
8 there's a dire need for a continued or even
9 start-up economic activities in those corridors.

10 There's no question that a number of
11 those businesses are unsophisticated businesses;
12 in many cases, start-up businesses; and in many
13 cases, businesses that need capital, capital
14 infusion.

15 To invest in those businesses and not
16 provide the technical and educational assistance
17 is just a problem that will just become more
18 complicated. In the many cases, because those
19 businesses are start-ups, because there are
20 capital requirements and for -- and because there
21 is a lack of capital that is available to that,
22 many of those businesses have a tendency to fail.

23 So it would not be in the best interest
24 of the banks or the CDFIs or the intermediaries to
25 make investments in those businesses unless there

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2 was a very definite commitment to technical
3 assistance and education of those business owners.
4 And technical assistance and education before,
5 during and, most importantly, after.

6 We have elected, and in my testimony, I
7 remark about the close association we have with
8 the CDFIs in the City and the fact that this bill
9 will just strengthen the CDFI movement. We've
10 worked very closely with those organizations
11 because we find that they have the best
12 intelligence on those communities, they have the
13 wherewithal to interact in those communities, they
14 have the ability to be the conduit between the
15 banks and the communities, and most importantly,
16 they do have programs that provide that technical
17 and educational assistance.

18 So it makes much sense, a lot of sense,
19 for us as banks to provide the CDFIs with the
20 grant support that they need to continue those
21 activities, and many of us in the banking industry
22 in Philadelphia do provide that support, as well
23 as our investment support to the CDFIs.

24 So there's no question that there's a
25 need for technical assistance before, during, and

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2 especially after the loan is made.
3 COUNCILMAN CLARKE: Thank you.
4 MR. DESIDERIO: Thank you.
5 COUNCILMAN NUTTER: Any other
6 questions?
7 (No further questions.)
8 COUNCILMAN NUTTER: Thank you very
9 much.
10 Mary Frances Davis.
11 (Witness comes forward.)
12 COUNCILMAN NUTTER: I'm sorry, you can
13 please -- I made a mistake.
14 Christina Weinmann.
15 You can stay, please. I'm sorry, I
16 apologize, my mistake. But Miss Weinmann can come
17 up as well.
18 (Witness comes forward.)
19 COUNCILMAN NUTTER: I have a witness
20 list that I'd like to stay in compliance with the
21 witness list, and I apologize to Miss Davis.
22 MS. DAVIS: That's okay.
23 COUNCILMAN NUTTER: It was my
24 oversight.
25 Miss Weinmann?

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2 MS. WEINMANN: Good morning. I'm
3 pleased to testify before the committee on behalf
4 of this bill to establish the Philadelphia
5 Community Reinvestment Commission and to provide
6 oversight for community reinvestment strategies
7 for the City. In the interest of brevity, I'd
8 like to submit my testimony for the record and
9 instead just tell a little bit about National
10 Community Capital here in Philadelphia and
11 summarize my testimony in three key points.

12 First of all, my name is Christina
13 Weinmann. I'm the senior policy associate with
14 National Community Capital Association, a national
15 community development and financial intermediary
16 headquartered here in Philadelphia. We were
17 founded in 1986, and we represent more than 400
18 CDFIs nationwide. One of our primary purposes is
19 to build a strong national CDFI industry through
20 our financing, training, consulting advocacy, and
21 information services to CDFIs.

22 And as Mr. Desiderio mentioned, we are
23 having our 16th annual conference here in
24 Philadelphia in November, where we've got 500 --
25 over 500 CDFI practitioners coming from across the

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2 country to come learn more about trends in
3 industry and to receive some of the more premier
4 training for CDFIs in the country.

5 One of my first points is that CDFIs
6 are experts in developing partnerships and
7 leveraging private capital with public funds.
8 They work with mainstream financial institutions,
9 community groups, governments, and neighborhoods
10 to channel private investments into low-income,
11 low-wealth and under-served communities. And as
12 Mr. Desiderio said, banks use CDFIs as strategic
13 partners to cultivate new markets.

14 The second point that I wanted to make
15 is that mature, high-performing CDFIs are
16 increasingly concerned with value recapture. And
17 I think that the proposed Philadelphia Community
18 Reinvestment Commission could provide overall
19 perspective and, as Councilman DiCicco suggested,
20 a coordinated effort amongst agencies, financial
21 institutions, and non-private and public community
22 development organizations to provide overall
23 perspective and a check to ensure that targeted
24 impact and that investment (unintelligible)
25 sustainability in these communities.

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2 Finally, as a model for the
3 Philadelphia Community Reinvestment Fund -- the
4 model for the Philadelphia CDFI Fund, in 1994,
5 Congress established the CDFI Fund within the U.S.
6 Department of Treasury to support a national
7 comprehensive community economic strategy by
8 investing in CDFIs, like what this bill is
9 proposed to do. The funds bolsters economic
10 development by investing in CDFIs. And by
11 investing institutions, not projects, the fund
12 helps CDFIs respond to their markets by increasing
13 their ability to manager risk, to enhance
14 capacity, and to be flexible in their financing.

15 The CDFI Fund makes the most effective
16 use it use of limited federal resources. It uses
17 relatively small amounts of federal money to
18 leverage significant amounts of and private
19 non-federal dollars, promotes private
20 entrepreneurship, and encourages self-help and
21 self-sufficiency.

22 National Community Capital is --
23 strongly supports Bill 546. We applaud
24 Councilmembers Goode and Blackwell for introducing
25 this important legislation. On behalf of National

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2 Community Capital, I thank you for this
3 opportunity to share my views and would be pleased
4 to answer any questions you may have.

5 COUNCILMAN NUTTER: Any questions?

6 (No questions.)

7 COUNCILMAN NUTTER: Thank you very
8 much.

9 MS. WEINMANN: Thank you.

10 COUNCILMAN NUTTER: Miss Davis.

11 MS. DAVIS: My name is Mary Frances
12 Davis. I'm a division director with the Greater
13 Philadelphia Urban Affairs Coalition. I have 30
14 years experience in addressing issues related to
15 community and economic development.

16 Thank you for the opportunity to
17 testify today in favor of this bill establishing a
18 community reinvestment commission, the
19 Philadelphia Community Reinvestment Commission.

20 The Greater Philadelphia Urban Affairs
21 Coalition, as you may know, is a large nonprofit
22 civic organization in Philadelphia, which brings
23 together community leaders from low-income and
24 minority neighborhoods with corporate executives
25 and other stakeholders to solve urban problems.

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2 In that context, our board, the GPUAC Board, has
3 created a committee for community and economic
4 development, and I am the staff person for that
5 committee.

6 The purpose of the committee is to
7 create and partner with efforts to promote
8 community economic development in Greater
9 Philadelphia. To that end, we involve all
10 stakeholders in finding permanent solutions of
11 great magnitude. In the context of that, we
12 create task forces which address specific issues
13 of importance to our low- and moderate-income and
14 minority neighborhoods.

15 Just such an issue is the need for
16 neighborhood small-business investment capital.
17 Among the members of our group are nine banks:
18 Beneficial Savings Bank, Commerce Bank,
19 Commonwealth Bank, First Union Bank, Keystone
20 Financial, Mellon Bank, PNC Bank, Sovereign Bank,
21 and Summit Bank. These banks particularly are
22 concerned that the \$700 million that these lenders
23 have invested in home ownership in Philadelphia's
24 low- and moderate-income neighborhoods over the
25 past couple decades will be ill-spent unless

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2 economic development funds are targeted to
3 neighborhoods which have made such progress in
4 housing and community development that small
5 business capital investment will bolster those
6 markets to the point that they are
7 self-sustaining.

8 Our committee agrees -- I'm sorry. Our
9 committee includes, in addition to lenders,
10 neighborhood representatives, the CDC association,
11 the major CDFIs that are already on the scene --
12 that is LISC, (Local Initiative Support
13 Corporation to) in the reinvestment fund, and hope
14 to include others emerging CDFIs as they come
15 forward and the Philadelphia Neighborhood
16 Development Collaborative.

17 We have formed a small business capital
18 team to create the type of strategy that will, we
19 believe, feed very well into the strategic
20 approach of the Philadelphia Community
21 Reinvestment Commission. And we look forward to
22 using our small business team to delve into issues
23 raised and proposed by the Commission and to
24 working closely with the Commission to advance its
25 goals.

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2 Thank you.

3 COUNCILMAN NUTTER: Any questions?

4 (No questions.).

5 COUNCILMAN NUTTER: No? Okay, thank
6 you.

7 Rick Sauer and Robert Sanders.

8 Mr. Sauer is first and then followed by

9 Mr. Sanders.

10 (Witnesses come forward.)

11 COUNCILMAN NUTTER: Please identify
12 yourself for the record and proceed.

13 MR. SAUER: Members of the committee,
14 my name is Rick Sauer. I'm the Executive Director
15 of the Philadelphia Association of Community
16 Development Corporations. It's a citywide
17 association of 60 CDCs and other community groups
18 working to revitalize our neighborhoods and
19 rebuild communities. And I'm here today on behalf
20 of our members to voice our support for the
21 creation of the Philadelphia Community
22 Reinvestment Commission to help plan and implement
23 community investment strategies for the City of
24 Philadelphia.

25 As you know, sponsors of housing and

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2 community development projects have the daunting
3 task of assembling a jigsaw puzzle of financing to
4 support their projects, ranging from approaching
5 public sources, various City, State, and federal
6 agencies to private lending institutions
7 foundations, and other investors. With the active
8 support of these players, the local CDCs, during
9 the 1990s, were able to demonstrate their capacity
10 to serve as a vehicle for neighborhood
11 reinvestment in the neighborhoods, developing over
12 3 and a half thousand housing units, over a
13 million square feet of commercial and retail
14 space, as well as a number of other facilities and
15 other community development activities.

16 A key to the success of these projects
17 has been their ability to utilize public-sector
18 resources to attract and leverage private-sector
19 involvement in the neighborhoods. And we really
20 need to build on what we've done there, both
21 continuing the efforts of housing and commercial
22 redevelopment in general, but also in supporting
23 the expansion of small businesses in our
24 neighborhoods.

25 We all know that the City does not have

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2 enough resources at its disposal to address the
3 myriad of issues in our neighborhoods, and
4 especially it's a timely and important issue
5 right now is, we're about to embark on the
6 neighborhood transformation initiative. I think
7 it's critical that we take a closer look at how we
8 are using our current funds to make sure that
9 we're using them in the most efficient and
10 strategic manner to advance our neighborhood
11 revitalization goals.

12 I think the proposed Philadelphia
13 Community Reinvestment Commission can play an
14 important role in this process. It can look at
15 how public funds can be used to better leverage
16 resources from the private sector, we can give
17 thought to how we can allocate new City funds to
18 leverage more resources from the State of
19 Pennsylvania, and, most importantly, we can better
20 coordinate the delivery of both public and
21 private-sector resources so that we can restore
22 the local real estate markets in our neighborhoods
23 and achieve our neighborhood revitalization goals.

24 Thank you for the opportunity to
25 comment. We certainly are glad that Councilman

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2 Goode has introduced this legislation, along with
3 Councilwoman Blackwell, and we strongly support
4 its passage.

5 Thank you.

6 COUNCILMAN NUTTER: Thank you. Any
7 questions?

8 (No questions.)

9 COUNCILMAN NUTTER: Mr. Sanders, please
10 for identification and proceed.

11 MR. SANDERS: Good morning. My name is
12 Rob Sanders. I am a manager of the Sustainable
13 Development Fund, a designated fund within the --
14 reinvestment fund, and I'm speaking as a
15 representative of the Reinvestment Fund this
16 morning, in support of Bill 000546.

17 The Reinvestment Fund is a CDFI based
18 in Philadelphia that was founded in 1985. Over
19 the last 15 years, the Reinvestment Fund has
20 invested over \$200 million in community
21 revitalization projects, community service
22 organizations, and small business enterprises.
23 The vast majority of these investments were made
24 in Philadelphia.

25 The RF's mission is to use capital and

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2 technical expertise to build wealth and create
3 economic opportunity for low-wealth communities
4 and low- and moderate-income individuals. The
5 fund accomplishes its mission through its
6 financial support of affordable housing
7 developments, community facilities, small
8 businesses, and workforce programs.

9 In 15 years, the Reinvestment Fund has
10 grown to where we now manage more than \$80 million
11 in a assets. These funds have been entrusted to
12 us by more than 700 investors. Two-thirds of
13 those 700 investors are individuals, one-third of
14 those investors are banks, insurance companies,
15 foundations, universities, hospitals, religious
16 institutions, venture capital funds, and the U.S.
17 Treasury Department.

18 How are we organized? The Reinvestment
19 Fund is a nonprofit organization with two
20 nonprofit subsidiary corporations and one
21 wholly-owned, for-profit subsidiary. TRF has a
22 core loan fund that attracts investments from
23 individuals and investors. Each year, TRF files a
24 registration statement with the Pennsylvania State
25 Securities Commission.

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2 In addition to TRF's core loan fund,
3 we've established three entities that I mentioned
4 -- two nonprofit, one for-profit. The
5 Collaborative Lending Initiative is one of these.
6 It was founded in 1994, which is a bank loan
7 consortium comprised of 15 member financial
8 institutions.

9 DVCRF ventures, Inc., which was founded
10 in 1997, is the nonprofit general partner of DVCRF
11 Ventures LP, a limited partnership formed to
12 provide venture capital to growth companies with
13 strong job creation potential for entry-level
14 employees.

15 And then the Enterprise Investment
16 Corporation is a for-profit company that was
17 formed to house TRF's SBA loans. The Enterprise
18 Investment Corporation is licensed by the U.S.
19 Small Business Administration and regulated by the
20 Pennsylvania Department of Banking.

21 So what has all of this accomplished?
22 We believe that over the past 15 years, TRF has
23 demonstrated it is possible to create an
24 organization that combines a strong public purpose
25 with sound business discipline in its lending and

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2 investment programs. Our \$200 million in
3 cumulative loans and investments have leveraged
4 \$1 billion in public and private capital. The
5 result of this invested capital has been to create
6 over 6,000 new affordable housing units, 5,000
7 child care slots, 5,500 charter school seats, and
8 1,800 jobs in small businesses, as well as
9 retaining 16,000 jobs overall.

10 In the past year alone, TRF has made
11 more than \$38 million in new loans and
12 investments. Charge-offs have remained less than
13 1 percent of outstanding loans. And the
14 Reinvestment Fund's capital-to-asset ratio, which
15 is equity capital to total assets, how much equity
16 we have, that ratio stands at above 20 percent.

17 Now, I would conclude that essential to
18 this growth in our assets and financial capacity
19 was the support of the federal and State CDFI
20 Funds. TRF has received \$7.5 million from the
21 U.S. Treasury over the years and \$2 million from
22 Harrisburg. This public-sector support has been
23 very important in attracting ongoing private
24 investments.

25 Indeed, one of the great values of

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2 CDFIs is their demonstrated capacity to bring
3 private investment to the settlement table, to
4 build wealth, and create economic opportunity for
5 low-wealth communities and low- and
6 moderate-income individuals.

7 The Reinvestment Fund strongly supports
8 the creation of the Philadelphia Community
9 Reinvestment Commission as well as the creation of
10 a Philadelphia CDFI Fund.

11 Thank you. I'll take questions if
12 there are any.

13 COUNCILMAN NUTTER: Thank you for your
14 testimony.

15 Any questions? Councilman Goode.

16 COUNCILMAN GOODE: Thank you.

17 Mr. Sanders, I don't know if you are
18 prepared today to respond to this, but could you
19 speak a little bit to demographics of some of the
20 end-users of your finances?

21 MR. SANDERS: The great majority of the
22 end-users that will benefit from our financing has
23 been low -- and I mean low, not moderate, but
24 low-income families. Primarily at this stage in
25 the Reinvestment Fund's development, it's still

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2 true that the majority of our financing has been
3 to affordable housing projects and to community
4 service facilities. These would be health care
5 centers, day care centers, charter schools, or to
6 developers of affordable housing. And the
7 overwhelming beneficiaries of that financing has
8 been low- and moderate-income constituents --
9 again, within the City of Philadelphia.

10 COUNCILMAN NUTTER: Any other
11 questions?

12 (No further questions.)

13 COUNCILMAN NUTTER: Thank you very
14 much.

15 Is there anyone else who I did not call
16 on or was not on the list for Bill 000546 who
17 wishes to testify at this time?

18 (No response.)

19 COUNCILMAN NUTTER: Okay, seeing
20 none. . .

21 Again, I hate to keep going back and
22 forth, but I believe our commerce director is here
23 now, and he wants to get his testimony in on Bill
24 000355, so we're going to go back to that bill,
25 complete that, and then take care of Bills 180 and

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2 181. That would be Mr. Curato, the Commerce
3 Director and Mr. Robert Fina, Vice President of
4 PIDC.

5 (Witnesses come forward.)

6 COUNCILMAN NUTTER: Mr. Curato?

7 MR. CURATO: Good morning, Mr. Chairman
8 and members of the committee. My name is James
9 Curato, and I am the City Representative and
10 Director of Commerce for the City of Philadelphia.

11 I would first like to thank you for
12 accommodating my schedule this morning and hearing
13 my testimony today on Bill No. 000355, which would
14 amend Chapter 21-1400 of the Philadelphia Code,
15 entitled "Tax Incremental Financing Districts."

16 As the City Commerce Director, I fully
17 support the spirit and intent of Bill 355, and I
18 fully support the idea of requiring developers to
19 undertake good-faith efforts both to provide
20 employment opportunities for youth and to provide
21 contracting and employment opportunities for
22 minority, female, and disabled business
23 enterprises and individuals.

24 Notably, many of the provisions
25 proposed by the legislation are already being

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2 accomplished through the TIF program, administered
3 by PIDC in cooperating with the City, and will
4 continue with or without this legislation.

5 However, certain provisions of the
6 proposed legislation would significantly and
7 detrimentally alter the autonomy that now vests
8 with the Mayor and City Council in approving each
9 district. Therefore, I cannot support Bill 355 as
10 currently drafted.

11 I do have some amended language that
12 addresses the several sections of the bill that I
13 would respectfully submit to the committee for its
14 review. I understand that prior to my arrival
15 here this morning, the Controller testified, and I
16 have also indicated to the chairman that we do not
17 object to a basis for our projections being
18 evaluated. However, we do believe that the
19 legislation as drafted, that gives the Controller
20 and PICA what would amount to almost a right to
21 preempt any TIF legislation should be changed.

22 COUNCILMAN NUTTER: Mr. Curato, can I
23 at least mention to you -- I know you didn't have
24 the benefit to being here earlier, and that was by
25 agreement. You had, I believe, a ground-breaking

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2 to attend. I did raise that issue earlier with
3 the City Controller and at least we should place
4 on the record again, one, the Controller's view,
5 and it was just his view, that he would not, I
6 guess, unnecessarily withhold such a statement.
7 But secondly, I think we began a discussion that
8 led to a conclusion that stepping back from a
9 strict requirement that would not allow the
10 Council to make an approval without having such
11 certification a statement. I think that there is
12 a way to at least ensure a comment or a review of
13 such a project, again, without either infringing
14 on the prerogatives of the executive branch or
15 even of the City Council.

16 And so along those lines, I think we'll
17 be able to work something out on that. I'd like
18 not to, I guess, have you so deep in the hole on
19 the record with regard to where you would not like
20 to be, and I'd rather like to, if possible, steer
21 you in the direction of where you would like to be
22 and some of your ideas and some of your thoughts.
23 I think we kind of got it on what your concerns
24 and -- what your concerns might be.

25 MR. CURATO: I understand.

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2 COUNCILMAN NUTTER: Thank you.

3 MR. CURATO: I'll just, if it's all
4 right with the chairman, just complete the rest of
5 my testimony.

6 Under Section 21-1403(1) as drafted,
7 the bill would require that no TIF district be
8 approved by City Council, unless the ordinance
9 creating the TIF district is accompanied by a
10 statement signed by the Finance Director,
11 Controller. And the Executive Director of PICA.
12 That's the issue that we just discussed. And,
13 again, if there's a mechanism for comment, as you
14 pointed out, Mr. Chairman, that would be
15 acceptable to us.

16 The bill further requires that any TIF
17 district plan include a statement that there will
18 be an economic opportunity plan submitted for the
19 TIF district. The economic opportunity plan would
20 contain a statement that the developer shall use
21 good-faith effort to ensure that the project shall
22 provide for the maximum feasible number of
23 year-round part-time and full-time employment
24 opportunities for low- and moderate-income youth
25 and a preliminary implementation plan for such

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2 employment goals.

3 The bill as drafted also goes on with
4 similar language for minority, female, and
5 disabled enterprises and individuals and the
6 preliminary implementation plan. The provision
7 that the developer shall use good-faith efforts to
8 provide for these employment opportunities would
9 also be applied to any TIF district approved after
10 January 1, 1998.

11 I do have some amended proposed amended
12 language that was provided to me by the Law
13 Department regarding these sections. I have
14 reviewed the amendments and would submit them to
15 you. I don't believe that they would in any way
16 alter the intent of what was trying to be
17 accomplished with the bill. It's, I think, more
18 along the lines of just the Law Department
19 providing language that they felt more comfortable
20 with, and I'd be glad to submit those.

21 COUNCILMAN NUTTER: If we're talking
22 about the same language, although I have not seen
23 what you plan to provide 'cause I have not seen
24 any of the amendments that you wish to talk about,
25 I know the Law Department did express concern, and

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2 I'm already prepared to make at least one
3 amendment that had to do with a legal issue
4 involving, I believe, the language maximum
5 feasible number.

6 MR. CURATO: That is correct.

7 COUNCILMAN NUTTER: There are at least
8 three sections where that language is used, and I
9 agree with that that needs to be deleted.

10 MR. CURATO: Yes, Mr. Chairman, that is
11 correct. And I will leave what I have here with
12 you.

13 COUNCILMAN NUTTER: Do you have
14 copies?

15 MR. CURATO: Yes, I do.

16 COUNCILMAN NUTTER: Can we --
17 Mr. Curato, you may recall in your previous tenure
18 with us, you and I had an exchange on the floor --
19 it was a very nice one -- and I believe I asked
20 you about a particular project and whether you
21 were carrying the secret documents in your
22 briefcase. You at least stated for the record at
23 that time that you did not have the secret
24 documents in your briefcase. You did not say that
25 you didn't have the secret documents, just that

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2 they weren't in your briefcase.

3 But please don't keep the amendments so
4 secret.

5 MR. CURATO: Mr. Chairman, I remember
6 that exchange well. I believe it had to do with
7 the Civic Center and whether or not I had a secret
8 plan involving the Civic Center. I do remember
9 that very well.

10 COUNCILMAN NUTTER: You have a very
11 good memory. Thank you.

12 MR. CURATO: I would also note that do
13 not have my briefcase today either.

14 COUNCILMAN NUTTER: I noticed that.
15 (Laughter.)

16 MR. CURATO: The amendments, again,
17 that were submitted, I think, reflect the fact
18 that we do support the intent of this
19 legislation. And you referenced the fact that it
20 really was just the language related to the
21 phrasing "maximum feasible number." With those
22 changes, we can be supportive.

23 I would just conclude my testimony by
24 saying that we are, and continue to be, eager to
25 work with City Council in developing TIF districts

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2 that foster economic growth throughout the City
3 and to provide City Councilmembers and their staff
4 with any relevant data that is required to achieve
5 that goal.

6 With respect to the job and tax
7 projections, both the Finance Director and I are
8 willing to sign off on any plans that are
9 submitted to Council. I believe that we can find
10 a way to solicit the additional comments that you
11 had talked about. And with the minor changes that
12 were suggested this morning, we're prepared to
13 support this legislation.

14 COUNCILMAN NUTTER: Thank you very much
15 for your testimony. I do have a couple of
16 questions and some things I'd like to walk
17 through.

18 I've looked at the amendments very
19 quickly. I again understand exactly what you're
20 trying to accomplish, and number one, by
21 essentially deleting the Controller and the
22 Executive Director of PICA. Again, I would only
23 say back to you that I think somewhere in that
24 section, we need to make some reference to
25 receiving comments or a review by those entities,

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2 but take them out of the area where essentially
3 there would be a locked revision on approval or
4 disapproval. We can bat about some language on
5 that.

6 What I'd like to get to, though, is
7 your amendment on -- or your number 2 amendment
8 seems to take a significant amount of that section
9 out and replaces it with new language, which,
10 again, which we've just seen for the first time.
11 My thought on this was to just remove the language
12 where it says "contain a statement for the
13 developer, that the developer shall use good-faith
14 efforts to ensure that the project shall provide,"
15 and then just delete "for the maximum feasible
16 number of" and then let the sentence continue.

17 Your testimony seemed to talk about --
18 I thought that it was difficult for you for some
19 reason to provide this, I believe what's called, a
20 preliminary economic opportunity plan up front.
21 Is that the sum and substance of what you're
22 trying to communicate to us?

23 MR. CURATO: Mr. Chairman --

24 COUNCILMAN NUTTER: Your testimony is
25 not numbered, but on one of the pages, it says,

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2 "An economic opportunity plan is required for all
3 TIF districts and becomes one of the closing
4 documents. Currently PIDC does not attach its
5 economic opportunity plan to the initial
6 preliminary TIF project plan. The documents
7 required to be submitted under the preliminary TIF
8 project plan are specifically enumerated by State
9 law and, therefore, it has been PIDC's custom to
10 conform to the requirements of that State law."

11 I understand your need to comply with
12 State law, but we are allowed to establish our own
13 provisions in terms of our own approval-making
14 process. And while I understand that the entire
15 plan may not be complete, and as I understand,
16 these provisions -- I mean, kind of the way it
17 works in the real world is that the final
18 components of an economic opportunity plan are
19 often negotiated subsequent to the transaction
20 being completed, or at least until the legislation
21 has been voted upon. I don't necessarily see
22 where it is an unreasonable burden that you would
23 be able to at least give the framework or the
24 outline of what that economic opportunity plan
25 would be or what your goals might be, as you

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2 proceed down the path to conclusion.

3 Would you agree or disagrees with
4 that?

5 MR. CURATO: I agree with that,
6 Mr. Chairman.

7 COUNCILMAN NUTTER: So it's not
8 impossible to give us at least a framework of what
9 you're trying to do or what you would be trying to
10 accomplish, understanding that that is not the
11 final plan, that is merely the framework or the
12 outline of what you're going to try to do, but we
13 could see it, we'd have an opportunity to have
14 some discussion about it in the public hearing.
15 And I think we all understand that it is really
16 subsequent to the developer understanding that
17 I've got my TIF approved, I have my financing
18 lined up, that you're really legitimately in a
19 position to even have those final negotiations and
20 come up with the final economic opportunity plan.

21 I mean, is that kind of the scenario of
22 how it all works out?

23 MR. CURATO: I think that's reasonable
24 and I think we can --

25 COUNCILMAN ORTIZ: Could I add

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2 something to your statement, Mr. Chair?

3 COUNCILMAN NUTTER: Councilman Ortiz?

4 COUNCILMAN ORTIZ: Mr. Director, if we
5 could -- if you can, within that structure that
6 the Chair just delineated for you, I think the key
7 question for me has become that a developer has to
8 answer one question, and we have to decide upon
9 that one question. But for the TIF, but for the
10 TIF, this project would not be done. And I think,
11 given the current economic conditions in the
12 country, the State, the City, given the current
13 situation, I think that question, prior to
14 everything else, has to be presented fully
15 answered to this Council. But for.

16 I mean, if we are talking about a
17 project up in North Philly, where there is empty
18 land and there is probably no prospective of
19 getting and somebody comes in and says, I need a
20 TIF in order to develop over here. But for us
21 being able to do that, if he is able to present
22 the project and says yes. But it is for a Center
23 City project that could be done, and the
24 developers have come to see it almost as an
25 entitlement, I think that question has to be fully

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2 answered. And I don't think they're answering
3 that question right now. And that's in addition
4 to what. . .

5 COUNCILMAN NUTTER: Councilman
6 DiCicco?

7 COUNCILMAN DICICCO: Thank you,
8 Mr. Chairman.

9 As a follow-up to Councilman Ortiz,
10 isn't it also a question as to not necessarily the
11 area of the City where potential development may
12 be looked upon, as it is more related to what the
13 components of the deal for the development is all
14 about. I think in the minds of some of my
15 colleagues and a lot of other folks, when we speak
16 about development in Center City, most people feel
17 that because it's Center City and it's the vibrant
18 commercial hub of the City, every deal that is put
19 on the deal will automatically become a reality
20 and it will automatically work and can get done.

21 Again, you weren't here earlier, Mr.
22 Curator, but through some of my communications
23 with developers in the last five years, even in
24 Center City, the deal sometimes will not work
25 unless there is some financial incentive or some

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2 monies that the public sector needs to put up to
3 fill the gap.

4 Eighth and Market is a perfect
5 example. A TIF was created and approved, the
6 Parking Authority put their money on the table to
7 develop a garage, and still today, two years,
8 maybe a little bit longer, since all of those
9 financial packages were approved, we still don't
10 see development because it is not as easy to do as
11 all of us would like for it to be.

12 I mean, I don't know that we can just
13 say TIFs -- I mean, I don't think anyone is
14 suggesting that we throw all TIFs out the window,
15 but I just don't think that we could sit here
16 today and make any really determination as to what
17 we should structure into the TIF, because I think
18 each TIF, each development brings a different set
19 of circumstances to the table that need to be
20 dealt with at the time of their application.

21 And if you care to comment on that,
22 either one of you, I'd appreciate that .

23 COUNCILMAN ORTIZ: If I may add to
24 you. But that's why I said the but-for question.
25 But for this TIF. And then rationalize it and

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2 then explain it and then substantiate it. But for
3 this TIF, this project cannot be done. And put
4 that forward -- be it in Center City or anywhere
5 else.

6 But you have to be able -- we have to
7 be able to have that question answered. And I'm
8 -- you know, I'm resolute that we need to do it,
9 because I think the developers have taken this as
10 an entitlement without having to answer that
11 question --

12 COUNCILMAN DICICCO: And I think --

13 COUNCILMAN ORTIZ: They project it into
14 their equation.

15 COUNCILMAN DICICCO: And I think you're
16 probably right in many cases, or in some cases.

17 I think what you have to rely on is the
18 due diligence of the Commerce Department and PIDC
19 who do this as a normal course of business.
20 They're familiar with what the projects would
21 cost, they are familiar with what the application
22 or the developer is presenting and the jobs that
23 it will create. They know the financial market
24 and what kinds of money are available to the
25 project.

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2 So, in most cases, even though I deal
3 with the two agencies and I talk to the
4 developers, I'm really at everyone else's mercy to
5 tell me what they feel is necessary to make the
6 project a reality.

7 I recall Mayor Rendell calling me two
8 or three years ago about the high-rise development
9 at Eighth and Walnut, and the name of the
10 development I forget at the moment 'cause it still
11 hasn't happened. But the developer was seeking a
12 20-year TIF. Somewhere around \$15 million, and
13 I'm not sure if that's the correct number. And we
14 discussed it and I thought that 20 years was
15 entirely too long, I thought we'd be setting a
16 precedent for future developers who might be
17 looking for the same kind of terms in their TIF.
18 And we went back and forth with that developer and
19 I think it has since changed to reduce not only
20 the length of the TIF but also the amount of the
21 TIF. And the developer walked from the job.
22 However, a different developer came to the table
23 and said, I can do it for 10 to 15 years and I can
24 do it for \$10 million as opposed to 15.

25 So I think that there are those kinds

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2 of discussions about the but-if that are ongoing.

3 And what we get for the most part is the final

4 result of all of those questions and issues that

5 are looked at and scrutinized by the Commerce

6 Department and PIDC.

7 And if you'd care to comment, I'd

8 appreciate it.

9 MR. CURATO: Well, I actually -- and

10 I'm not just saying this to be diplomatic, but I

11 actually agree with both of you.

12 Councilman Ortiz, I can assure you that

13 I will be a tough sell when it comes to City

14 assistance, and that's the way that I approach the

15 way we use our City resources to help projects.

16 If we are needed to step in and help to get a

17 project going, and if the project is good for the

18 City and will create jobs and is helpful in either

19 generating additional development or in

20 revitalizing a neighborhood or will help a certain

21 sector of our economy, and it is clear to me that

22 without our assistance, that project would not go

23 forward, then I will be inclined to favorably

24 consider it.

25 But I can assure you, I do not approach

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2 TIF projects or any other City assistance as
3 though they are entitlements. I look upon City
4 funding for projects as not a right but something
5 that we are to use very judiciously and only when
6 necessary.

7 And then to Councilman DiCicco's point
8 that we have -- the TIF program has been used very
9 successfully for a number of Center City
10 projects. And the Councilman is right: there are
11 a number of those projects that, I think, have
12 really done wonders in bolstering Center City
13 development. And I just have not been on the job
14 very long, but in my review of the projects that
15 were done, the TIF program was necessary.

16 The one I have the most direct
17 experience with was down at Penn's Landing for the
18 family entertainment center. That project will
19 completely revitalize the waterfront, it will give
20 us, if not the best waterfront in the country,
21 then certainly one of the best. And I think that
22 the TIF program was very effective in that regard.

23 So I can assure you I will review every
24 proposal very carefully and judiciously and not --
25 and that program will not be abused.

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2 COUNCILMAN NUTTER: Councilman Goode.

3 COUNCILMAN GOODE: Thank you,
4 Mr. Chair.

5 With all due respect to my former
6 colleagues from the Commerce Department and PIDC,
7 I would not suggest that we are strictly at the
8 mercy of the due diligence, nor could we be at the
9 mercy of due diligence.

10 My question is really geared toward not
11 so much whether due diligence has been done with
12 respect to the developer and a specific project,
13 but we talk about Tax Incremental Financing
14 Districts. Yet I have yet to see a proposal,
15 while I've sat here on Council or even before
16 coming to Council, that's actually established a
17 district where tax increment financing was
18 available to more than one developer.

19 My problem has been twofold. I will
20 not completely rehash my problems with past TIF
21 projects where I feel that there was not a
22 financial need demonstrated or at least not
23 submitted to individual members of Council, but
24 certainly, there has not been a TIF district
25 approach to try to change the actual market

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2 conditions within a district for more than,
3 quote/unquote, the client of PIDC or a specific
4 client of PIDC.

5 My question is more, since this bill
6 really addresses how to create some public benefit
7 beyond that benefit that goes to the specific
8 developer, what is in the future of TIF? Is there
9 going to be any strategic planning in terms of
10 doing TIFs, as the City Controller talks about, to
11 actually create TIF districts where unknown
12 developers come in to really spur revitalization,
13 particularly in view of the fact that not only do
14 we have -- tax increment financing has been
15 concentrated in specific areas of the City and in
16 specific Councilmatic districts, but beyond that,
17 in very specific areas, we've done TIF districts
18 in exactly the same area, which means that we
19 establish a TIF district and the intent of it was
20 to change the market there for private investment,
21 then why didn't that impact that market? And why
22 do we continue to reestablish TIF districts that
23 essentially overlap? I mean, when are we going to
24 do it correctly, actually carve out areas of the
25 City where we're trying to spur private investment

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2 and allow it to be an open process to all
3 developers that may want to develop there?

4 MR. CURATO: Councilman, I'll just give
5 you my brief answer, and then maybe ask Mr. Fina
6 to respond since he has more of a history with the
7 program than I do directly.

8 The TIF is really one tool that can be
9 used. The other one that comes to mind, when you
10 talk about setting up areas or districts to
11 encourage development without a specific developer
12 in hand is the Keystone Opportunity Zone
13 legislation, which, I think we've had a good bit
14 of success with and is about to expanded. Pending
15 final approval legislation in Harrisburg, we will
16 be able to add more acreage to the Keystone
17 Opportunity Program, and I think that's one tool
18 that can used very effectively.

19 My own experience with TIFs and how
20 they're used is that we do tend to be more
21 reactive. When a developer comes to us with a
22 project, if there is a gap or shortfall, as
23 Councilman Ortiz pointed out, that but-for
24 argument, that we've tended to step in at that
25 point, and it has been, at least in my experience,

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2 the case that the TIF district directly overlaps
3 the boundaries of a certain project that we want
4 to do.

5 And I think what you're alluding to
6 this morning is the possibility of creating TIF
7 districts perhaps in certain neighborhoods that
8 encompass a larger area and that can be used as an
9 incentive in more of an open competitive process,
10 if I hear you correctly.

11 I think that's certainly something we
12 can explore. I know that we do need to have a TIF
13 strategy in place, certain guidelines and criteria
14 as to what constitutes a proposal that the
15 Administration would be willing to support.

16 I have started to work on that. My
17 initial reaction was to not make it purely
18 location-based; in other words, to not say, we're
19 only going to support TIF proposals in certain
20 areas of the City. My initial thoughts were to
21 gear it more towards direct economic benefits to
22 the City, primarily jobs, and areas where
23 supporting a TIF could revitalize a neighborhood
24 and spur additional development.

25 But I have not completed those

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2 guidelines yet. I would be glad to share those
3 with you and with other members of Council when
4 they're completed.

5 Maybe if it's acceptable, if I could
6 just ask Mr. Fina to comment just for more of a
7 historical perspective.

8 COUNCILMAN NUTTER: Okay.

9 MR. FINA: Good morning. My name is
10 Robert Fina. I am Senior Vice President at
11 Philadelphia Industrial Development Corporation,
12 PIDC, and I've had the pleasure of speaking before
13 members of City Council on TIFs many times in the
14 past.

15 The program is about seven years old,
16 not five; we've been doing them for seven. And
17 there's been a number of success stories, both in
18 Center City and out of it.

19 We have proposed -- more specifically
20 to your question, Councilman Goode, we have had
21 more than just, say, project TIFs. The
22 Philadelphia Naval Business Center encompasses
23 more than just the Kvaerner project as a TIF, as
24 well as 13th Street Passages, which is in Center
25 City, which is more than just a project.

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2 We've avoided doing those larger
3 geographical areas for many of the concerns that
4 Council has raised in the past, that you won't
5 basically know that there is a but-for argument if
6 you create a TIF district and then during the term
7 of that TIF district, 20 years usually, projects
8 come in and out of that process. In fact, what
9 you've done on the Philadelphia Naval Business
10 Center is require us to come back annually every
11 time we use TIF revenue, in effect, asking us to
12 give you the right, as you require, the right to
13 approve each TIF district within that -- or each
14 TIF project within that TIF District.

15 So we'll certainly explore with the
16 Commerce Department both methods of applying
17 TIFs. There isn't a right way or a wrong way. We
18 are in compliance with the law. Other parts of
19 country use the larger geographical TIF districts,
20 as well as other parts of the country use a
21 per-project basis.

22 There are advantages and disadvantages
23 to both. When you create a TIF district, there's
24 some disadvantages. If you're a property owner
25 and you make improvements in that TIF district,

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2 you do not have a tax abatement by right, as you
3 do now. So you lose certain aspects of it. So we
4 were very careful in presenting that to you, that
5 you would be able to at all times wrap your arms
6 around what we're proposing.

7 And I just wanted to add one more
8 comment. We do, at your request, at this
9 Council's request, and Councilman Goode, you were
10 one who championed that about a year ago, that we
11 do a financial gap analysis and we provide that to
12 Council and your staff. And we've been doing that
13 for the last TIFs that have been presented to you,
14 that we do a gap analysis to show but for the TIF,
15 that particular project, that project could not
16 proceed based upon the assumptions and numbers
17 that we put in that analysis that we share with
18 you.

19 I'll be happy to answer more questions
20 if there are any.

21 COUNCILMAN GOODE: As a follow-up to
22 that, it's a interesting argument in terms of the
23 whole but-what-if scenario. I'm assuming, or was
24 assuming under the context of my comments, that we
25 were providing TIFs because there was not a market

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2 there for private investment, but you're saying
3 that they are very deal-specific and have always
4 been very deal-specific.

5 MR. FINA: Councilman, I'm not sure.
6 Not always. We have -- that's been --

7 COUNCILMAN GOODE: Other than the Navy
8 Yard and other than a couple of examples, they
9 have generally been deal-specific.

10 MR. FINA: That's what we've proposed.

11 COUNCILMAN GOODE: And you're
12 suggesting that they should be deal-specific.

13 MR. FINA: I'm suggesting that it
14 depends on the nature of what's being proposed and
15 the economic goals and objectives of the
16 Administration and of City Council.

17 So far, we've only closed 8 TIFs. Of
18 the 24 that you've approved, only 8 have closed.
19 It's a very -- it's -- it's -- is not a giveaway
20 and is not -- even with a TIF, a project doesn't
21 necessarily move forward.

22 COUNCILMAN GOODE: One last follow-up.
23 In light of Councilman DiCicco's very aggressive
24 tax incentive legislation agenda, have you begun
25 to revisit the whole issue of TIFs, the fact that

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2 we are extending abatements to ten years?

3 MR. CURATO: We will be doing that. I
4 think Councilman DiCicco's efforts have been
5 terrific as far as giving us additional incentives
6 to attract development. So to the extent that it
7 helps our cause and impacts whether or not
8 additional TIFs are needed, we'll certainly be
9 looking at that.

10 COUNCILMAN GOODE: Thank you.

11 MR. CURATO: You're welcome.

12 Mr. Chairman, if I could just, if I may
13 just one other point that was in my written
14 testimony that I did not mention when I gave the
15 testimony here this morning. The provision in
16 Bill 355 that made the provisions on the hiring
17 the youth and minority, female, disabled business
18 enterprises retroactive to January 1, 1998 I think
19 would be somewhat problematic. This is another
20 example of where I think we support your intent
21 and we can certainly make efforts to --

22 COUNCILMAN NUTTER: Well, I saw that in
23 your testimony, and I had put an asterisk next to
24 it to ask you the question.

25 When I looked at the TIF schedule, the

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2 number -- I believe the number's now at -- we're
3 now at number 24, have done 24, right?

4 My recollection was that we picked that
5 particular date so as to not interfere with any
6 project that was already underway, but there are
7 some that have been approved since that time,
8 which, to the best of my knowledge, at least at
9 the time of introduction, were not underway.

10 And so I guess I need to get from you
11 what projects have gone into play since January 1,
12 1998 that you think will be affected by this
13 bill. And rather than painfully dragging you
14 through that, now that I have reoriented myself to
15 the document, since '98, we have, I believe:

16 Cecil B. Moore Avenue. That was on
17 6/18/98;

18 Penn's Landing 6/18/98. How is that
19 project going?

20 St. James Court, December 10, '98;

21 Brewery Park, December 10, '98;

22 Convention Center Garage, 1/14/99;

23 Jump Street, 1/14/99;

24 West Philadelphia Retail, 1/26/99;

25 Pavilion Market East, 1/14/99;

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2 Whitaker (I don't remember that one),
3 6/17/99;
4 Ashton (I remember this), 6/24/99;
5 New Market (I think that's the Hotel
6 w), 12/9/99;
7 13th Street Passage, 12/9/99;l.
8 Gateway, 12/9/99;
9 Schmidts Plaza, 4/13/2000;
10 Networks, 4/13/2000;
11 West Chestnut Retail, 4/13/200;
12 And Ninth Street Retail 4/13/2000;
13 And we did -- Councilman DiCicco,
14 didn't we do Silver City right before we left?
15 Was that June?
16 COUNCILMAN DICICCO: Yeah.
17 COUNCILMAN NUTTER: So estimate of June
18 of 2000.
19 Now, I mean, some things could have
20 changed since May 18, 2000, but have most of these
21 projects started?
22 MR. CURATO: No.
23 COUNCILMAN NUTTER: Or anywhere near
24 started?
25 MR. CURATO: I beg your pardon?

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2 COUNCILMAN NUTTER: Or are they
3 anywhere near started at the moment? I mean, some
4 are probably are a little further along than some
5 others.

6 MR. CURATO: There are some further
7 along than others, and rather than go through each
8 one, project by project, I mean, my reaction is
9 that some of these are further along than others,
10 some of them -- there are a lot of agreements that
11 have already been signed. I think in most cases,
12 we can go back to the developers and ask that they
13 incorporate the provisions of this bill.

14 COUNCILMAN NUTTER: I mean, I think in
15 this particular section, all we're asking is when
16 -- and we say that they are along, I mean, they
17 may have started digging in the ground, but I
18 don't necessarily know from any of these,
19 especially on the retail commercial stuff, that
20 they've determined who their employees are going
21 to be, selling clothes, or whatever they're going
22 to be selling, and all we're saying is, if there's
23 an opportunity, to make sure that some young
24 people here in Philadelphia get a chance to work
25 at a project for which we've provided a tax

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2 incentive for. Rather than having them take three
3 pieces of transportation to go work at the King of
4 Prussia Mall, it would be nice if they could work
5 right here in the City. Maybe they could go there
6 after school.

7 COUNCILMAN ORTIZ: Wouldn't it be nice.

8 COUNCILMAN NUTTER: I mean, look, I'm
9 not trying to jam anybody up, but if you haven't
10 even started down the path of putting up a sign
11 saying "Jobs Available," then I don't think that
12 we're causing you that much of a problem to try to
13 figure out how to make sure that some Philadelphia
14 young people get some employment, whether in the
15 summer or during the school year.

16 So, I mean, no, I don't necessarily
17 want to go project by project and, you know, if
18 it, you know, becomes such a violation of
19 something, you know, I'm a pretty open-minded
20 person, but, I mean, I looked at the dates before
21 we picked one, and based on an evaluation of where
22 things were at the time, it didn't seem that
23 anybody was in any particular jeopardy. Most
24 haven't even put a shovel in the ground yet.

25 Mr. Curato?

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2 COUNCILMAN DICICCO: Mr. Chairman, if I
3 could maybe follow up on your question.

4 COUNCILMAN NUTTER: Sure.

5 COUNCILMAN DICICCO: I think maybe what
6 we need to discuss here, without getting into all
7 of the fine details is, even though there might
8 not have been any ground -- shovel in the ground
9 or any construction that has begun, a lot of this
10 stuff, at least on the retail side, the developers
11 are negotiating with potential tenants. So while
12 you may have not seen any -- Penn's Landing a
13 perfect example. There are a number of tenants
14 that are in place and there are a number that
15 they're trying to sign an agreement to do that, to
16 locate to that site.

17 So, in all fairness to them, some of
18 these things we're asking for may actually
19 interfere with what they're doing. I mean, in the
20 case of Silver City my experience --

21 COUNCILMAN NUTTER: Right. But,
22 Councilman, if I can, I mean, Penn's Landing is a
23 great example. I mean, it's billed as a family
24 entertainment place. I have to assume that a fair
25 number of young people will probably work at

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2 Penn's Landing. I would be stunned, based on the
3 continued extensions -- I mean, with every respect
4 to -- I mean, it's a complicated project. But
5 even in the negotiation with these respective
6 tenants, if they have not made determinations on
7 their youth workforce yet, then how is our saying
8 to them, At the time that you're in that phase, to
9 the greatest extent possible, we'd like to make
10 sure that young people in Philadelphia versus
11 somewhere else. I mean, you know, young people
12 being equal --

13 COUNCILMAN DICICCO: And I --

14 COUNCILMAN NUTTER: I mean, what do
15 they care?

16 COUNCILMAN DICICCO: And I agree, and I
17 think you know my position on residents.

18 COUNCILMAN NUTTER: Right.

19 COUNCILMAN DICICCO: People working in
20 the City and for the City should all be required
21 to live here.

22 COUNCILMAN NUTTER: Right.

23 COUNCILMAN DICICCO: But what I'm
24 suggesting is that in some cases that -- I'm using
25 Penn's Landing as one of the examples -- there are

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2 a number of tenants who have already entered into
3 a contractual agreement with the Simon Group. And
4 I'm certain, from my conversations, that many
5 things that you're suggesting or requesting have
6 already been implemented.

7 But for those -- "but for," that's
8 becoming a key word today, a buzzword.

9 COUNCILMAN NUTTER: Absolutely.

10 COUNCILMAN DICICCO: But for those
11 tenants that have not yet signed the agreement, I
12 don't know how far along they are in their
13 negotiations, and would this interfere with their
14 --

15 COUNCILMAN NUTTER: Well, Mr. Curato
16 may actually know the answer to that particular
17 question. What was your last employment?

18 MR. CURATO: I'm sorry?

19 COUNCILMAN NUTTER: What was your last
20 place.

21 MR. CURATO: By coincidence it was
22 Penn's Landing.

23 COUNCILMAN NUTTER: Okay.

24 MR. CURATO: Mr. Chairman, my concern
25 is that -- as I said to you earlier in my

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2 testimony, we support this concept, I think it's
3 worthy, I totally support Philadelphia youth being
4 a part of these projects. We have no problems or
5 issues in carrying this forward.

6 I'm just a little bit concerned that
7 we're going back with developers who have been
8 through the process and imposing new
9 after-the-fact regulations on them. And I say
10 that with the understanding that I think virtually
11 all of these developers would also agree that
12 these are worthy goals to be achieved and would
13 work with us on that.

14 I'm only concerned that I'd rather do
15 this with the prior approved TIFs on more of a
16 sense of just conveying that this is important to
17 us, rather than putting them into the process and
18 having them to have to agree to regulations that
19 we're imposing on them retroactively.

20 COUNCILMAN ORTIZ: May I follow up?

21 COUNCILMAN NUTTER: Sure, Councilman.

22 COUNCILMAN ORTIZ: With all due
23 respect, Mr. Curato, I have been hearing that same
24 phrase about our inability to do what Councilman
25 Nutter is talking about and requiring of

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2 developers, and that we will begin doing this
3 good-faith effort, you know, in the next ones.

4 Since I've been here, and I've been
5 here since 1984, and a lot of development has
6 taken place since then, and the issue has been
7 that we've always heard that, and not just you,
8 you're just brand new, but from every commerce
9 director that has come before us. And the reality
10 of it has been that none of these things have ever
11 been met so that throughout all of the development
12 that we have seen, we have seen that the citizens
13 of Philadelphia and the young folks and so on
14 really are not being employed. And it's really
15 disheartening to see the data that we get from RDA
16 in terms of projects that are being built right
17 now. And most of that data is totally depressing
18 because most of those individuals do not reside in
19 the City of Philadelphia.

20 And then, as Councilman Nutter says,
21 can we just begin putting forward some sort of a
22 requirement? I don't think it's that difficult
23 that in the year 2000 and on forward, we expect
24 developers who get all of these things from us to
25 be responsive. We ask teachers to live in the

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2 City of Philadelphia. I mean, if they don't live
3 here, they can't be hired. We have policemen,
4 firemen and so on.

5 I think it's really a thing that maybe
6 shouldn't even have to be legislated. It should
7 just be taken for granted almost, and it is not.
8 And that's the pity of it.

9 COUNCILMAN NUTTER: Mr. Curato, could I
10 -- I mean, maybe there is some solution to this.

11 The language reads that the developer
12 shall use good-faith efforts to ensure these
13 things. Now, I mean, I can only speak for myself,
14 but I mean, it would be pretty much the sense of
15 the committee. I mean, if they've already made
16 agreements, signed documents, you know, laid out
17 what their workforce is going to be and kind of
18 signed, sealed, and delivered, we have no right to
19 try to undo that, and it is not our intention --
20 certainly not mine -- to try to do that.

21 But in a purely we haven't even dealt
22 with that situation because we're still trying to
23 figure out how we can put the roof on, I think we
24 can go to someone and say, This is important to
25 the City, it is a part of the project plan. You

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2 haven't even started down that particular road,
3 this is what we'd like you to take a look at and
4 use your good-faith efforts to do it. If you've
5 already done it, my view is that there's nothing
6 we can do about it.

7 So, I mean, I'd only ask you to give
8 that some thought and maybe it will give you some
9 additional comfort level.

10 Go ahead.

11 MR. CURATO: Just, again, I'm just
12 somewhat concerned about imposing new provisions
13 on a developer who's been through the process
14 after the fact. I would go -- I will go to every
15 developer who has gotten a TIF approved and convey
16 the sentiments of this ordinance and the goals
17 that we're trying to achieve. I would expect that
18 --

19 COUNCILMAN NUTTER: Well, wasn't it our
20 sentiment anyway?

21 MR. CURATO: I beg your pardon?

22 COUNCILMAN NUTTER: Wasn't it a part of
23 our sentiment, or someone's sentiment, in the
24 first place?

25 COUNCILMAN ORTIZ: Yes.

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2 COUNCILMAN DICICCO: To create jobs for
3 Philadelphians.

4 MR. CURATO: The specific provisions in
5 this bill?

6 COUNCILMAN NUTTER: When they were
7 done, when the negotiations took place, did anyone
8 sit in the room say, Now, you're going to have a
9 whole lot of jobs, whether adults, kids, seniors,
10 babies. To the extent that you can, you know, by
11 the way, since we're helping to provide this
12 economic incentive, I mean, you are going to try
13 to hire people from the City or the region. I
14 mean, someone did say that, didn't they?

15 MR. CURATO: . . . I'm sure --

16 COUNCILMAN NUTTER: It's a tremendous
17 silence here.

18 MR. CURATO: I'm sure that those
19 sentiments were expressed.

20 COUNCILMAN NUTTER: Okay.

21 MR. CURATO: Okay.

22 COUNCILMAN NUTTER: Aren't we then just
23 re-expressing them?

24 MR. CURATO: We can re-express them.

25 My concern is -- and just again to

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2 reiterate -- imposing new provisions on a
3 developer after the fact. We're looking at
4 developments that have been approved under one set
5 of guidelines, that have been made it through
6 Council, TIF bills that have been approved signed
7 by the Mayor, we're going down the path, and then
8 all of a sudden, we're coming back and saying, We
9 are now going to impose new regulations on you,
10 even though it's after the fact.

11 What I'm saying is, we can go back and
12 say to them --

13 COUNCILMAN NUTTER: Mr. Curato, I don't
14 necessarily look at it as imposing something new.
15 I have to assume and believe -- or maybe I want to
16 delude myself into believing -- that it was
17 already a part of the program and the package when
18 all of this was discussed. I mean, there had to
19 have been some discussion like that.

20 Mr. Fina, I mean, what happens in these
21 discussions? Don't we talk about these kinds of
22 things?

23 COUNCILMAN ORTIZ: And I think those
24 sentiments were expressed in the beginning, at
25 Council.

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2 MR. FINA: Because Mr. Curato is now
3 the newly-appointed commerce director, he hasn't
4 been a part of the negotiations on TIFs. And I've
5 been before this Council, as I mentioned, many
6 times.

7 We do require every TIF developer,
8 every recipient of a TIF, to do an economic
9 opportunity plan.

10 COUNCILMAN NUTTER: Right.

11 MR. FINA: In that plan, it talks about
12 hiring -- well, I'll use the word "goals." I
13 don't know if that's the legal term, but --

14 COUNCILMAN NUTTER: I understand.

15 MR. FINA: But with this group, I'd
16 just like to speak very openly.

17 Those goals have included employment of
18 various levels of income and race and gender and
19 location. We've also been very successful in
20 doing things at such -- well, I'll give you one
21 example, the Loews Hotel, of bringing people from
22 welfare to work into employment.

23 COUNCILMAN NUTTER: Right.

24 MR. FINA: That was not a part of the
25 economic opportunity plan at the time, but we and

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2 the developer, in --

3 COUNCILMAN NUTTER: So you and --

4 MR. FINA: And the intent of City
5 Council have asked them to do those things and
6 we've done that.

7 COUNCILMAN NUTTER: You imposed
8 something that we didn't even ask for.

9 MR. FINA: We're trying to anticipate
10 your wisdom, Councilman. And, seriously, you
11 know, that was the goal that the Administration at
12 the time, this current administration, wants to
13 see occur -- welfare-to-work employment. That was
14 a major focus; at the same time, still adhering to
15 the goals of the economic opportunities plan.
16 They exist.

17 Adding a provision that says, you will,
18 to the maximum extent possible, or some language
19 that --

20 COUNCILMAN NUTTER: That language is
21 being --

22 (Unintelligible, parties talking over
23 each other.)

24 MR. FINA: -- and under 21, I think
25 that would, providing it doesn't conflict with

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2 other agreements. I mean, most of these economic
3 opportunities plans,, as you require, have been
4 submitted and completed already.

5 So by this language, we'd have to go
6 back and amend them. I think Mr. Curato's right
7 in asking -- that he ask the redeveloper to do
8 that.

9 COUNCILMAN NUTTER: Councilman Clarke.

10 COUNCILMAN CLARKE: Let me add to this
11 discussion. And I understand what Councilman
12 Nutter's talking about.

13 As an example, we talked about the
14 Networks TIF, a component of the Networks TIF,
15 particularly in the discussion phase, was
16 incorporating a program with Community College.
17 And we actually met with the head of Community
18 College and had the developers of the network go
19 meet with them, and they were talking about
20 Community College being a feeder system into the
21 e-commerce development opportunities in that
22 facility.

23 Would you feel more comfortable if we
24 talked about the School District of Philadelphia,
25 who, by and large, would deal with individuals

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2 under 21 -- hopefully not 21, 'cause we hope we
3 still don't have kids in the School District at 21
4 -- providing some sort of a feeder system into
5 these types of job opportunities. I understand we
6 have a school of business. One of the magnet
7 schools, I think, is Bartram. It's a School of
8 Business. And we have a School of Communications,
9 which is William Penn to possibly be participating
10 in some of these TIFs.

11 Would you feel more comfortable with us
12 having some sort of language or provision that
13 requires that these developers work with the
14 school system in the City of Philadelphia or the
15 Catholic school system or some other type of
16 entities that provide educational opportunities?
17 I mean, would that make you feel more comfortable?
18 'Cause we have done something similar to that in
19 the past.

20 MR. FINA: Councilman, what you're
21 asking for is actually being done to some degree.
22 We've used previously the Private Industry
23 Council, and now I think it's called "The
24 Workforce 2000," as an entity, as an agency to
25 help bring about employment of Philadelphians.

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2 And that's where these jurisdictions are. They --
3 the Worforce 2000 doesn't have jurisdiction
4 outside of the City. The welfare-to-work programs
5 that exist in Philadelphia, they may be funded by
6 the feds and the State, but they have
7 jurisdictions within the County and the City of
8 Philadelphia. So that's where their focus is.

9 So that is all being done. I don't
10 think that there's a -- I'd be willing to stake a
11 risk in saying that the TIFs that have been
12 completed, those projects funded with TIFs, you
13 would be very pleased at the employment in those
14 TIFs being in Philadelphia.

15 COUNCILMAN CLARKE: And I agree with
16 that. And in speaking to the TIFs in my district,
17 you know, as Councilman DiCicco indicated, we
18 talked about that process early on with the
19 developer and get some assurance that they would
20 work with us.

21 But I guess what we're trying to get is
22 some language that specifies the process. I
23 personally, I think that this is rather vague, to
24 talk about individuals under 21. I'd rather see
25 something a little more detailed and a little more

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2 specific, which is why I talked about maybe the
3 school system, both Catholic and public school
4 systems, I'd like to see a program actually set up
5 to be a feeder system into these programs, and not
6 just the Private Industry Council and workforce
7 development agencies. So if that's something that
8 we can incorporate, I'd like to see that, you
9 know.

10 Yeah, Councilman DiCicco referenced the
11 -- one of the schools, I think, works with the
12 hospitality -- it's a hospitality feeder system.
13 So I think that, you know, we want to get -- I
14 personally would like to see something a little
15 more specific if we agree on the goals associated
16 with what we're talking about today.

17 COUNCILMAN NUTTER: Councilman?

18 COUNCILMAN ORTIZ: Councilman Clarke is
19 correct. What we need is specificity. And what
20 -- and my staff has been working on an amendment
21 as the discussion goes on. And I believe that the
22 lowest responsible bidder is the one that usually
23 gets the contract, is that correct, when we put it
24 up for bid? The lowest responsible bidder?

25 MR. CURATO: (Nods.)

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2 COUNCILMAN ORTIZ: Right? And maybe we
3 should add a new section to 180 here that actually
4 construes and then puts to the legislation
5 something that goes along those same lines, where
6 two or more sponsors, developers, bidders have
7 submitted substantially equivalent bids in a
8 future OHCD and DOC-covered project, the sponsor
9 -- or builder -- a developer or builder which has
10 demonstrated the superior ability to meet or
11 exceed the numerical goals set forth in subsection
12 2 a. above shall be deemed the lowest responsible
13 bidder.

14 And I think that gives you a greater
15 enhancement of the criteria in which to select who
16 the builder or the developer is going to be.

17 Do you agree with that?

18 MR. CURATO: I am not a lawyer.

19 COUNCILMAN ORTIZ: I am.

20 MR. CURATO: But I would -- I would
21 think that the City Law Department should review
22 that language. I'm not sure if that's something
23 that we can do.

24 COUNCILMAN ORTIZ: I think you can do
25 it.

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2 COUNCILMAN NUTTER: Councilman?

3 COUNCILMAN GOODE: Thank you,
4 Mr. Chairman.

5 I was glad to know that after spending
6 or approving hundred of millions of dollars in tax
7 and probably implementing projects for tens of
8 millions of dollars in tax financing, that we are
9 able to report that there are some jobs going to
10 Philadelphia residents, that there are some
11 welfare-to-work opportunities, there are some
12 opportunities for minority and women and disabled
13 businesses.

14 But I think what we're trying to get to
15 today is what specifically in negotiating TIFs
16 with developers do you require as it relates to
17 this legislation? And it's interesting that you
18 said that we would be pleased with the statistics
19 in terms of employment. But have you actually
20 submitted job-monitoring reports based on those
21 TIF projects that are already in effect? I'm not
22 willing to necessarily take your word for it.

23 MR. FINA: Councilman, PIDC does
24 general monitoring for all of our programs.
25 Normally what we require is that one year after

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2 opening, permanent employment must be documented.

3 And then we do that for three years. We're

4 collecting that data now for the TIFs as it

5 relates to this.

6 So I think --

7 COUNCILMAN GOODE: So that data is not

8 available.

9 MR. FINA: I'm sorry?

10 COUNCILMAN GOODE: That data is not

11 available currently.

12 MR. FINA: The data is available. It's

13 probably in a format that has to be collated and

14 presented, you know, in a much more intelligent

15 way.

16 But, yes, that data does come in. As a

17 project is completed in all of PIDC's programs,

18 City Council has received this information in the

19 past for all PIDC's programs, employment, where

20 that employment comes from. And then we track

21 that for three years from the date the project's

22 is completed.

23 COUNCILMAN GOODE: Well, let me ask you

24 a question regarding TIF contracts or general PIDC

25 lending contracts. If those employment numbers

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2 are not met in any case, would you sort of rescind
3 the tax increment financing, or would you call the
4 loan?

5 MR. FINA: It depends on the program.

6 We have not built that into the TIF program
7 employment, except in certain special cases. You
8 may recall the Cardone TIF that we did for that
9 project. We had that the TIF would go away if
10 employment were at -- were not met at -- for both
11 those TIFs that Cardone only received approval for
12 two of those projects have not closed. But that
13 was the spirit that City Council wanted to approve
14 those projects, that's what we included. We did
15 have in effect claw-back of the TIF for that.

16 We've proposed claw-backs in almost
17 every TIF of late for different circumstances.
18 One has to deal with, again, the discussion of the
19 but-for's, is the TIF really needed, and others do
20 have employment requirements.

21 COUNCILMAN GOODE: But as of this date,
22 there are no requirements regarding employment
23 goals or minority contracting that would cause you
24 to call that loan or rescind financing or a tax
25 incentive based upon not meeting those goals. In

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2 other words, there is no penalty.

3 MR. FINA: No, that's not true.

4 COUNCILMAN GOODE: You asked for it at
5 the table, they do meet some goals, but in terms
6 of the goals you asked at the table, they are not
7 requirements. And if they are not met, they still
8 get the money; is that correct?

9 MR. FINA: No, that's correct, sir.

10 COUNCILMAN GOODE: Correct me then,
11 please.

12 MR. FINA: I'm sorry, I didn't hear
13 you.

14 COUNCILMAN GOODE: Correct me then,
15 please.

16 MR. FINA: Okay. What I just said, for
17 two particular TIFs, there was a grave concern of
18 this Council that --

19 COUNCILMAN GOODE: You're talking about
20 proposed projects that are not going into effect
21 yet; I'm talking about past PIDC lending practices
22 and I'm also talking about TIFs that are already
23 in effect. I'm not talking, you know, the
24 claw-backs that you proposed this spring; I'm
25 talking about the up to 20 projects you did before

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2 that and the tens of millions of dollars, the
3 hundreds of millions of dollars of financing that
4 PIDC has done.

5 I'm saying, when you talk about a track
6 record in terms of employment and in terms of
7 minority contracting, have you ever had
8 requirements that caused you to call the loan or
9 rescind the financing or bring back the tax
10 incentive?

11 MR. FINA: The answer your question
12 succinctly, our past practice is, yes, we do have
13 requirements on the number of --

14 COUNCILMAN GOODE: Do you have
15 requirements in place that caused you to rescind
16 the tax incentive or call the loan? I mean, are
17 the requirements that stiff that if someone does
18 not meet an employment or minority contracting
19 goals, that you take back the financing or tax
20 incentive?.

21 MR. FINA: The employment goals on most
22 of our programs, that is the case, Councilman. We
23 do have default mechanisms. That's the mechanism
24 for the -- if we find a project in default --

25 COUNCILMAN GOODE: And have you ever

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2 taken any money or tax incentives back?

3 MR. FINA: Have we taken money back?

4 Yes. In the history of PIDC, yes.

5 COUNCILWOMAN BROWN: But specifically
6 on TIFs.

7 COUNCILMAN GOODE: Could you please
8 submit any documentation to that effect the
9 Chair.

10 MR. FINA: I'll be happy to.

11 COUNCILMAN NUTTER: Councilman Clarke
12 and then --

13 COUNCILMAN CLARKE: Go ahead, go ahead.

14 COUNCILMAN NUTTER: Councilwoman
15 Reynolds Brown on the point and then Councilman
16 Clarke..

17 COUNCILWOMAN BROWN: Thank you.

18 Following up on Councilman Goode's
19 point, define "claw-back." And is that synonymous
20 with "penalty"?

21 MR. FINA: Oh, I would absolutely say
22 yes.

23 What we offer, what you've approved in
24 just the TIF program alone are an inexpensive way
25 to finance a portion of a project, understanding

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2 the TIF never finances all of the project, but a
3 portion of the project. We have built in lately a
4 claw-back in which that TIF if -- would be
5 accelerated and paid (unintelligible) by the
6 developer if they do not meet certain -- if they
7 make certain income levels or if they don't do
8 certain employment. It varies with the project,
9 depending on the negotiations that we enter in
10 with the TIF developer. That does happen.

11 COUNCILWOMAN BROWN: Define "lately."
12 The testimony says that there are 24, and 8 have
13 closed?

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

15 COUNCILWOMAN BROWN: I'm curious to
16 know, at what juncture in the 24 has the penalties
17 that you've talked about and/or claw-back been
18 instituted?

19 MR. FINA: I think that's been an
20 (unintelligible) process coming before you,
21 Council. That is, you require more, and we
22 basically responded to your request.

23 COUNCILWOMAN BROWN: So now claw-backs,
24 or penalties, as you have defined them, are a
25 standard operating procedure with all future

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2 TIFs?

3 MR. FINA: We propose that on all TIFs
4 so far of late, all TIFs have a form of claw-back
5 in them, yes.

6 COUNCILWOMAN BROWN: Thank you.

7 MR. FINA: "Of late," meaning of the
8 last Council round and the ones proposed before
9 Council now.

10 COUNCILWOMAN BROWN: Thank you,
11 Mr. Chairman.

12 COUNCILMAN CLARKE: Mr. Chairman?

13 COUNCILMAN NUTTER: Okay, Councilman
14 Clarke.

15 COUNCILMAN CLARKE: Thank you,
16 Mr. Chairman.

17 That was actually going to be one of my
18 questions, Mr. Fina, to explain the claw-back
19 provision, but I'll go on now to the other parts
20 of my questions.

21 In line with Councilman Goode's other
22 questioning about the creation of these TIF
23 districts, my recollection, when this was
24 originally explained to me, I in fact thought they
25 were actually going to be districts where multiple

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2 developers would possibly have opportunities, but
3 if you're saying that wasn't the original intent,
4 so be it.

5 What I'm trying to get at, the question
6 I'm trying to get at is with respects to the
7 Mayor's blight initiative. I know one of the
8 reasons why some of these developments would be
9 more feasible than others is that you have
10 developable parcels, there are certain things
11 associated with the site that makes it a feasible
12 project for certain developers.

13 Is PIDC involved in the discussion as
14 it relates to the Mayor's blight removal
15 initiative? Because a large part of that, from my
16 understanding, is supposed to create light
17 industrial, other type of retail and commercial
18 development opportunities. Are you all involved
19 in that process at all, in any level of detail?

20 MR. FINA: Yes.

21 COUNCILMAN CLARKE: Well, can you
22 explain to me what level and how. I mean, what
23 part of the discussion? 'Cause I, you know -- I
24 mean, I'm just trying to get a sense as you talk
25 about your reformulating your TIF policy in

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2 response to Councilman Goode's question, and what
3 exactly are you looking at?

4 MR. FINA: I've provided a substantial
5 amount of information and met with various people
6 from the Mayor's neighborhood transformation
7 program. I wanted to make sure I used the right
8 phrase here so I'm clearly understood.

9 So I've, other members of PIDC have met
10 with that group, I've met with specific people
11 from the Mayor's Office to talk about how a TIF or
12 a TIF program could be implemented into the --
13 used in conjunction with that program, with that
14 initiative.

15 COUNCILMAN CLARKE: So if, as we talked
16 about earlier, these TIF districts, say, for
17 instance, if some parts of City -- unfortunately
18 it may be in my district -- we were to be in a
19 position to clear two square blocks of land, we
20 can look at possibly creating a TIF district if
21 the financing associated with that was more
22 favorable than any potential abatements as it
23 related to Councilman DiCicco's prior bill.

24 I mean, is that a part of the
25 discussion? I'm just trying to get a sense as we

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2 talk about strategies and planning for our
3 neighborhoods.

4 MR. FINA: The answer would be yes,
5 again, in a broad way. I mean, considering that,
6 again, the program, the TIF program, you really
7 don't finance anything until you really develop
8 it, because it's the incremental taxes, it's the
9 new taxes.

10 COUNCILMAN CLARKE: Right.

11 MR. FINA: So everyone would have to be
12 comfortable that there will be incremental taxes
13 to provide a TIF loan.

14 COUNCILMAN CLARKE: Right.

15 MR. FINA: To fund a piece of
16 development. Normally that does not occur until
17 permanent financing. Occasionally there is
18 construction financing that's associated, but it's
19 much riskier because you never know whether a TIF
20 will be created.

21 Going back into the history of the
22 program, just quickly, in California, when they
23 created huge TIF districts and they paid for
24 infrastructure improvements in those TIF districts
25 -- roads, highways, itself -- with bond issues

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2 that were going to be supported by the incremental
3 taxes in those districts when development
4 occurred, the development never occurred, the
5 bonds defaulted.

6 So that's one issue that you have to be
7 very cautious on that. The development will
8 likely occur before you start funding the
9 improvements within that district, whether the
10 infrastructural or building that anticipates the
11 revenue will be there. We have to be very
12 careful here in the City not to do that.

13 COUNCILMAN CLARKE: Can we give an
14 effective date of the TIF, say a year out, when we
15 will feel comfortable that possibly we were able
16 to lease up, we were able to get enough tenants
17 and developers to develop that parcel, and at that
18 time, we can move ahead with the TIF?

19 MR. FINA: Certainly, Councilman.
20 That's what we basically do with the TIF program
21 now. We create an effective date that goes
22 forward from this date to get the -- to gain the
23 benefit.

24 COUNCILMAN CLARKE: I believe
25 Councilman Goode wanted to add to that?

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2 COUNCILMAN GOODE: In a previous
3 testimony question on a separate TIF project, I
4 probably mentioned before that I did have in my
5 opening discussion with the City's Finance
6 Director, when she first came to town, she talked
7 about TIF districts in Texas and how they're
8 working effectively.

9 But then following what you were
10 saying, if a particular proposal for a TIF
11 district or proposal within a TIF district do not
12 provide but for a certain amount of revenue, it's
13 assuming that that's the amount of financing that
14 it would yield. But in terms of floating bonds
15 for infrastructure and so forth, wouldn't that be
16 the call of the Finance Director anyway, rather
17 than PIDC?

18 MR. FINA: The State program has an
19 authority -- not a city -- has a redevelopment
20 authority or an industrial authority proposing to
21 do the TIF. Under that legislation, an authority
22 can issue bonds. We have not issued bonds for
23 that very reason, because one is that the City
24 said they will not guarantee those bonds; and
25 secondly, we wanted to be certain that the TIF

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2 project would proceed.

3 There's nothing -- there is no right or
4 wrong to implementing a TIF. You could do it with
5 bonds, you could do it in a large district, you
6 can do it as the Finance Director proposed.

7 We haven't seen the advantages beyond
8 what we're doing presently in Philadelphia to move
9 off the mechanism we propose. We're certainly
10 open to it and we will talk and negotiate and
11 develop a strategy for TIFs here in Philadelphia
12 going forward, as the Commerce Director has
13 indicated.

14 COUNCILMAN NUTTER: That would be a
15 wild idea.

16 COUNCILMAN CLARKE: Yeah.

17 COUNCILMAN NUTTER: Thank you.

18 Councilman Clarke.

19 COUNCILMAN CLARKE: Somewhat unrelated,
20 but you did bring it up, the Keystone Opportunity
21 Zones. Mr. Curato, you weren't here at the time
22 as the commerce director, but when they did the
23 selection of the various zones, I wasn't a
24 councilperson at the time, but I was kind of like
25 a deputy councilperson, so I had a little

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2 authority in terms of working within the district.

3 That process did not lend itself to
4 input of Councilmembers or staff, and I was a
5 little upset because there were several areas
6 within the district that I thought, had we had the
7 opportunity of having a KOZ, we would have been
8 able to develop some types of businesses,
9 institutional, industrial, retail, light
10 commercial.

11 Can you tell me in the future how you
12 will work, you know, as the Commerce Director as
13 it relates to your interaction with Council
14 offices when you make these decisions and policies
15 associated with commercial development and
16 designation of areas? 'Cause we kind of like got
17 caught in on the tail-end, and I had to connect to
18 the American Street Corridor and got a little
19 small part next to Temple University, but it
20 didn't really make a lot of sense, but I felt that
21 I needed to have something in there, to be honest
22 with you.

23 Can you tell me how you will deal with
24 that in the future.

25 MR. CURATO: Councilman, I think if I

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2 understand the legislation pending in Harrisburg,
3 there is going to be a relatively short time frame
4 for submitting the expansion zones. Our
5 department has already started doing some research
6 based upon the prior work that was done, which
7 areas were included, what our priorities are. I
8 believe that we're only going to have probably a
9 couple months to do this.

10 I can tell you, we will reach out to
11 members of Council to get their input as we put
12 together the final plan.

13 There are going to have to be some
14 tough decisions made, because it's a popular
15 program, the incentives are real and substantive,
16 and there's a lot of demand for those areas. So
17 there will have to be some tough decisions made.

18 But we will -- I mean, I will ensure
19 that my staff is working on this, does reach out
20 to members of Council, and makes sure that their
21 priorities are included in our decision-making.

22 COUNCILMAN CLARKE: Thank you, Mr.
23 Curato.

24 MR. CURATO: You're welcome.

25 COUNCILMAN NUTTER: Just one quick

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2 statement for the record, and then I'm shortly
3 going to have a logistical problem in terms of
4 Councilman DiCicco's time. We may have to move
5 into a public meeting, then come back to a public
6 hearing.

7 Mr. Fina, you, in one of your responses
8 as one of my colleagues, made reference to
9 reporting various pieces of information, and I was
10 reminded that City Council passed Bill No. 990181,
11 which was signed by the Mayor on 6/1/99, that
12 required various reporting requirements for, at
13 the time, existing TIFs and other TIFs going
14 forward. That reporting date was December 31th of
15 every year. I do not recall either at December
16 31, 1999 or at any time during the course of the
17 year 2000 receiving any reports regarding TIFs.

18 The items to be included were not
19 limited to all data on: the number of
20 construction and permanent jobs and demographic
21 data on those jobs; the implementation of a plan
22 for utilization of minority, female and
23 disadvantaged businesses for contracting
24 opportunities created by the establishment of the
25 district; and any other data that is pertinent to

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2 the financial, contracting, and employment
3 operations of the district.

4 Can you tell me what's going on with
5 that reporting requirement?

6 MR. FINA: Yes. PIDC is at best
7 attempting to obtain that information. There's a
8 number of agencies that you might have noted in
9 Mr. Curato's testimony who monitor the employment
10 in TIFs. And PIDC has been in communication with
11 them, have set up meetings because that data has
12 been slow in being brought to us so we could
13 provide it to the Mayor's Office, that the Mayor
14 can comply with the ordinance and provide it to
15 City Council.

16 COUNCILMAN NUTTER: Well, I mean, about
17 a month and a half -- you're about two months
18 short of a year and a half, since the bill passed.
19 It's taking you almost a year and a half to get
20 this data together?

21 MR. FINA: Yes, sir.

22 COUNCILMAN NUTTER: And when do you
23 expect to make the first report?

24 MR. FINA: We'll probably be about a
25 year behind.

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2 COUNCILMAN NUTTER: So we should get a
3 report by December 31, 2000, and that's going to
4 tell us about --

5 MR. FINA: What has occurred in the
6 past year.

7 COUNCILMAN NUTTER: What happened up to
8 1999?

9 MR. FINA: Yes, sir.

10 COUNCILMAN NUTTER: Is that what you're
11 saying?

12 MR. FINA: Well, the data should be
13 more than just for one year. We hopefully will
14 have data up to the date of receiving it. So it
15 could take on almost two years of information.

16 COUNCILMAN NUTTER: Okay. But you
17 expect to meet the reporting deadline for this
18 year?

19 MR. FINA: Yes.

20 COUNCILMAN NUTTER: Okay. I think
21 Councilman Cohen and Councilwoman Blondell
22 Reynolds Brown were next.

23 MR. FINA: I just want to make one more
24 comment, if I may. When Councilman Goode asked me
25 on data concerning have we defaulted anyone for

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2 not creating jobs, I think my more appropriate
3 response, Councilman, should be: If they have not
4 created the jobs under our loan programs, they
5 will have been defaulted.

6 Most times, developers have met the job
7 requirements that have been imposed on us by City
8 Council, by HUD, and by the State. So we may not
9 have any defaults in the past half a dozen years
10 because every developer has met the job
11 requirements as imposed by those programs.

12 So I want to be very careful.

13 COUNCILMAN GOODE: You're saying that
14 because you don't have any defaults based on job
15 monitoring, you're assuming that they all met the
16 goals? Is that what you're saying? 'Cause that's
17 what it sounds like you were saying.

18 MR. FINA: What I'm clearly saying is
19 that we have very, very stringent job creation
20 requirements in our loan program.

21 COUNCILMAN GOODE: But do you have
22 strict job-monitoring requirements? That's what
23 I'm asking.

24 MR. FINA: I'm sorry?

25 COUNCILMAN GOODE: Do you have strict

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2 job-monitoring requirements?

3 MR. FINA: Yes.

4 COUNCILMAN GOODE: Based upon

5 job-monitoring, have you called any loans? And

6 your response just now was that you may not have

7 any defaults based upon job monitoring because

8 you're assuming there's no --

9 MR. FINA: No, no.

10 COUNCILMAN GOODE: No problems in terms

11 of job creation.

12 MR. FINA: That's not what I'm saying.

13 What I'm saying is that, if a developer --

14 COUNCILMAN GOODE: Are you saying that

15 everyone met the job requirements?

16 MR. FINA: Yes. I'm saying that of

17 late, as far as the data that PIDC has, if the

18 developer or borrower has not met the job

19 requirements they would be defaulted.

20 COUNCILMAN ORTIZ: If no one has

21 defaulted, therefore, they have met the --

22 COUNCILMAN GOODE: We look forward to

23 receiving that information, not so much people who

24 have defaulted based on job-monitoring; we look

25 forward to the job-monitor reports in general.

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2 MR. FINA: Councilman, we do provide
3 that data to City Council on a regular basis, on
4 an annual basis. That data has come from PIDC on
5 job creations within Councilmatic districts.

6 COUNCILMAN GOODE: Let me ask you about
7 that report.

8 MR. FINA: Yes.

9 COUNCILMAN GOODE: Specifically. What
10 does that report contain?

11 MR. FINA: What I specifically just
12 responded to. It has job creation within
13 Councilmatic District for dollars loaned. We have
14 the per-loan, we have the --

15 COUNCILMAN NUTTER: Mr. Fina, you're
16 saying that we've received that every year.

17 MR. FINA: That's my information,
18 Councilman.

19 COUNCILMAN NUTTER: Since when?

20 COUNCILMAN GOODE: I'm sorry. My
21 question is not if you made a loan for \$1 million,
22 that loan's supposed to create 50 jobs, whether
23 you submit a report that says, For this \$1 million
24 loan, it's supposed to create 50 jobs.

25 I'm asking, do you support -- do you

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2 send documentation to Council that actually
3 monitors whether those 50 jobs were created? Not
4 whether you put on a piece of paper that for that
5 \$1 million, we were supposed to get 50 jobs. I'm
6 asking, is there actually a monitoring report that
7 shows that we know that those 50 jobs exist?

8 MR. FINA: Councilman, we don't provide
9 you with all of the data in our files, if that's
10 what's you're asking for. You're welcome to come
11 to PIDC and look through that data anytime. We
12 can arrange that so --

13 COUNCILMAN GOODE: But you don't
14 provide job monitoring reports.

15 MR. FINA: We provide you
16 job-monitoring reports; don't give you or any
17 Councilmember all the data that supports that
18 information. It would be voluminous, that amount
19 of data. PIDC has done thousands of transactions
20 in our 41-year history.

21 COUNCILMAN NUTTER: What I would
22 suggest, Mr. Fina, and I will now formally request
23 is, if you could compile at least the job data for
24 the last five years for all of your transactions,
25 provide that to me as the Chair, which I will

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2 certainly distribute to all of the members and see
3 if we can get to the bottom of this particular
4 issue.

5 MR. FINA: Certainly.

6 COUNCILMAN NUTTER: 'Cause there
7 appears to be a disconnect someplace.

8 Councilman Cohen?

9 COUNCILMAN COHEN: Mr. Chairman, for
10 probably more than 30 years, but at least 30
11 years, I have been trying to find out facts to
12 support the notion of increased employment of
13 minorities and women in the construction field
14 whenever construction takes place. I started when
15 the federal government introduced what then was a
16 controversial so-called Philadelphia Plan. They
17 picked Philadelphia as a place of maximum
18 discrimination against minorities and women in the
19 construction industry, and they tried to develop a
20 plan, the federal government.

21 There were two witnesses at a hearing
22 in either 1969 or 1970. One was Councilman
23 Longstreth, and the other was myself, from the
24 Philadelphia City Council at that time.
25 Councilman Longstreth opposed the Philadelphia

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2 Plan, I supported it. Ever since that time, I
3 have sought to get information like the kind that
4 Councilman Nutter and Councilman Goode before were
5 referring to, actual facts.

6 Were I to ask this question, could
7 anybody tell us how many new union electricians,
8 carpenters, and the components of all of the
9 building trades union, how many new ones have come
10 in from the Philadelphia area, how many of them
11 were low-income or minority or women? And how
12 many are employed in these projects?

13 With the blight program coming up,
14 people in the constituency can't understand --
15 I've never be able to understand why, when there
16 is a need for construction and there's so much
17 unemployment amongst young people, why the two
18 areas can't be combined so that the young people
19 can develop the skills, go through the
20 apprenticeship programs, get into union
21 membership, and become full-time, tax-paying
22 members of the community at the same time that we
23 build so many things.

24 Now, how do we get to the facts? We
25 don't -- Mr. Fina, with due respect to you, we

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2 don't think that the reports which say that nobody
3 was defaulted; that proves that they, you know,
4 met all of the goals. All that proves is that
5 nobody paid any attention to whether or not they
6 met the goals, and eyes were probably closed.

7 Because I know of no -- when I go out
8 in the community, I ask questions, how many people
9 here know anybody in this neighborhood who is a
10 member, say, of any particular construction union
11 and who became such in the last five years? I
12 never get a response.

13 Now, what data do you have in your job
14 information that you say you don't make us -- you
15 give us the conclusions, but you don't give us the
16 facts. We would we would like that kind of data.
17 And with respect to Councilman Nutter's question,
18 we would like that kind of data and the
19 information Councilman Nutter from your job base.
20 Would your data show that?

21 In other words, how many more
22 carpenters are there in the minority -- in the
23 communities where there are heavy minority
24 percentages? How many women have become union
25 members in different places? And then we can then

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2 find out from the unions about the various job
3 assignments they get, because we get complaints at
4 every level that nothing happened, nothing is made
5 available, and that when in the neighborhood jobs
6 are provided in particular construction
7 assignments, the jobs are only provided to meet
8 technical requirements, and that there's no
9 training that actually goes on at all.

10 And Councilman Nutter, I would just
11 like to suggest, I think it's very important that
12 City Council have its own monitoring body, its own
13 inspection team, and its own method of determining
14 the facts so that we can, you know, meet on an
15 equal basis with the other statistics given us,
16 and then we can determine what additional
17 enforcement methods are needed. And I think
18 Councilman Clarke might feel that that is a useful
19 purpose.

20 Because this seems to be such a
21 difficult area to deal with, when, on the surface,
22 it seems like it ought to be very simple to deal
23 with.

24 Thank you, Mr. Chairman.

25 COUNCILMAN NUTTER: Thank you,

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2 Councilman.

3 (Applause.)

4 COUNCILMAN NUTTER: Any response?

5 MR. CURATO: Let me just say that we
6 will cooperate with Council in furnishing whatever
7 information we have. That includes whatever
8 information is being compiled right now across all
9 of our economic development agencies. Whatever
10 information Council wants, we would be glad to
11 provide.

12 If there is specific information that
13 Council wants that we either are not compiling
14 right now or are not compiling in a way that is
15 useful to Council, then we will adjust our methods
16 of compiling that data in order to be responsive.

17 But there's no -- I mean, I'll just
18 assure you on behalf of the economic development
19 agencies and the Department of Commerce, there's
20 no effort to withhold any information. If we're
21 not gathering data that is useful for your
22 purposes, then we will try to make adjustments so
23 that we can do that.

24 COUNCILMAN NUTTER: Okay. Any other
25 questions for Mr. Curato or Mr. Fina on Bill

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2 000355?

3 COUNCILMAN ORTIZ: I have one thing.

4 COUNCILMAN NUTTER: Councilman?

5 COUNCILMAN ORTIZ: Mr. Curato, there is
6 this business on Susquehanna that has not gotten a
7 TIF, but it's really growing, and it may increase
8 or it will double, maybe even triple the amount of
9 neighborhood employees that it now employs. And I
10 asked you a few months back about it.

11 They were planning, because they were
12 being induced by Delaware County, and they were
13 really considering that move because we could not
14 provide -- and to me, it was inexplicable because
15 with so much empty land around North Philadelphia,
16 we could not provide for them the land that they
17 needed.

18 Where are we on that?

19 MR. CURATO: Councilman, are you
20 referring to Thermaflux.

21 COUNCILMAN ORTIZ: In Susquehanna and
22 American Streets.

23 MR. CURATO: Councilman, my staff has
24 followed your initial inquiry and a similar
25 inquiry that we got, I believe from Councilman

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2 Kenney. We have been working with this company on
3 a weekly basis.

4 My understanding is that we did find a
5 site for their expansion plans. I need to get
6 back to you with the most current information on
7 that, and I commit to you that I will.

8 COUNCILMAN ORTIZ: I would like that.

9 COUNCILMAN NUTTER: Okay. Mr. Curato,
10 what I would like to do at this point, 'cause
11 we're all going to -- and we have been here a long
12 time, and I appreciate those in the audience still
13 waiting to testify on Bills 180 and 181. We have
14 a couple of logistical problems that we're trying
15 to deal with here.

16 I need to engage in some very quick
17 discussion with you on the record about the
18 amendments to Bill 355; hopefully we can reach
19 agreement on that. And then what I would like to
20 do is move into a public meeting to formally make
21 those amendments; one Councilmember needs to leave
22 and want to leave his vote in the meeting on
23 that. We'll get those bills reported out and then
24 come back into a public hearing to take testimony
25 on Bills 180 and 181. And we'll go as long as we

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2 can go.

3 With regard to your recommended
4 amendments, what I would like to do is read back
5 to you what I'd like to do with those amendments,
6 'cause I'd either like to take all of what you
7 have in some cases, chop up a little bit of what
8 you have, and keep much of what was already in the
9 bill. So I'd like to go through that.

10 First, on the first page of the bill, I
11 would agree to the deletion or the bracketing in
12 Section 21-1403(1), the language would read: No
13 Tax Increment Financing District (TIF District)
14 shall be approved by the City Council unless the
15 ordinance creating the TIF District is accompanied
16 by a statement signed by the City Finance
17 Director. . . Brackets start at the comma and
18 continue to the comma before the word "that." So
19 it includes the comma and brackets right before
20 the word" that.

21 What that does is, it leaves the
22 Finance Director in, it takes out at that stage
23 the Controller and the Director of the
24 Pennsylvania and Governmental Cooperation
25 Authority.

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2 Do you agree with that?

3 MR. CURATO: Yes, sir.

4 COUNCILMAN NUTTER: Okay, thank you.

5 In number 2, I would like that to
6 read: The project plan shall also include a
7 statement that there will be an economic
8 opportunity plan submitted for the TIF District
9 and that the economic opportunity plan will
10 contain: A. Detailed statement by the developer
11 that addresses the developer's good-faith efforts
12 to ensure that the projects shall provide for the
13 maximum feasible number of year-round part-time
14 and full-time employment opportunity to low- and
15 moderate-income youth (persons under the age of
16 21) and a preliminary implementation plan for such
17 youth employment goals. In addition, the economic
18 opportunity plan will contain a detailed statement
19 by the developer that addresses the developer's
20 good-faith efforts to ensure that the project
21 shall provide for significant. . . Delete the
22 words "the maximum feasible number of" and
23 continue with contracting, construction, and job
24 opportunities, including, without limitation,
25 goods, services and equipment to minority, female

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2 and disabled business enterprises and individuals
3 in a preliminary implementation plan for these
4 employment goals. Any and all TIF Districts
5 approved by Council after January 1, 1998 shall
6 also be subject to the good-faith efforts
7 requirements -- no, I'm sorry. Shall also be
8 subject to these good-faith efforts requirements.

9 And take out the word "the" and
10 substitute the word "these" in that particular
11 sentence. And the sentence would end at
12 "requirements." So delete the rest of the phrase
13 that continues with "that the developer shall use
14 good-faith efforts."

15 I believe for the most part, that
16 captures most of the essence and spirit of what
17 you have put forward.

18 MR. CURATO: Mr. Chairman?

19 COUNCILMAN NUTTER: Yes.

20 MR. CURATO: The language containing
21 the phrase "maximum feasible number," I believe
22 you retain for the --

23 COUNCILMAN NUTTER: Youth employment.

24 MR. CURATO: But did not --

25 COUNCILMAN NUTTER: It was deleted for

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2 the minority.

3 The legal there is, in the minority,
4 female and disabled business, as I understand it
5 from the Law Department, that has a
6 protected-class issue. You cannot have that
7 particular language. The youth is not a
8 protected-class issue and, therefore, the language
9 is not objectionable, or raises a constitutional
10 issue.

11 MR. CURATO: Okay. I -- the version of
12 the amendment that the Law Department provided me
13 did not make a distinction between those two
14 classes. So I am not able to say with full
15 confidence that -- I mean, I certainly take you at
16 your word that that's your understanding from the
17 Law Department. I just have not heard that
18 directly from the Law Department and would only
19 raise the issue that, just pending a legal review,
20 we would --

21 COUNCILMAN NUTTER: I understand. Let
22 me try to give you some additional comfort.

23 What I'd like to do is report the bill
24 out. There are issues that Councilmembers have
25 regarding another provision of the bill. I do not

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2 expect to call the bill for a vote until we have
3 that particular matter resolved. It's not a major
4 issue; we'd like to tighten something.

5 I'll look at the issue that you are
6 raising. If we're going to have amendments on the
7 floor, it's just as easy to make two of them as it
8 is to make one. And we'll make sure that the
9 language is correct.

10 MR. CURATO: Okay.

11 COUNCILMAN NUTTER: Okay?

12 MR. NUTTER: Okay. And that would word
13 fine. And I guess on the issue of the
14 retroactivity, I presume I was not able to
15 persuade you that imposing these provisions --

16 COUNCILMAN NUTTER: Mr. Curato, I will
17 report back to the Administration that you fought
18 a furious battle. Unfortunately, you were just
19 outdone and you have nothing to be shamed of. It
20 happens every day.

21 (Laughter.)

22 COUNCILMAN NUTTER: Okay?

23 MR. CURATO: Okay.

24 COUNCILMAN NUTTER: Thanks. I don't
25 want to be mean and point out the fact that even

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2 your amendment coming up did not delete that
3 particular provision. But, you know.

4 And on the third provision, we will
5 fully accept everything you put forward on that,
6 which is, at the section in number 3, you have --
7 I'll try to cut to the chase here. It continues
8 with the final economic opportunity plan. You
9 inserted the language containing the developer's
10 method(s) for implementation. We will add that.
11 The sentence continues: Comma, the TIF District
12 ordinance, and all other related documents. Your
13 amendment deletes the rest of that paragraph. And
14 I would be in agreement with that.

15 Let me add one other thing addressing
16 the issue raised in number one. I would propose
17 to add a new number 4, which would read: The TIF
18 project plan shall also be submitted to the City
19 Controller and the PICA Board, and we will spell
20 out PICA (Pennsylvania Intergovernmental
21 Cooperation Authority Board) prior to any public
22 hearing in order to solicit and receive their
23 comments and analysis of such project plan.

24 That then removes and addresses, I
25 believe, but it does close the loop in terms of

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2 their participation, but it does not create a
3 barrier. Is that --

4 MR. CURATO: That is acceptable.

5 COUNCILMAN NUTTER: Thank you.

6 Lastly, in response to a conversation
7 with another Councilmember, I wish to amend
8 Section 2 such that the effective date for this
9 bill is January 1, 2001.

10 MR. CURATO: That's acceptable.

11 COUNCILMAN NUTTER: Move into public
12 meeting take action on two bills then return to
13 the public hearing is that acceptable?

14 COUNCILMAN ORTIZ: That's acceptable.

15 COUNCILMAN NUTTER: Thank you.

16 What I would like to do with the
17 committee's concurrence is to now into a public
18 meeting in order to deal with these amendments and
19 at least take action on two bills and then return
20 to the public hearing.

21 - - -

22 COUNCILMAN NUTTER: We are now in a
23 public meeting and we wish to take action at the
24 moment on two bills.

25 I'd first like to ask Councilman Goode

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2 for a motion on Bill 000546.

3 COUNCILMAN GOODE: Mr. Chairman, I move
4 that we report Bill 000546 out of committee with a
5 favorable recommendation and that the rules of
6 Council be suspended so as to allow first reading
7 at the next Council session.

8 COUNCILMAN NUTTER: Is there a second?
9 (Duly seconded.)

10 COUNCILMAN NUTTER: It's been moved and
11 properly seconded that Bill No. 000546 be reported
12 out of this committee with a favorable
13 recommendation and further recommendation that the
14 rules of Council be suspended so as to permit
15 first reading at our next session.

16 All in favor, say aye?

17 Any opposed, say nay?

18 The ayes have it and Bill No. 000546 is
19 approved.

20 Councilman DiCicco, could I trouble you
21 for a motion on the amendments to Bill No. 000355,
22 as read into the record in the public hearing?

23 COUNCILMAN DICICCO: Thank you,
24 Mr. Chairman. I move that the amendments that
25 were read into the record on Bill No. 000355 be

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2 approved.

3 COUNCILMAN NUTTER: Is there a second?

4 (Duly seconded.)

5 COUNCILMAN NUTTER: All in favor, say

6 aye?

7 Any opposed, say nay?

8 The amendments are approved.

9 Councilman DiCicco, a motion on the
10 bill as amended.

11 COUNCILMAN DICICCO: I move that Bill
12 No. 000355, as amended, be reported out of this
13 committee with a favorable recommendation and a
14 rules suspension?

15 COUNCILMAN NUTTER: It doesn't matter,
16 we've got a short calendar. I'll take the motion.

17 COUNCILMAN DICICCO: And that the rules
18 of Council be suspended so as to permit first
19 reading at our next session of City Council.

20 COUNCILMAN NUTTER: Is there a second?

21 (Duly seconded.)

22 COUNCILMAN NUTTER: All in favor, say

23 aye?

24 Any opposed, say nay?

25 Bill No. 000355, as amended, will be

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2 reported out of this committee with a favorable
3 recommendation and a rules suspension.

4 - - -

5 COUNCILMAN NUTTER: We will now go back
6 into our public hearing. This is the Committee on
7 Commerce and Economic Development. We will take
8 testimony on Bills 000180 and 000181.

9 Now, we have -- as is often our
10 practice, I would like to -- in this instance, I
11 would like to try to accommodate some members of
12 the public who have been here for some time. I
13 know the Administration people have been here for
14 a while as well. I do not necessarily think their
15 testimony will be as long as yours.

16 And so I'm sure, at least with Mr.
17 Applebaum, will cost me tremendously, but I'd like
18 to get members of the public who have an interest
19 in speaking on Bill No.'s 000180 or 000181 up to
20 the witness table. I think Mr. Simon and other
21 some individuals may be here to testify with
22 regard to some of those bills.

23 I'll ask the clerk to read the title of
24 both bills.

25 THE CLERK: Bill 000180, an ordinance

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2 amending Chapter 17-900 of the Philadelphia Code,
3 entitled "Neighborhood Benefit Strategy," by
4 further providing for safe harbor goals.

5 And Bill No. 000181, an ordinance
6 amending Title 17 of the Philadelphia Code,
7 entitled "Contracts and Procurement," by adding a
8 new Chapter 17-1000, entitled "Employment of Low-
9 and Moderate-Income Persons by City Contractors,"
10 which requires persons performing work under
11 certain construction contracts supported by City
12 funds or City financial assistance to hire certain
13 percentages of low- and moderate-income persons,
14 under certain terms and conditions.

15 (Witnesses come forward.)

16 COUNCILMAN NUTTER: Gentlemen, please
17 identify yourselves for the record and you can
18 proceed with your statement.

19 MR. ALI: Good morning, Mr. Chairman
20 and members of the Council, my name is Jahad Ali,
21 I'm a union carpenter as well as I'm a member of
22 UMEA and --

23 COUNCILMAN NUTTER: Can you bring that
24 microphone a little closer to you, please.
25 Thanks.

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2 MR. ALI: I'm on one of the committees
3 that monitor participation for businesses involved
4 in construction as well as employment of trades
5 people in the construction field.

6 I'm also a member of the GBCA, which is
7 a program that has been initiated last year by the
8 General Building Contractors Association of
9 Philadelphia in order to identify disadvantaged
10 firms that can compete on all of these projects
11 that you're talking about, because in the past,
12 we've had businesses who were in business that
13 didn't really have the support that they needed to
14 (unintelligible) their businesses -- financial
15 statements, backing, and forecasting.

16 Go ahead.

17 MR. THOMAS: John Thomas, business
18 person in the City of Philadelphia. I am here at
19 the request of -- good afternoon, everyone, the
20 Chairman and City Councilmembers.

21 We've been through this with the
22 shipyard Kvaerner. I'm sitting here listening to
23 really a lot of hogwash that's -- sorry, let me
24 get Mr. Simon, who is the president of UMEA to
25 introduce himself to Councilmembers.

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2 MR. SIMON: Good evening,
3 Councilmembers. My name is John Simon. I'm the
4 President of the United Minority Enterprises
5 Association.

6 COUNCILMAN NUTTER: Mr. Simon, I need
7 move that microphone a little closer to you. We
8 have a new high-tech sound system, which makes it
9 impossible for us to hear you.

10 MR. SIMON: My name is John Simon, the
11 president of United Minority Enterprises
12 Association. We've been in this struggle for
13 about 21 years with City Council, trying to get
14 minorities and women and neighborhood people into
15 the construction industry. Our organization was
16 one of the organizations that introduced
17 legislation to Councilwoman Blackwell, that got
18 passed, Chapter 17-500, to help minorities get
19 contracts in the City.

20 And I have a panel here of committee
21 workers that have been working for about seven
22 years now in their areas of trying to get
23 minorities on City contracts. And I think you
24 will hear some of the things that they will
25 address to you.

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2 Thank you.

3 MR. THOMAS: Before I start on my
4 tangent, I'd like for Jahad Ali, because he's the
5 most civilized here than I am, so I defer to
6 Mr. Jahad Ali.

7 MR. ALI: I would just like to say I'm
8 more calmer now as I get older.

9 The one thing I wanted to mention is
10 the history of UMEA and John Simon. Ten years
11 ago, when all of this construction was in its
12 heyday, one of the biggest supporters for the
13 minorities, or the only supporter for utilization
14 of minority businesses was John Simon.

15 When there was a court challenge, as we
16 know it today, the (unintelligible) decision, when
17 they initially challenged 17-500, it was UMEA's
18 efforts that intervened on behalf of our members
19 to fight that case. One of the things that
20 resulted from us, our intervention in that case,
21 was that although we lost that case because of
22 Judge Bechtel's (ph.) Decision, the reason why we
23 lost it was because the City doesn't have a
24 disparity study. And in all of these efforts that
25 you're undertaking today, you need to have that as

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2 a basis for whatever decisions you make.

3 And one of the things about UMEA's
4 effort is, we're always in last, we're always
5 invited last, and we're the first out there
6 fighting, and sometimes, we're the only ones
7 fighting. And you need to know the road that
8 you're embarking on -- I'd like to use Councilman
9 DiCicco's words "but for" today. But for your
10 efforts, black men, black women, Latino men,
11 Latino women are out of the construction -- would
12 be out of the construction field. We know very
13 well -- I know from my own eyes and my experiences
14 that white men, white women will be utilized. You
15 have to use that word "minority" to establish
16 firms. "Minority" is white women. So you have to
17 be aware of that.

18 But going forward, I think that you
19 need to be commended for your efforts because
20 you're the same people that I see in the
21 neighborhoods when I'm riding to the store or
22 going wherever with my children, and the people
23 that are out there now looking for employment,
24 it's really ironic, because, as Councilman Cohen
25 said, there should really be a marriage of the

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2 youth that we have to be employed and the
3 construction industry, because the construction
4 industry is one of the only industries that
5 doesn't have -- that has a worker shortage. So
6 why isn't that marriage happening? Because of old
7 people holding on to old ideas and old
8 traditions. There has to be a barrier between
9 getting our youth in these programs.

10 One of the things that came out during
11 the trial was Dr. Burn from Atlanta testifying
12 that what happens is, when we bring youth into
13 these unions, they advance in age, and 20 years
14 down the road, they are businesses. So -- and
15 because a man more than likely or a woman more
16 than likely will work for a firm and say, I could
17 do this on my own after I've gained 20 years of
18 experience, and they go out on their own and they
19 start a business.

20 So that's really what the issue is.
21 They're stopping our youth 20 years earlier from
22 being their competitor 20 years down the road,
23 which you hear all the time out there.

24 So I think that the things that all you
25 distinguished members are trying to do will make a

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2 great impact on employment of Hispanic, black men
3 and women in the field. It will make a difference
4 in the neighborhoods because when you push for
5 black businesses, you can almost assure that black
6 businesses hire black workers. If we are working
7 in the neighborhood, then we are going to be able
8 make our own money.

9 And we can start one day -- hopefully,
10 one day, one of these young kids out there can
11 start, be a worker, be a developer, and be sitting
12 right here with you or your children, discussing a
13 TIF that they want to do.

14 So all of our efforts are really based
15 on a great foundation and I think you guys need to
16 be commended.

17 COUNCILMAN NUTTER: Thank you. Any
18 questions?

19 COUNCILMAN ORTIZ: I'd like to add
20 something to what you just said. In 1984-'85,
21 when the big boom of construction began in the
22 City, and it lasted ten years, and now we're going
23 through another one, we were told right there in
24 that caucus room by construction unions and the
25 building trades and the developers that we didn't

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2 have any African-American contractors and we
3 didn't have any Latino contractors. Therefore,
4 that was one of the reasons why, in terms of
5 contracting and subcontracting in the big jobs, in
6 terms of the Convention Center, the Marriott and
7 all of the hotels that were being built, we could
8 not have a minority presence, we were lacking. It
9 was an excuse, obviously, it was an excuse.

10 Now we have not only African-American
11 contractors, we have an association of
12 African-American contractors, we have an
13 association of Latino contractors. But we still
14 can't go through the door, we're still not getting
15 the contracts. And, in fact, it is making the new
16 regulations that are being structured make it even
17 more difficult for minority contractors to
18 compete.

19 So instead of making it easier for
20 competition to evolve, it seems that we -- as we
21 get to another level, then we make it more
22 difficult to be able to compete. Before, it
23 didn't matter; we didn't have the contractors.
24 Now we have the contractors, so the rules change.

25 And the rules seem to change every time

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2 we become eligible to play under the old rules.

3 So under the old rules, we used to be able to

4 compete at neighborhood levels. Now in the new

5 rules, it makes it a little bit more difficult for

6 minority contractors to be able to compete, and it

7 seems that that's the process that we're going.

8 And now we have a huge construction

9 going on, and the data that we keep getting from

10 RDA and OHCD, and we're putting money into -- and

11 this is not the big developers, this is not big

12 developers, this is not about building the Hyatt

13 or building one of the newer hotels and so on.

14 This is about projects that are going on in the

15 neighborhoods and then we find and we get a data

16 and we look at it, and most of the individuals

17 that are working in those projects, 72 percent

18 over here, 65 percent over there, 56 percent over

19 here, they're all from outside of Philadelphia.

20 And the amount of contracts, obviously, is very

21 small. And they usually make it so that they just

22 meet the minimal criteria that we set forward.

23 And it shouldn't be. It shouldn't be this hard.

24 It should not be this difficult.

25 And we and David -- David was speaking

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2 about his history, going back to 1968 and the
3 Philadelphia Plan and the federal court, and we're
4 still talking about the same thing. And a whole
5 new generation of people are sitting around this
6 table. And 20 years down the line, Darrell Clarke
7 will probably be saying, you know, why hasn't it
8 happened? Like I'm saying right now. Because I
9 asked those questions back in 1985, and I'm asking
10 those questions again.

11 You know, and it's got to change. We
12 got to be able to put it into legislation and we
13 have to demand it, or else nothing gets built
14 really.

15 MR. ALI: Councilman, may I just answer
16 that.

17 One of the problems that we had, we can
18 see it, at least in my opinion. One of the
19 problems is people that were in Council didn't
20 know what was going on because it was designed for
21 you not to know.

22 Let's look at reports. We just heard
23 PIDC say they weren't even giving you reports. So
24 the people that elected you were saying, My man is
25 letting me down, what's happening? You hear it on

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2 the radio all the time, why aren't blacks
3 participating? Because you have a thousand and
4 one other things to do and you're thinking that
5 the program's working, and it's not.

6 I think you need to look at who sits on
7 that board at PIDC, I think you need to look at
8 some of the ways that PIDC can assist developing
9 contractors.

10 See, the unions, their position is,
11 they really only care about those man hours.
12 They're -- basically, they care about man hours
13 for now. It's our directive to make them hire our
14 people, to get our people -- black men, Hispanics,
15 women, disabled into those unions. And when we do
16 our job, it will make it easier for other things
17 to happen.

18 One thing I wanted to just mention to
19 the committee was when you get this data, try to
20 get it in an electronic format because it's going
21 to do you no good and us no good if he brings over
22 boxes and boxes. But we have CPAs, just like they
23 have CPAs, and we can put macros in those Excels.
24 To find out what we want, we can create our own
25 data bases.

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2 So I would just advise the committee to
3 get all of your data in electronic format if you
4 can.

5 COUNCILMAN CLARKE: Good morning, Mr.
6 Ali.

7 MR. ALI: Good morning, Councilman.

8 COUNCILMAN CLARKE: I, in fact, know
9 what's been happening out here because I was a
10 staff person a long time, I've worked with you,
11 you've done work in my district, and we've sat
12 down and suffered the same levels of frustration.
13 You came into the district, you wanted to hire
14 neighborhood people, you hired neighborhood
15 people, and you were told that these people
16 weren't in the union, so they had to go.

17 This is a shell game, this is a shell.
18 'Cause a developer comes in and he says he wants
19 to do the right thing, and he meets with Mr. Marks
20 -- I'll use him as an example, God rest his soul.
21 And he promises him he's going to do the right
22 thing, all right? And he goes out and he gets his
23 general contractor. And the general contractor
24 says he's going to do the right thing, all right?
25 And they go out and they get the subs. And the

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2 subs say they're going to do the right thing.

3 But it seems like the right thing is
4 never done, because when those contractors and
5 those subcontractors say that they're reaching out
6 to neighborhood people, they're being told that
7 you have to have certain kind of neighborhood
8 people. From both ends, all right? From the
9 people in those communities, they want certain
10 types of people, and the people and the business
11 agents from those various trades say you got to
12 get certain kind of people. They say you got to
13 get union people 'cause they have membership in
14 the union hall that need to work. And we have
15 people standing on the corner that need to work.

16 So we end up at an impasse because
17 we're then restricted with this thing called
18 "prevailing wage," which is a good thing, 'cause
19 I support prevailing wage.

20 But what ends up happening with this
21 prevailing wage, it means union. I mean, let's
22 stop kidding ourselves. 'Cause if people are going
23 to do prevailing wage, they're more than likely
24 going to have a union contractor, and that's a
25 good thing, because I'm very supportive of

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2 unions.

3 But the reality is, our inability to
4 access trades across the board has been abysmal.
5 You know, and I don't know whose fault it is. I
6 can't say that here today. And I think it's all
7 of us from, you know. The political end, maybe we
8 haven't been aggressive enough. You know, from
9 the community end, maybe people haven't gotten
10 themselves prepared. From the union end, maybe
11 they haven't been open enough, you know, in making
12 sure these people can pass those apprenticeships.

13 So, you know, I want to commend you
14 guys for being here 20 years. I can say to my
15 friend and colleague Councilman Ortiz, I will not
16 be here 20 years from now asking this question.

17 COUNCILMAN ORTIZ: Hopefully not.

18 COUNCILMAN CLARKE: And I will not be
19 here 20 years, I can guarantee that. And it will
20 be by my choice.

21 COUNCILMAN ORTIZ: (Inaudible,
22 off-mic.)

23 COUNCILMAN CLARKE: No, I just won't be
24 here; I will be doing something else.

25 But it's at a point, I agree with all

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2 of you gentlemen and my colleagues, it is time to
3 cut this crap, all right, let's be up front. We
4 all know what's going on, right? And I have had
5 an opportunity to talk to a lot of people in the
6 union, they are my friends, all right? And I'm
7 not going to get around that, they are my
8 friends.

9 We have had discussions, I've talked to
10 Mr. Roundtree about the issues. I had a meeting
11 last week with all of the business agents on a
12 project at 17th and Poplar Street, 42 units that
13 we're getting ready to build. And they've
14 expressed a willingness to participate, but they
15 talked about having being able to have people who
16 are appropriately trained to get into the
17 apprenticeship program.

18 You guys got to help put us in a
19 position where we can provide those people and
20 Mr. Round and my colleagues, because we want to do
21 the right thing from this end of the table, and I
22 know you want to do the right thing, and we got to
23 make people who say they want to do the right
24 thing do the right thing, all right? So we'll be
25 here with you.

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2 I agree with you, Councilman, when it's
3 time for reelection, I, like you, would like to be
4 able to say that we resolved this issue, maybe not
5 a hundred percent, but to some level that we can
6 feel proud of.

7 COUNCILMAN ORTIZ: Close to it, close
8 to it.

9 COUNCILMAN CLARKE: All right. So
10 thank you.

11 So we're going to be here with you and
12 we're going to do what we have to do.

13 And, again, I say I've talked to a
14 number of my friends who are in the trades, and
15 they've expressed a willingness to work with us,
16 all right? So we will see, all right? This is
17 the new generation, and we'll see what happens.

18 Councilman?

19 COUNCILMAN COHEN: I just wanted to
20 ask, do any of the gentlemen at the table remember
21 Bill No. 649 in City Council? That was the first
22 legislative attack we attempted to make to open up
23 the construction industry to minority folks. And
24 we had a great campaign running. It went on for
25 several years. We didn't make it, but I think we

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2 may make it now.

3 I would like to see -- you know, I want
4 Darrell Clarke to have to do what Councilman Ortiz
5 predicted, but that will happen unless -- unless
6 we decide we're going to change it, unless we
7 reject the notions. You know, all of us in
8 Council have had different people tell us, if
9 there are any particular minorities or even a
10 group of minority you want hired, we'll hire
11 them.

12 But that's not what we want. We want a
13 process whereby everybody can access the skills
14 that we need to carry out this construction boom.
15 And our first responsibility has to be to
16 minorities, young minorities in Philadelphia. And
17 I think if there's this close cooperation we can
18 do it.

19 And women, and women of color, yes, I
20 think they face different problems than white
21 women, but white women also face problems because
22 they're women. And I think we want to clear it up
23 for everybody. There's got been to be a free,
24 open playing field so that we can then accuse them
25 20 years later, as developers, we can insist that

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2 they treat the next generation the way we want
3 this generation treated.

4 Thank you very much.

5 MR. ALI: Can I just say, Councilman
6 Cohen? We'd like this to continue too, but we
7 want to be involved. In fact, we want to go one
8 step further. We would like to enter into a
9 business arrangement with Council to let us be one
10 of the ones to provide a proposal to assist you
11 with the monitoring.

12 Like I had said earlier, we have CPAs
13 just like everybody else. We can work in a joint
14 venture relationship with any firm to do this
15 monitoring. But you get one advantage: because
16 we're in this business, just like you're in the
17 political business, we're in the construction
18 business. And when you have your meetings, you
19 have to have people at that table to be able to
20 handle whatever comes up. You just can't be at a
21 loss because decisions are being made at the table
22 that you people sit at.

23 COUNCILMAN COHEN: I think you're
24 absolutely right. I think you've got to be
25 involved in the monitoring phase and in every

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2 phase of this. And only when you're satisfied
3 will we know that the job has been done.

4 COUNCILMAN ORTIZ: Anyone else?

5 MR. THOMAS: Yes. I'm looking at the
6 new faces on City Council of whom some I've met.
7 Blondell Reynolds Brown, I'll start with you. You
8 took over Gussie Clark's seat; that's highly
9 commendable. You're a young, fresh brain, face,
10 entity. You bring a certain vitality, obviously,
11 or you would not be sitting at City Council's
12 sessions, you would not be a City Councilperson.

13 Gussie Clarke is my heart. I want you
14 -- and I told you this when I met you over the
15 Christmas holidays, that I expect a lot out of
16 you. Darrell Clarke, I have not met yet; I have
17 seen him, you know, we've physically seen one
18 another. Wilson Goode, Jr., we've seen one
19 another; I don't know you personally. I've only
20 talked to Blondell Reynolds Brown.

21 I'm a maverick. You see this gray
22 hair? It didn't happen overnight. I have
23 possibly a young-looking face, but I turned 57 in
24 September, okay? And the life expectancy of an
25 African male, we know what these figures are, so

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2 we don't have to go there.

3 But I'm saying all of that to say that
4 I've been fighting with these guys for a very long
5 -- I've been fighting a lot of battles for a long
6 time, and. I don't have that much time. I hope I
7 do, you know, I hope I'm able to be around to the
8 age of 100 really. But, realistically, I don't
9 know.

10 But I'm saying all of this today, that
11 I have a daughter who will be 20 in December. The
12 younger group here, I'm quite sure, Goode, Clarke,
13 you have children. We want something for the
14 future of our children. My heart is bleeding
15 sitting here, being redundant, listening to the
16 crapola, the B.S. that's been going on for the
17 last 30, 40, 50 years.

18 I mean, how much longer is it going to
19 take for people in positions of power, people who
20 have authority, people who are delegated
21 responsibility, people who are being vast sums of
22 money to expedite programs that are in fact not
23 being done?

24 There are overlays and overlays and
25 overlays of federal bureaucracy from the federal

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2 level to the State level to the City level, and
3 then you have all these certifying agencies that
4 sit on their rear-end -- you know, they're
5 obviously sitting on their thumbs, you know, doing
6 nothing, shuffling papers, trying to look
7 important. You know, what the heck are they
8 doing? What is anybody doing, in fact, to get
9 anything accomplished? so that Darrell Clarke, 30
10 years from now, won't be in a position that Dave
11 Cohen is in 30 years later.

12 I mean, we have the experience as a
13 group to fight these battles for you people on
14 City Council, if you let us come to the
15 negotiating table with us instead of letting us
16 know a day before this is supposed to happen, that
17 you're invited. That's not the way to treat your
18 friends. We're your friends, not your enemies,
19 okay? Make us a part of what goes on in getting
20 people like PIDC responsible. Let us be an
21 oversight part of monitoring what they do in fact
22 or do not -- and it's obvious they're not doing
23 the right thing, but they are being paid vast sums
24 of taxpayers' dollars to do. I'm quite sure they
25 have their favorite people that they deal with.

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2 They all do.

3 The Old Boy Network, you know, that
4 club at the top that everybody alludes to, the Old
5 Boy Network is still alive in the year 2000. We
6 don't play golf with contractors at the exclusive
7 country clubs; we're not invited. If we do, it's
8 to be a caddy, okay? We're not at the private
9 chubs in Center City where the white contractors
10 go and discuss deals. We're not at the Mainline
11 homes when deals are being done. Black
12 contractors are not there.

13 When we get invited to bid on a job --

14 COUNCILMAN ORTIZ: Because it's already
15 been decided.

16 MR. THOMAS: Exactly, it's already been
17 decided. The dollar amounts -- the money has
18 already been parcelled out to this good old white
19 boy here, this good old -- and we talk about
20 minority -- we talk about white females as being a
21 minority? Oh, no kidding. Well, guess what,
22 their uncles, their fathers and their grandfathers
23 say, You are a minority because you're female,
24 here, you own the company, and now there's 51
25 percent stock, okay? And that has happened, and

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2 they've gotten City contracts, they've gotten
3 State contracts and federal government contracts,
4 and nobody's called them on the carpet, and that's
5 a bunch of crap, and I'm here to tell you it's a
6 bunch of crap today.

7 And City Council is sitting here and
8 think that white women in America are equal to
9 being considered minorities? Then somebody needs
10 to go back to school and get some more lessons on
11 what's going on in corporate America because
12 that's not the way the game is played.

13 Kvaerner Shipyard, we fought like the
14 devil. We were here, UMEA, the United Minority
15 Enterprise Association was here to make sure first
16 on the front line, to make sure that minorities --
17 we wrote up all kinds of legislation, just like
18 this packet here that went out to all of City
19 Council from our newly-elected Mayor Street, who I
20 happen to love and respect and like him, to every
21 -- a few of you responded, and here's some more
22 copies today.

23 We were here on the front line
24 challenging, prodding, pleading, begging, asking,
25 praying that some of these dollars would come into

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2 the African-American community. Well, guess
3 what? It never happened. Not one time did
4 anybody allude to anything -- everybody came up
5 out of -- the chambers were full. By God, they
6 were full. But the deal had already been -- City
7 Councilmembers didn't even know what the they were
8 passing, pardon my vernacular. They passed a bill
9 that allocated the money and didn't even know what
10 it was for or who it was going to or for what
11 purpose. These are the elected officials that we
12 -- oh, well, I didn't know. Well, I said I was
13 in on this, okay?

14 I am not trying to humiliate anyone in
15 City Council, believe me, I'm not. But I am
16 bleeding from my heart for every minority person
17 in this city. And I have a list of contractors, I
18 have letters from contractors who -- let just read
19 you something here, and I'm not going to go on and
20 on and on because --

21 COUNCILMAN NUTTER: Yeah, yeah, I --
22 the documents that you have --

23 MR. THOMAS: It's very disparaging.

24 COUNCILMAN NUTTER: Let me say this,
25 and I apologize for missing some of your

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2 statement. I have some other material that I'd
3 like to share. To the extent that you have
4 documents or letters, I mean, if you can, one,
5 give us a flavor of what they are about.

6 MR. THOMAS: Yes, I will.

7 COUNCILMAN NUTTER: All of them can be
8 added to the official record today, and
9 Councilmembers will be able to read them.

10 MR. THOMAS: Okay, I'll just give you
11 the crux of --

12 COUNCILMAN NUTTER: That would be good.

13 MR. THOMAS: A general contractor
14 saying that we can't find minority contractors,
15 subcontractors, et cetera. Then we get, when they
16 do and are able to find some, they get a \$100,000
17 contract, of which a percentage is supposed to go
18 to a minority contractors. He goes on the job,
19 he's assigned a certain amount of work, he needs a
20 certain amount of people. Let's say he's required
21 to do -- and I have one here. Five floors in a
22 hotel.

23 COUNCILMAN NUTTER: Mm-hmm.

24 MR. THOMAS: Based on his cost
25 analysis, he only needs two men, but the general

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2 says, Oh, no, you need five men. So he's got to
3 hire three more, okay?

4 COUNCILMAN NUTTER: Okay.

5 MR. THOMAS: He's got 90 percent of the
6 job completed. Every two weeks, he's supposed to
7 be paid because he's got to pay his personnel,
8 he's got to pay the unions their money. And the
9 union is like La Cosa Nostra, we all know that.
10 You know, they're going to get theirs.

11 COUNCILMAN NUTTER: Sir.

12 MR. THOMAS: I'm sorry. Let me
13 continue, please.

14 COUNCILMAN NUTTER: You have a right to
15 say what you want to say, but I'm not going to
16 accept any disparaging remarks --

17 MR. THOMAS: That's just my opinion,
18 I'm sorry.

19 COUNCILMAN NUTTER: -- about any group
20 or organization.

21 MR. THOMAS: I -- okay.

22 MR. ALI: I just want to go on the
23 record myself because I'm friendly with the union
24 workers and some of the management. And I want to
25 just say that that was his frustration coming

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2 out.

3 But I agree with you, Chairman, that
4 the union are outstanding individuals and they're
5 in business like everybody else, but that's just
6 his opinion.

7 COUNCILMAN NUTTER: Right.

8 MR. THOMAS: That's just my opinion.
9 Please, don't --

10 COUNCILMAN NUTTER: I understand. And
11 you're entitled to opinion and I'm entitled to say
12 that I'm not going to accept that kind of language
13 in the record.

14 MR. THOMAS: Okay, then please delete
15 that, strike that.

16 COUNCILMAN NUTTER: Thank you.

17 MR. THOMAS: Okay, thank you,
18 Mr. Chairman.

19 Now, as I was saying, these are noble
20 European, Eurocentric contractors dealing with
21 minority contractors, who will say one thing and
22 change up and do something completely different.
23 They put more minority contractors out of
24 business. You might as well take an AK-47, an
25 Uzzi, and just spread the John Brown things -- I

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2 mean, it's like having an army with all the
3 sophisticated military weaponry going up against
4 people with sticks. And that's what it amounts
5 to.

6 COUNCILMAN NUTTER: I think we're at a
7 stage, though where-- and I can -- normally, you
8 know, people might say, "I can understand your
9 frustration." I'm not going to say that because I
10 can't necessarily understand your frustration
11 because I'm not in the same business that you're
12 in.

13 But I think we do have a sense of what
14 the magnitude of the problems are. What would be
15 helpful to us is a couple of things. One, we do
16 have a couple bills here pending that are trying
17 to help improve the situation. Two, it would be
18 helpful to this committee, if not to all of
19 Council and the government, to have a sense not
20 only of the frustration and the problems, but also
21 suggestions for solutions as to what we should be
22 doing.

23 Now, I do feel compelled to mention to
24 you, there were statements made while I was out of
25 the room, and a complaint, legitimate, was made

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2 about short notice. I will take responsibility
3 and accept the fault for short notice to
4 Mr. Simon.

5 On the other hand, you may or may not
6 be aware, these bills were introduced on March 30,
7 2000.

8 MR. THOMAS: Mm-hmm.

9 COUNCILMAN NUTTER: They were duly
10 advertised for this hearing. I had a meeting with
11 Mr. Simon and another gentleman during the summer
12 to talk about minority contracting issues, and
13 gave them copies of these bills during that time.

14 MR. THOMAS: Mm-hmm.

15 COUNCILMAN NUTTER: So we are trying.
16 And there are more opportunities for people to
17 contact, whether it's myself or 16 other members
18 of City Council, about these particular issues.
19 And one point: I have not heard a word since
20 March 30, 2000 other than a separate conversation,
21 separately driven by issues that Mr. Simon and a
22 group member wanted to talk about, I haven't heard
23 from one contractor about either of these bills.

24 MR. THOMAS: Mm-hmm. All right, be
25 that as it may and I respect --

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2 COUNCILMAN NUTTER: Thank you very
3 much.

4 MR. THOMAS: I respect the fact that
5 you --

6 COUNCILMAN NUTTER: So could you share
7 with us a couple ideas about what you'd like to
8 see us do in the government?

9 MR. THOMAS: The key thing, Councilman
10 Nutter is -- and we've been asking for this for a
11 very long time. We need UMEA with you guys. We
12 would like to be an integral part of sitting down
13 and being on your oversight committee, sharing --
14 because we come from the contracting base, not
15 from a 40-year City-employee base. You got to
16 have contractors that will tell you who know,
17 who've been out there and getting their butts
18 kicked.

19 COUNCILMAN NUTTER: All right, okay. I
20 accept that as a suggestion.

21 MR. THOMAS: And let me tell you, if
22 you don't do that, you know what you'll get?
23 You'll get that one person who says, Oh, I've been
24 working with this City agency and I know what guys
25 are going through out there. And you'll get

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2 another and one another one, and it's going to be
3 ongoing nonsense.

4 COUNCILMAN NUTTER: I understand, I
5 understand. Thank you.

6 MR. ALI: Councilman, one thing I
7 wanted to just mention was, sometimes other people
8 who are your agencies will -- they will make a
9 statement that there's a conflict of interest for
10 UMEA to be on any oversight board or any
11 committee. However, they don't make the same
12 argument when the unions are being put on each one
13 of these boards. So you just need to keep an open
14 mind. And all we really want to do is, by being
15 on the boards at those times, we can address
16 whatever's on the table then.

17 But in coming here today and talking
18 about the bills that are coming up, the things
19 that I wanted to add was on the -- I believe it
20 was on Bill 180, where you have -- anywhere on the
21 bill you have low-income, that you have it
22 addressed to the project area. I believe it was
23 181, I think 181, somewhere in there? I think
24 it's 181, Councilman. It's article 6.

25 COUNCILMAN NUTTER: Are you talking

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2 about within the definition of low- and
3 moderate-income person?

4 MR. ALI: Right, that it be
5 specifically for that area. You cite here HUD.
6 They cite 42 UFC. However, this bill mirrors
7 Section 3. And one of the things that makes
8 Section 3 so unique when it's enforced is that it
9 ties into the project area, because their loophole
10 is that a person could be low-income from anywhere
11 in Philadelphia, and we really want to benefit the
12 people that are in the neighborhood where the
13 project being funded.

14 COUNCILMAN NUTTER: Mm-hmm.

15 MR. ALI: So if you can just at least
16 specify that it be from that neighborhood or the
17 adjoining neighborhood stepping out.

18 COUNCILMAN CLARKE: Mr. Ali, if you
19 want to tie it to that particular neighborhood,
20 and this hotel is being built over here, now it
21 doesn't fall under that bill, and I've got a
22 problem with that. We've accepted minority,
23 low-income employment in neighborhoods and we're
24 now going off of the bigger picture. I disagree
25 with you on that.

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2 MR. ALI: Well, I don't know if we're
3 in disagreement, Councilman, because what it's
4 saying is, either the adjoining neighborhoods,
5 stepping out. What's the next neighborhood closer
6 to this neighborhood in each direction stepping
7 out? We're talking about hirees and businesses,
8 because all of -- these jobs, these bills are not
9 -- they're not employment guarantees. You have
10 to have businesses or individuals capable of those
11 skills or those businesses capable to fund stuff.

12 And I was in court five years ago. And
13 when I looked around, I mean, I know what the GBCA
14 is going to do, I know what the unions are
15 capable. I know the arguments that their lawyers
16 will put forth, is what I'm trying to say.

17 And one of the problems we're going to
18 have is, you have to have people with the ability
19 to perform, and you can't get it by just putting a
20 blanket thing there. If you don't say specific
21 neighborhoods, then the flip side, is what brings
22 the unions coming in saying, Oh, we got all these
23 guys from the Northeast, they're low-income.

24 COUNCILMAN CLARKE: Fine. All I'm
25 saying is, I don't want to be tied down to some

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2 project at 16th and Cecil B. Moore, and that's
3 what happens.

4 COUNCILMAN NUTTER: Right.

5 COUNCILMAN CLARKE: We end up fighting
6 over that with the building and trades unions
7 about two or three jobs at 16th and Cecil B.
8 Moore, all right? And when I see the employment
9 opportunities down here on all of these hotels and
10 we don't fight for that, I don't want to get tied
11 into 16th and Cecil B. Moore, I want to deal with
12 a policy that addresses the entire city.

13 COUNCILMAN NUTTER: Let me --

14 COUNCILMAN ORTIZ: Adding on to
15 Councilman Clarke, if I may, Mr. Chairman?

16 COUNCILMAN NUTTER: Sure.

17 COUNCILMAN ORTIZ: I mean, I think it
18 limits us. Let me tell you something, when we say
19 "low-income" and "moderate-income, between
20 African-American and Latino, we represent probably
21 70 percent or more of that. The Supreme Court and
22 other federal courts say that we cannot use race
23 in that sort of situation.

24 The issue is that labeling, low- and
25 moderate-income, puts into play. As Councilman

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2 Clarke says, we have the Convention Center, we
3 have the airport, we have hotels, we have Penn's
4 Landing. All of these are construction jobs that
5 contractors should be bidding for, sub. I don't
6 want -- I don't want you guys just to be able to
7 bid on a project at 16th and Cecil B. Moore or
8 Fifth and Indiana in the Barrio.

9 I want us to be able to be
10 subcontractors across the City and be included.
11 And we have to make sure that you and Latino
12 contractors are included across the City.

13 MR. ALI: Right.

14 COUNCILMAN ORTIZ: See, that's what you
15 should be asking us to begin putting forward, that
16 we ensure a process in which Latino and
17 African-American contractors are included across
18 the City. And, therefore, we begin then, through
19 you, employing Latino and African-Americans from
20 the neighborhood.

21 COUNCILMAN NUTTER: Gentlemen, let me
22 make this recommendation to you because actually,
23 even shortly, I will have to leave. I think that
24 your testimony has been very, very helpful. We
25 have representatives from the City government,

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2 some of whose testimony might be a little
3 different than yours, and I think we need to hear
4 that testimony and better understand what some of
5 the issues are, complications, and the like.

6 And I would then expect that we will
7 recess this hearing to a date certain. If we
8 don't finish all of the testimony today or if
9 finish the testimony, we may have actions that
10 need to be taken, amendments that need to be put
11 forward and a whole host of other things.

12 So what I'd like to do at this point is
13 get the City Representatives up so we can get a
14 sense and a flavor of their testimony, get some Q
15 and A going with them as well, and make sure that
16 we're going in the right direction, okay?

17 MR. ALI: Okay. All right, thank you,
18 sir.

19 COUNCILMAN NUTTER: Gentlemen, thank
20 you very, very much. I appreciate it.

21 Why don't we get Mr. Applebaum, Mr.
22 Roundtree, and Mr. Brooks to the table.

23 (Witnesses come forward.)

24 COUNCILMAN NUTTER: Gentlemen, you've
25 been patient with us today and we're going to ask

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2 you to continue to do so.

3 This is what I would like to suggest,
4 with the acceptance of the committee:

5 One, I know you all have written
6 statement. You'll submit them to us and we will
7 read them.

8 Two, there was a statement provided, or
9 reference made to a letter by one of the gentlemen
10 testifying that was sent to the Mayor. I have
11 copies of that letter, which I'd like to give to
12 you.

13 And, three, what -- I think you
14 probably anticipate that this portion of the
15 hearing could go for a little while because there
16 are going to be a lot of questions. We're not
17 going to finish. What I'd like you to do then
18 third is, understanding the issues that were
19 raised by the gentlemen at the table earlier, I'd
20 like you to be prepared to not only respond to
21 questions that are going to be raised by your own
22 testimony but also by the letter to the Mayor and
23 by their testimony here today at a continued
24 hearing on November 1st, at 2 o'clock in the
25 afternoon. That will then give you time to

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2 respond to all of those issues.

3 I think, Mr. Roundtree, I know, in your
4 testimony, there was some issues raised about a
5 particular component of one of the bills. You and
6 I had a sidebar discussion. I think at the
7 moment, you don't have a proposed solution to that
8 problem. Councilman Ortiz and Councilman Clarke,
9 I know, had some side decisions about some
10 provisions. We also had time to address those
11 particular concerns as well.

12 Mr. Brooks, I think we've had this
13 ongoing discussion in the past about your reports,
14 which are now, I believe, are now responding to
15 not only the previous executive order but also a
16 bill passed by this Council on your reporting
17 requirements on various projects. What I would
18 like for you to be able to respond to
19 specifically, in addition to any other things that
20 are in your testimony, is to give us a better
21 understanding of why, in many instances, these
22 projects that I'm looking at, your latest report
23 of July 3, 2000, Amoco, McDonald's at Haines
24 Street and Stenton Avenue, 53 percent of the
25 people working on the project were

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2 non-Philadelphians, and a whole host of other
3 projects that are up in the 40s an 50-some-odd
4 percent range of non-Philadelphians participating
5 in all of these neighborhood projects. I would
6 like detailed information as to what the problem
7 is, why this continues to go on, and any
8 recommendations that you might have for addressing
9 that particular problem.

10 Councilman Ortiz may have additional
11 requests.

12 COUNCILMAN ORTIZ: Yeah. Could you add
13 something to the same request. As we get that
14 there are certain individuals -- a certain high
15 percentage of individual working that are
16 non-Philadelphians, I'd like to find out the
17 breakdown of the Philadelphians that are working,
18 you get me? I'd like to find out, of those that
19 are Philadelphians working in those projects, how
20 do they break down in terms of ethnicity and
21 race? I want to find out how many are
22 African-American, how many are Latinos, how many
23 are women, Asian or whatever.

24 So if we have 50 percent that are
25 non-Philadelphian, I'd like to find out the

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2 breakdown of the 50 percent that are
3 Philadelphian.

4 And then, if you can, I would like to
5 have that breakdown by skill level. How many are
6 laborers, how many are carpenters, how many are
7 electricians. And a breakdown of those in terms
8 of how many of those are Latinos,
9 African-American, and so on. Got that?

10 COMMISSIONER APPLEBAUM: Yes, sir.

11 COUNCILMAN NUTTER: Any other
12 information requests as we are anticipating
13 recessing to a date certain that will provide the
14 government officials, Administration officials
15 with the opportunity to be very responsive?

16 Councilman Clarke.

17 COUNCILMAN CLARKE: Thank you,
18 Mr. Chairman.

19 Mr. Chairman, I ask that, I guess,
20 Mr. Roundtree from MBEC be prepared to respond to
21 the status of -- I believe it was Bill -- it was
22 a bill -- an ordinance in September of '99, Bill
23 No. 990221-A. That was a prevailing wage bill.
24 And the subsequent amendment, Bill No. 000319,
25 requiring that all participating trades set up a

1 10/24/00 COMMERCE, ECON. DEV. - PUBLIC MEETING
2 training and apprenticeship and placement
3 program. And it referenced several programs that
4 are currently in effect; one of them being the
5 Housing Authority and Congreso, top win programs
6 that will be feeder systems into the various
7 trades cross the board.

8 MR. ROUNDTREE: You want me to be
9 prepared to respond to that on November 1st?

10 COUNCILMAN CLARKE: Yes, please.

11 MR. ROUNDTREE: Okay.

12 COUNCILMAN CLARKE: Thank you,
13 Mr. Chairman.

14 COUNCILMAN NUTTER: No problem.

15 Any other information requests in
16 suspicion of the continued hearing?

17 (No response.)

18 COUNCILMAN NUTTER: Seeing none, the
19 Committee on Commerce and Economic Development
20 will stand in recess until Wednesday, November
21 1st, at 2 o'clock p.m.

22 Thank you.

23 (Adjourned at 2:08 p.m.)

24 - - -

25

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 Tuesday, October 24, 2000, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COUNCIL COMMITTEE ON COMMERCE
AND ECONOMIC DEVELOPMENT
BILL NO.'S 000355, 000546, 000180, 000181

JOSEPHINE CARDILLO,
Registered Professional Reporter