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COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

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- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 5, 2007, 3:15 p.m.
- - -

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8 Bill No. 071081 - An ordinance amending
9 Chapter 19-3200, entitled "Keystone
10 Opportunity Zone and Economic Development
11 District," by renaming said chapter "Keystone
12 Opportunity Zone, Economic Development
13 District, and Strategic Development Area"...

14 (Full text of bill contained herein.)

15

16 COUNCILMEMBERS PRESENT:

17 Jannie L. Blackwell, Chair
18 Frank DiCicco
19 William K. Greenlee
20 Brian J. O'Neill
21 Blondell Reynolds-Brown
22 Marian B. Tasco

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Director of Commerce	
Dan Cantu-Hertzler.....	11
Chair, Corporate and Tax Group	
City Solicitor's Office	

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2 COUNCILWOMAN BLACKWELL: Good
3 afternoon. We will now convene the
4 Finance Committee, and today, we will
5 consider Ordinance 0701081, and we
6 will ask the clerk to please read the
7 title of the first bill.

8 THE CLERK: Bill No. 071081,
9 an ordinance amending Chapter 19-3200,
10 entitled "Keystone Opportunity Zone
11 and Economic Development District," by
12 renaming said chapter "Keystone
13 Opportunity Zone, Economic Development
14 District, and Strategic Development
15 Area," to provide for the contingent
16 exemption, abatement, or credit of
17 certain taxes within a specified
18 geographic area, under certain terms
19 and conditions.

20 COUNCILWOMAN BLACKWELL: Thank
21 you very much.

22 We will now ask our Commerce
23 and Economic Development to come
24 forward, Miss Stephanie Naidoff.

25 And the Chair notes that a

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2 quorum is present. We have
3 Councilwoman Blondell Reynolds-Brown,
4 Councilwoman Tasco, Councilman
5 O'Neill, and, to my right, Councilman
6 Greenlee, and Councilman DiCicco is
7 here.

8 Thank you very much.

9 (Witness comes forward.)

10 COUNCILWOMAN BLACKWELL: Good
11 afternoon.

12 MS. NAIDOFF: Good afternoon,
13 Councilwoman Blackwell and members of
14 the committee. My name is Stephanie
15 Naidoff, and I'm the City
16 representative and Director of
17 Commerce for the City of Philadelphia.

18 I'm here today on behalf of
19 the Administration to testify in
20 support of Bill No. 071081.

21 This bill amends Chapter
22 19-3200 of the Philadelphia Code by
23 creating a Strategic Development Area
24 and designating certain properties
25 within the City as a part of the

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2 Strategic Development Area.

3 If I may, I will like to give
4 this committee a little background on
5 the enabling State legislation that
6 created the strategy area designation.

7 In the fall of 2006, the State
8 legislature passed, and Governor
9 Rendell signed, Senate Bill 854, a
10 bill amending the Keystone Opportunity
11 Zone program to create a new
12 designation: Strategic Development
13 Areas (SDAs) and to authorize the
14 Governor to establish, by executive
15 order, up to four SDAs statewide.
16 Effectively, SDAs are the latest round
17 of the Keystone Opportunity Zones.

18 On December 22, 2006, the
19 Governor issued an executive order
20 designating a 79.2-acre located at
21 site 5501 Whitaker Avenue in the City
22 of Philadelphia as a Strategic
23 Development Area. For the Strategic
24 Development Area to become effective,
25 both City Council and the School

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2 District agree to the waiver of
3 certain local, taxes as required by
4 the SDA legislation. Under the
5 state-enabling legislation, local
6 approval is required by the end of
7 this current calendar year.

8 The designated property at
9 5501 Whitaker serves as the worldwide
10 headquarters of Cardone Industries,
11 the largest manufacturing employer in
12 the City, with over 4,000 well-paying
13 jobs. In addition to this
14 headquarters facility, Cardone
15 operates facilities in the Lawncrest
16 and Juniata neighborhoods of the City.

17 Cardone Industries is a true
18 Philadelphia success story. Started
19 in the basement of the Cardone family
20 home in 1970 by Michael Cardone, Sr.,
21 Cardone Industries has steadily grown
22 over the last 35 years to become one
23 of the largest remanufacturers of auto
24 parts in the world.

25 As you are all aware, the

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2 City's manufacturing sector has
3 struggled with many challenges,
4 including foreign competition.
5 Cardone has been particularly hard-hit
6 as it competes in the global
7 marketplace. Presently, China can
8 manufacture many new auto parts less
9 expensively than Cardone can rebuild
10 old parts.

11 Cardone is at a crossroads.
12 The company has gone to extraordinary
13 lengths to reduce operating costs over
14 the last five years in an effort to
15 remain competitive with foreign
16 manufacturers. Even with those
17 efforts, the company has significant
18 challenges to remain competitive.

19 As our largest manufacturing
20 employer, Cardone's health is
21 critically important to the City and
22 the State. Cardone contributes over
23 \$6 million in direct tax revenue to
24 the City. In addition, the company
25 purchases over \$42 million per year

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2 from other Philadelphia companies.

3 In an effort to assist Cardone
4 in keeping its headquarters in
5 Philadelphia, the Governor issued an
6 executive order designating a portion
7 of Cardone's Philadelphia holdings as
8 SDA, thereby allowing Cardone to
9 realize significant tax relief as part
10 of its larger effort to remain
11 competitive in a global economy.

12 While Bill No. 071081 would
13 exempt many business and real-estate
14 taxes, Cardone has always been an
15 exemplary corporate citizen, and, as
16 such, would not want to harm the
17 financial positions of the School
18 District or the City.

19 The company has negotiated in
20 good faith with the Law Department to
21 enter into an agreement with the City
22 under which Cardone would make annual
23 payments sufficient to provide the
24 City's General Fund and the School
25 District with revenue neutrality.

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2 Under this payment in lieu of taxes,
3 or pilot agreement, the School
4 District will receive comparable
5 funding to the amount they would
6 otherwise have been provided directly
7 in the form of tax receipts from
8 Cardone. Likewise, the City's General
9 Fund will receive funding and public
10 benefit under the pilot agreement that
11 are comparable to the taxes being
12 waived under the SDA legislation.

13 Given the value of retaining
14 Cardone Industries in the City and the
15 revenue-neutral effect on the City and
16 the School Districts respective
17 budgets, I would request the committee
18 give positive consideration to this
19 bill. I'd further request that the
20 rules of Council be suspended to allow
21 first reading of the bill at the next
22 City Council session.

23 This concludes my prepared
24 testimony, and I'd be happy to address
25 any questions you may have.

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2 COUNCILWOMAN BLACKWELL: Thank
3 you very much.

4 Could you expand on the -- how
5 they're using the pilot program and
6 what services we may get?

7 MS. NAIDOFF: With your
8 permission, I'd like to ask Daniel
9 Cantu-Hertzler, from the Law
10 Department, who has negotiated the
11 agreement with Cardone, to join me
12 here and explain that to you.

13 COUNCILWOMAN BLACKWELL: Thank
14 you.

15 (Witness comes forward.)

16 COUNCILWOMAN BLACKWELL:
17 Before you speak, the Chair calls on
18 Councilman DiCicco.

19 COUNCILMAN DICICCO: Thank
20 you, Madam Chair.

21 I have a meeting to go to with
22 the Mayor and some other folks. I'd
23 like to leave this meeting and have my
24 vote recorded as aye for any bills
25 and/or amendments to it.

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2 COUNCILWOMAN BLACKWELL: Thank
3 you, Councilman.

4 COUNCILMAN DICICCO: Thank
5 you.

6 COUNCILWOMAN BLACKWELL:
7 Certainly.

8 MS. NAIDOFF: Thank you.

9 COUNCILWOMAN BLACKWELL:
10 Please identify yourself for the
11 record.

12 MR. CANTU-HERTZLER: I'm Dan
13 Cantu-Hertzler, Chair of the Corporate
14 and Tax Group for the City Solicitor's
15 Office.

16 Okay. Could you repeat the
17 question, please.

18 COUNCILWOMAN BLACKWELL: Yes.
19 Could you expand on what pilot
20 services we'll receive as a result of
21 this transaction?

22 MR. CANTU-HERTZLER: Yes.

23 Cardone will be paying mostly
24 in cash and has the ability, should it
25 so dire, to pay a portion of these

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2 taxes in services rendering public
3 benefit to the City and citizens
4 outside of its own property.

5 COUNCILWOMAN BLACKWELL: Can
6 you let us know what those services
7 are, the (indiscernible) as well.
8 We're just trying to see what we're --
9 I'm sure it's a great opportunity, but
10 we just want a little more information
11 on what services they'll be providing
12 to us.

13 MR. CANTU-HERTZLER: Cardone
14 has indicated that it will be
15 providing neighborhood security
16 patrolling, some voluntary
17 snow-clearing in the area, and some
18 lawn and grounds maintenance and
19 landscaping of public property.

20 MS. NAIDOFF: Might I just
21 add, Councilwoman --

22 COUNCILWOMAN BLACKWELL:
23 Certainly.

24 MS. NAIDOFF: -- that the
25 agreement provides that no services

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2 will be accepted in lieu of the cash
3 until they are verified and certified
4 by the City. We need to make sure
5 that we can verify that those services
6 are provided and that they are,
7 indeed, for public benefit.

8 COUNCILWOMAN BLACKWELL:

9 That's great. Will they be within
10 that area or could they be anyplace in
11 the City?

12 MS. NAIDOFF: Well,
13 presumably, they could be anyplace,
14 but the services that we are looking
15 at are services that they provide in
16 the general area but not confined to
17 their property; rather, in the
18 neighborhood surrounding their plant.

19 COUNCILWOMAN BLACKWELL: Thank
20 you very much.

21 Councilman Greenlee?

22 COUNCILMAN GREENLEE: Thank
23 you, Madam Chair.

24 I certainly support this bill,
25 and keeping Cardone in the City. I

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2 certainly agree with the City rep's
3 testimony.

4 I just -- is this something --
5 has similar things been done before?
6 Or is this kind of a -- I mean, to
7 steal the phrase there, "pilot
8 program" on this kind of thing?

9 MS. NAIDOFF: Pilots have been
10 done before. The SDA, the Strategic
11 Development Area, is brand-new.

12 COUNCILMAN GREENLEE: Okay,
13 gotcha, okay. That sounds like a good
14 idea to me.

15 Okay, thank you.

16 COUNCILWOMAN BLACKWELL: Are
17 there any further comments or
18 questions?

19 Councilman O'Neill?

20 COUNCILMAN O'NEILL: Are any
21 of the four in Philadelphia besides
22 this one?

23 MS. NAIDOFF: No. This is the
24 only one.

25 COUNCILMAN O'NEILL: Okay. Is

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2 this the first one of the four to make
3 it this far?

4 MS. NAIDOFF: That I don't
5 know.

6 COUNCILMAN O'NEILL: Okay.

7 MS. NAIDOFF: There were three
8 others designated within the State --

9 COUNCILMAN O'NEILL: Okay.

10 MS. NAIDOFF: -- within the
11 Commonwealth.

12 COUNCILMAN O'NEILL: Okay,
13 thank you.

14 COUNCILWOMAN BLACKWELL: Thank
15 you. Can you tell us exactly what the
16 pilot is?

17 MR. CANTU-HERTZLER: It's a
18 total of --

19 MS. NAIDOFF: Yeah, it's a
20 total -- just a little over \$500,000.

21 COUNCILWOMAN BLACKWELL: Thank
22 you very much.

23 Are there any other questions
24 or comments?

25 Councilwoman Tasco?

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2 COUNCILWOMAN TASC0: Thank you
3 very much.

4 I'd just like to say that
5 Cardone is in the 9th Councilmatic
6 District, and we have been working
7 with them since I became Councilperson
8 for that district. They employ a
9 large number of people.

10 It's family-oriented business,
11 not only with the ownership, but with
12 the employees.

13 And so we certainly want to do
14 and be supportive of any efforts to
15 help them to stay in Philadelphia and
16 to thrive in Philadelphia and to
17 provide the employment to those
18 employees who, the majority probably,
19 live in the 9th Councilmatic District.

20 So the -- I just wish we had
21 had a little more time to discuss and
22 negotiate, but we thank you for the
23 effort that you all put forth to make
24 this happen, and I certainly have to
25 thank Cardone for their cooperation in

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2 this effort to get where we are today.

3 And, certainly, you're not
4 supposed to thank staff people, but I
5 have to thank Derek Green.

6 (Laughter.)

7 MS. NAIDOFF: Absolutely.

8 And, Councilwoman, you have been very
9 supportive of Cardone for many years,
10 and we thank you for that.

11 COUNCILWOMAN BLACKWELL: Any
12 further questions or comments?

13 (No further questions.)

14 COUNCILWOMAN BLACKWELL: Thank
15 you very much.

16 MS. NAIDOFF: Thank you.

17 COUNCILWOMAN BLACKWELL: That
18 will conclude our public hearing.

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2 COUNCILWOMAN BLACKWELL: We
3 will now enter our meeting, and the
4 Chair recognizes Councilman Greenlee
5 for a motion on behalf of Bill No.
6 071081.

7 COUNCILMAN GREENLEE: Thank
8 you, Madam Chair.

9 I move that Bill No. 071081 be
10 reported out of this committee with a
11 favorable recommendation, and further,
12 that the rules of Council be suspended
13 to allow for first reading at our next
14 session of Council.

15 (Motion seconded.)

16 COUNCILWOMAN BLACKWELL: It
17 has been moved and seconded that Bill
18 No. 071081 be reported out of
19 committee with a favorable
20 recommendation; and, furthermore, that
21 the rules of Council of Council be
22 suspended so as to permit first
23 reading at our next session of
24 Council.

25 All those in favor will say

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2 aye.

3 Opposed?

4 The ayes have it, and so the
5 bill passes, as was just stated.

6 Thank you all very much. That
7 concludes the business of the Finance
8 Committee.

9 Thank you.

10 (Proceedings end at 3:34 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the proceedings of the City of Philadelphia Council Committee on Finance are contained fully and accurately in the stenographic notes taken by me on Wednesday, December 5, 2007, and that this is a true and correct statement of same.

JOSEPHINE CARDILLO
Registered Professional Reporter

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