

1

2

## COUNCIL OF THE CITY OF PHILADELPHIA

3

## COMMITTEE ON PUBLIC PROPERTY

4

## AND PUBLIC WORKS

5

- - -

6

Room 400, City Hall  
Philadelphia, Pennsylvania  
Wednesday, February 1, 2006  
1:30 p.m.

7

8

- - -

9

## 10 PRESENT:

11 COUNCILMAN DARRELL L. CLARKE  
12 COUNCILMAN JACK KELLY  
13 COUNCILMAN MICHAEL A. NUTTER  
14 COUNCILMAN JUAN RAMOS  
15 COUNCILMAN FRANK RIZZO  
16 COUNCILWOMAN MARIAN B. TASCO

14

15 BILL 051231 - An ordinance authorizing the  
16 Philadelphia Authority for Industrial  
17 Development (PAID), notwithstanding any  
18 contrary requirements of the Philadelphia  
Industrial and Commercial Development  
Agreement between the City, the Philadelphia  
Industrial Development Corporation (PIDC), and  
the PAID, to convey fee simple title...

19

20 BILL 050505 - An ordinance authorizing the  
21 Commissioner of Public Property, on behalf of  
the City of Philadelphia, to extend the term  
of a sublease agreement with the Philadelphia  
Municipal Authority for space...

22

- - -

23

V A R A L L O Incorporated  
Litigation Support Services  
Eleven Penn Center  
1835 Market Street, Suite 600  
Philadelphia, Pennsylvania 19103  
215.561.2220 215.567.2670

24

25

1

2

COUNCILMAN CLARKE: Good

3

afternoon. This is the Committee on

4

Public Property and Public Works. We now

5

have a quorum. To my left is Councilman

6

Frank Rizzo. To my right is Councilman

7

Kelly, Councilman Juan Ramos, and

8

Councilman Michael Nutter has been

9

appointed by the Council President for

10

purposes of this hearing to this

11

Committee.

12

Will the Clerk please read the

13

title of the first bill.

14

THE CLERK: Bill No. 050505, an

15

ordinance authorizing the Commissioner of

16

Public Property, on behalf of the City of

17

Philadelphia, to extend the term of a

18

sublease agreement with the Philadelphia

19

Municipal Authority for a space that the

20

City of Philadelphia subleases from the

21

Philadelphia Municipal Authority located

22

on the second and third floors of 111

23

South 15th Street, under certain terms

24

and conditions.

25

COUNCILMAN CLARKE: Thank you.

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2                       Our first witness, will you  
3           please state your name for the record.

4                       COMMISSIONER SCHLOTTERBECK:  
5           Joan Schlotterbeck, Public Property  
6           Commissioner.

7                       COUNCILMAN CLARKE: Please  
8           proceed.

9                       COMMISSIONER SCHLOTTERBECK:  
10          Good afternoon, Chairman Clarke and  
11          members of the Committee on Public Works  
12          and Public Property. My name is Joan  
13          Schlotterbeck. I am the Commissioner of  
14          Public Property. I am here today to  
15          testify in support of Bill No. 050505, an  
16          ordinance authorizing the Commissioner of  
17          Public Property, on behalf of the City of  
18          Philadelphia, to extend the term of the  
19          sublease agreement with the Philadelphia  
20          Municipal Authority for the space that  
21          the City of Philadelphia subleases from  
22          the Philadelphia Municipal Authority  
23          located on the second and third floors of  
24          111 South 15th Street, under certain  
25          terms and conditions.

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2                       This bill will permit the City  
3           to continue to lease certain office space  
4           located at the Packard Building for use  
5           by the City and its affiliated offices  
6           and/or agencies.

7                       The Department of Public  
8           Property supports this measure, and,  
9           accordingly, I respectfully ask that the  
10          Council approve Bill No. 050505. I also  
11          ask that the rules be suspended so that  
12          the ordinance may be passed on the second  
13          reading at Council.

14                      Thank you. I will be happy to  
15          answer any questions you may have.

16                      COUNCILMAN CLARKE: Thank you,  
17          Commissioner.

18                      Commissioner, I have a couple  
19          of brief questions that I'd like to run  
20          through for you, then we'll open it up  
21          for other questions by members of the  
22          Committee.

23                      To some degree, you've  
24          summarized some of it, but can you kind  
25          of summarize the history of this building

1        2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2            and the involvement with the City leasing  
3            space and any dispute that has come as a  
4            result of these parties being involved in  
5            this lease arrangement?

6                        COMMISSIONER SCHLOTTERBECK:

7            Absolutely. The lease's effective date  
8            was November the 8th of 2002. It  
9            terminates June 30, 2012. We occupy  
10           approximately 29,000 feet. It's the  
11           second and third floors of this building.  
12           The original tenant that occupied the  
13           space was the Office of Behavioral Health  
14           for the Health Department.

15                        Basically, what happened was,  
16           no sooner did I become Commissioner, I  
17           became aware of some unhappy tenants in  
18           one of my leased buildings. It was  
19           extremely unpleasant what they were  
20           dealing with. It had life safety  
21           implications for them. It was unhealthy.  
22           So they came to me, and I began a process  
23           to try to figure out if I could terminate  
24           the lease and relocate the tenants.

25                        So I met with the Law

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           Department to see what possibilities  
3           there were for me to terminate, and  
4           basically what happens next is that I get  
5           into a litigation situation with the  
6           owner, and basically we have a settlement  
7           agreement, which I think is in the best  
8           interest of all parties, and we continue  
9           to lease the space. And I'm here today  
10          as part of the agreement to have this  
11          introduced as a ten-year ordinance.

12                   COUNCILMAN CLARKE: Okay. You  
13          said Behavioral Health was the original  
14          tenant?

15                   COMMISSIONER SCHLOTTERBECK:  
16          That's correct.

17                   COUNCILMAN CLARKE: Any  
18          subsequent tenants?

19                   COMMISSIONER SCHLOTTERBECK:  
20          Yes. We have PCDC right now. And the  
21          other floor, I'm looking to see if I  
22          could put the administrative offices for  
23          the Emergency Shelter, Rob Hess's group.  
24          I'm hoping to put those folks in there,  
25          just administrative people, on the other

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           floor.

3                       COUNCILMAN CLARKE: Can you  
4           summarize the precise terms of the  
5           settlement between the two parties?

6                       COMMISSIONER SCHLOTTERBECK:  
7           Basically we agreed --

8                       COUNCILMAN CLARKE: If there is  
9           a settlement.

10                      COMMISSIONER SCHLOTTERBECK:  
11          No; there is. It's a lease amendment,  
12          and basically the summary is that we have  
13          agreed to introduce the ordinance. We've  
14          agreed to stay in the space. We've got a  
15          financial arrangement where I get  
16          approximately \$400,000 back in rent  
17          credits over the term. We have very  
18          strong language in the lease protecting  
19          us in the event of another environmental  
20          incident in the building.

21                      COUNCILMAN CLARKE: And if we  
22          didn't enact this bill, what would  
23          happen?

24                      COMMISSIONER SCHLOTTERBECK: We  
25          would continue to stay there until the

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           term ends.

3                       COUNCILMAN CLARKE:  Would it  
4           have any negative impact on our ability  
5           to have leased space?

6                       COMMISSIONER SCHLOTTERBECK:  
7           No.  No negative impact at all.

8                       COUNCILMAN CLARKE:  These  
9           questions were obviously prepared for me,  
10          so I'm kind of paraphrasing.  I usually  
11          shoot them off the top of my head.

12                      Is the primary reason for Bill  
13          050505 through the need to resolve the  
14          potential litigation, or the City needs  
15          the space?  Is it one or the other, or is  
16          it a combination of both?

17                      COMMISSIONER SCHLOTTERBECK:  
18          It's actually both.  We need the space  
19          and it's also part of the settlement  
20          agreement, yes.

21                      COUNCILMAN CLARKE:  Settlement  
22          agreement?

23                      COMMISSIONER SCHLOTTERBECK:  
24          Yes.

25                      COUNCILMAN CLARKE:  Okay.  Any

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           questions of this witness by members of  
3           the Committee?

4                       (No response.)

5                       COUNCILMAN CLARKE: There being  
6           none, thank you.

7                       COMMISSIONER SCHLOTTERBECK:  
8           You're welcome.

9                       COUNCILMAN CLARKE: Anyone else  
10          to testify on this bill?

11                      (No response.)

12                      COMMISSIONER SCHLOTTERBECK:  
13          No; just me.

14                      COUNCILMAN CLARKE: Thank you.

15                      COMMISSIONER SCHLOTTERBECK:  
16          Thank you.

17                      COUNCILMAN CLARKE: Will the  
18          Clerk please read the title of the next  
19          bill.

20                      THE CLERK: Bill No. 051231, an  
21          ordinance authorizing the Philadelphia  
22          Authority for Industrial Development,  
23          notwithstanding any contrary requirements  
24          of the Philadelphia Industrial and  
25          Commercial Development agreement between

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           the City, Philadelphia Industrial  
3           Development Corporation and the PAID, to  
4           convey fee simple title to a certain  
5           property containing approximately 22  
6           acres located between 50th and 52nd  
7           Streets south of Parkside Avenue, for a  
8           consideration of \$400,000 to the West  
9           Philadelphia Financial Services  
10          Institution, under certain terms and  
11          conditions.

12                   COUNCILMAN CLARKE: Thank you.  
13          Let the record reflect that Councilwoman  
14          Tasco has joined the Committee.

15                   Councilman Kelly.

16                   COUNCILMAN KELLY: Thank you,  
17          Mr. Chairman.

18                   Before the Commissioner gets  
19          out of here, I would just like to know if  
20          there was a request for a suspension of  
21          the rules.

22                   COUNCILMAN CLARKE: Yes.  
23          Sorry. Thank you, Councilman.

24                   Is there a need for a  
25          suspension of the rules?

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2                           COMMISSIONER SCHLOTTERBECK:

3           Yes.

4                           COUNCILMAN CLARKE: Thank you.

5                           Thank you, Councilman.

6                           Anyone to testify on this bill?

7                           MR. DALFO: Good afternoon,

8           Mr. Chairman. My name is Tom Dalfo with  
9           the Philadelphia Industrial Development  
10          Corporation. I'm here to represent PIDC,  
11          the Philadelphia Industrial Development  
12          Corporation, and the Philadelphia  
13          Authority for Industrial Development.  
14          I'm here today to support Bill No.  
15          051231.

16                          This bill authorizes PAID to  
17          sell 22 acres in the vicinity of 52nd  
18          Street and Parkside Avenue to the West  
19          Philadelphia Financial Services  
20          Institution, WPFSI, for a consideration  
21          of \$400,000.

22                          WPFSI, working in a joint  
23          venture with the Goldenberg Group, will  
24          develop a 300,000 square foot retail  
25          shopping center, including a full-service

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           supermarket, a Lowe's Home Improvement  
3           Center, smaller neighborhood retail  
4           stores and restaurants on this property.  
5           The total investment in the project is  
6           estimated to be \$50 million. The project  
7           will employ 400 people during  
8           construction and approximately 640  
9           full-time equivalent positions once  
10          opened.

11                       I would ask that the Committee  
12          consider this bill favorably and that the  
13          rules of Council be suspended to permit  
14          first reading at the next regularly  
15          scheduled meeting of Council.

16                       Thank you for the opportunity  
17          to testify. If you have any questions, I  
18          would be more than happy to answer them.

19                       COUNCILMAN CLARKE: You're  
20          welcome.

21                       Is the \$400,000 the appraised  
22          value?

23                       MR. DALFO: No, it's not.

24                       COUNCILMAN CLARKE: It's a  
25          lesser value because of the non-profit's

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           involvement?

3                       MR. DALFO: Because of the  
4           non-profit involvement and I think the  
5           cost of assembling the property.

6                       COUNCILMAN CLARKE: Actually,  
7           sometimes we actually convey properties  
8           for nominal to non-profits for purposes  
9           of development.

10                      MR. DALFO: On occasion.

11                      COUNCILMAN CLARKE: Thank you.

12                      Any questions of this witness  
13           by members of the Committee?

14                      (No response.)

15                      COUNCILMAN CLARKE: There being  
16           none, I think we've heard enough on this  
17           particular project today.

18                      MR. DALFO: I can go longer if  
19           you want.

20                      COUNCILMAN CLARKE: No. That's  
21           all right. Get out while you're ahead.  
22           Thank you so much.

23                      Anyone else to testify on this  
24           bill?

25                      (No response.)

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2                   COUNCILMAN CLARKE: There being  
3           none, Councilman Nutter.

4                   COUNCILMAN NUTTER: Thank you,  
5           Mr. Chairman. I won't need to go through  
6           any Q and A because we did that in the  
7           previous hearing of the Committee of the  
8           Whole, but, again, as a part of this  
9           record, I'd like to make a part of the  
10          record the letter that was referred to  
11          earlier with regard to the offering of  
12          certain information that is relevant to  
13          Bill 050613 on financial assistance.

14                   The bill in front of us today  
15          would trigger that legislation if it were  
16          in effect, and so I'd just like to add  
17          that document to this record as we did to  
18          the previous bill.

19                   COUNCILMAN CLARKE: Thank you.

20                   COUNCILMAN NUTTER: Thank you  
21          very much.

22                   COUNCILMAN CLARKE: Thank you.  
23          Having no one else to testify, we will  
24          now move from the public hearing to the  
25          public meeting.

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2                       Councilwoman Tasco, could I  
3           please ask for a motion on Bill No.  
4           050505.

5                       COUNCILWOMAN TASCO:  
6           Mr. Chairman, I move that Bill 050505 be  
7           reported out of Committee with a  
8           favorable recommendation and a request  
9           for the suspension of the rules.

10                      COUNCILMAN CLARKE: Is there a  
11           second?

12                      (Duly seconded.)

13                      COUNCILMAN CLARKE: Thank you.  
14           All approved?

15                      (Aye.)

16                      COUNCILMAN CLARKE: Anyone nay?  
17                      (No response.)

18                      COUNCILMAN CLARKE: Thank you.  
19           Bill 050505 will be reported out of  
20           Committee with a favorable recommendation  
21           with a rules suspension as to allow  
22           reading at the next session of Council.

23                      Councilman Kelly, can you  
24           please give me a motion on Bill 051231.

25                      COUNCILMAN KELLY: Yes. Mr.

1           2/1/06 - PUBLIC PROPERTY - BILL 051231, ETC.

2           Chairman, I move that Bill No. 051231 be  
3           reported out of Committee with a  
4           favorable recommendation. I also ask for  
5           the suspension of the rules in order that  
6           this bill may be heard at the next  
7           session of Council.

8                         (Duly seconded.)

9                         COUNCILMAN CLARKE: All  
10          approved?

11                        (Aye.)

12                        COUNCILMAN CLARKE: Thank you.  
13          Bill 051231 will be reported out of  
14          Committee with a favorable recommendation  
15          with a rules suspension as to allow  
16          reading at the next session of Council.

17                        Thank you very much. This  
18          concludes the public meeting on Public  
19          Property and Public Works. Thank you  
20          all.

21                        (Committee on Public Property  
22          and Public Works adjourned at 1:40 p.m.)

23                                 - - -

24

25

1

2

## CERTIFICATE

3

I HEREBY CERTIFY that the

4

proceedings, evidence and objections are

5

contained fully and accurately in the

6

stenographic notes taken by me upon the

7

foregoing matter on February 1, 2006, and that

8

this is a true and correct transcript of same.

9

10

11

12

13

14

15

\_\_\_\_\_  
MICHELE L. MURPHY

16

RPR-Notary Public

17

18

19

(The foregoing certification of this

20

transcript does not apply to any reproduction

21

of the same by any means, unless under the

22

direct control and/or supervision of the

23

certifying reporter.)

24

25