COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Weds., December 16, 1998
11:15 a.m.

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Bill 980845 - Creating Pavilion Market East TIF, approving the project plan of the PAID for the redevelopment of the Pavilion Market East TIF being the area generally bounded by Ninth St. on the west, Market St. on the north, Chestnut St. on the south, and Eighth St. on the east; making certain findings and declarations, all in accordance with the TIF Act, being the act of 7/11/90, P.L. 465, No. 113, as amended; and authorizing the Dir. of Finance and other officers of the City to execute documents and do all things necessary to carry out intent of this ordinance.

PRESENT: COUNCIL PRESIDENT JOHN F. STREET
COUNCILWOMAN AUGUSTA A. CLARK
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN
COUNCILWOMAN ANNA CIBOTTA VERNA
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK DICICCO
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN FRANK RIZZO

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12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980845

I N D E X

12/09/98 COMMITTEE OF THE WHOLE - Bill No. 980845

P R O C E E D I N G S

COUNCILWOMAN VERNA: Good morning, everyone. I'm sorry that you've been kept waiting. However, we're going to have to call a recess on the Committee of the Whole until 10:30 this morning.

Thank you.

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PRESIDENT STREET: Good morning, ladies and gentlemen. This is the public hearing and public meeting on Bill No. 980845, creating Tax Increment Financing District.

I see Mr. Hankowsky is in the room at the table. The Chair recognizes him for remarks at this time.

MR. HANKOWSKY: Thank you. Good morning, Council President Street and members of City Council, and Committee of the Whole. My name is William Hankowsky. I'm the President of the Philadelphia Industrial Development Corporation. And I'm appearing today on behalf of the Philadelphia Authority for Industrial Development. I'm here today to testify in support of Bill No. 980845, which will create the Pavilion Market East

Tax Increment Financing District.

As you know, this hearing is required pursuant to the state statute. Given Council's current schedule, presuming that the committee would want to approve the bill today, it would have to wait over the winter recess for the required three-week period before final consideration by City Council.

Since the introduction of the bill, we've met with Council, Council staff, and representatives of the School District to review the project plan on Monday, November 23, 1998. The School District agreed by resolution to participate in the district before you today, should it be created by City Council.

Approval of this TIF will enable the construction of a 985,000-square-foot retail and commercial center at Eighth and Market. The project will include 430,000 square feet of retail and entertainment space in a 7-story structure, which will include, as we all now know, after last week's announcement, the unique DisneyQuest family entertainment venue of approximately 100,000 square feet.

I should point out that this TIF is going to the overall project and not directly to Disney, and that Disney will be spending, in addition to what the developer will be spending, somewhere in the neighborhood of 80 to 90 million of their own funds for their facility.

The project will include a 1200-car parking garage and a 450,000-square-foot 8-story structure, which will be at Eighth and Chestnut, and about 115,000 square feet of service and common areas.

This project is estimated to create, when it opens, approximately 1100 permanent jobs and will create 750 construction jobs during its development.

It should generate $55 million in tax revenue to the City over the 20-year TIF period, and $60 million to the School District. And I would like to note that we have excluded in this TIF any use of the use-and-occupancy tax. The taxes being TIFed here are real estate and sales. Therefore, this provides the School District, which receives the U&O tax revenue, with approximately $3 million over 20 years in new, unanticipated tax revenue directly as a result of the development of the project.

The total project costs are estimated to be $167.5 million, of which $25 million represents the TIF note, which is about 15 percent of the total project cost, and will be repaid by about 76.5 million in incremental tax revenues. These incremental tax revenues will be funded by about $45 million in real estate taxes and approximately $31 million in the City's 1 percent sales tax.

We are proposing one amendment this morning to the project plan, Section 1 of the bill, to slightly change the boundaries of the district. The amendment is here, and that is all we're changing, is the physical description of the project area. The project plan has been restated to reflect this change made since introduction and is on file with the chief clerk for public comment.

Let me also note that representatives of the Goldenberg Group, who are the developers, are here this morning should Council have any questions for them. I should also note that over the last several weeks, they have developed and prepared an economic opportunity plan for this project, which either myself or they would be prepared to comment on during the question period.

In closing, I would ask again for your approval of Bill No. 980845 creating the Pavilion Market East Tax Increment Financing District, and remind Council that we will wait until the winter recess for final consideration.

Mr. President, I'd like to make one final comment to you directly. I'm reminded this morning that this will probably be the last time that I will appear with you in this chamber as president and chairman. And it has been 14 years this morning -- I counted this morning -- that I've been in this chamber, and I'd just like to thank you for your support and your leadership over all those years, and wish you well.

PRESIDENT STREET: Thank you very much.

MR. HANKOWSKY: For you future endeavors, whatever they might be.

PRESIDENT STREET: Thank you.

The Chair recognizes Councilwoman Verna.

COUNCILWOMAN VERNA: Thank you, Mr. President.

Mr. Hankowsky, according to your testimony, Disney is receiving no direct TIF revenues. Can you explain that statement more fully, please.

MR. HANKOWSKY: Yes. Disney, in this project, will be a tenant of the Goldenberg Group, so that the Goldenberg Group will own the -- will build the project, own the project, operate the retail complex. Disney will be one of their tenants, will pay rent. You know, there will an economic relationship between Disney and Goldenberg.

The TIF money is going to offset $25 million of the overall construction costs. These are costs that are generated for a variety of reasons. There are extraordinary site conditions at this property. I think we all know this site fairly well. It's what most people call the "undulating" or "falling" parking lot. That parking lot is falling because there's demolition debris in the site. The developer's going to be required to come in and actually excavate all of that out, which is an extraordinary cost.

They're building a park garage in order to service the complex. And a portion of the TIF, in effect, offsets the difference between having to build a parking garage and being able to have just surface spaces, which you might do if you did this at a suburban location.

So the TIF is really setting off extraordinary expenses related to the project. It isn't actually going -- you know, the cash isn't directly going to a particular tenant, Disney or any other.

COUNCILWOMAN VERNA: Thank you. Can you tell us what percentage of the contracts is being set aside for minority and disabled and women-owned businesses?

MR. HANKOWSKY: Yes. As I indicated in my testimony, the Goldenberg Group has prepared an economic opportunity plan for the project. They currently propose percentages dealing, one, with the construction of the workforce so the workers who will work during that construction phase, that 30 percent be minority -- these are obviously the goals, that 30 percent be minority and 5 percent be female. That during the construction, in terms of subcontracting activity, that 22 percent would go to minority disadvantaged businesses, 12 percent to women, and 2 percent to disabled.

They are also proposing that, in terms of the operation, the service contracts to operate the facility, goals of 22 percent MBE, and 12 to WBE, and 2 percent to disabled.

And they're also projecting employment goals for the permanent jobs. Obviously, those are somewhat preconditioned on the tenants and their participation.

COUNCILWOMAN VERNA: Has the MBEC signed off on these benchmarks?

MR. HANKOWSKY: The Minority Business Enterprise Council of City Council's technical staff, Miss Hamilton, and the Greater Philadelphia Urban Affairs Coalition have all participated with Goldenberg on that, and I think it's fair to say that they have signed off.

COUNCILWOMAN VERNA: Can you tell us when Disney anticipates construction on this site?

MR. HANKOWSKY: Well, Goldenberg would

anticipate beginning construction in January or February. I mean, this is going to happen very quickly because the -- sort of the back-end consideration is -- the goal is to have Disney be up and operating by early July 2,000. Some of the other tenants may be moving in somewhat after that.

So from the standpoint of meeting that deadline, construction needs to begin almost immediately.

COUNCILWOMAN VERNA: And when do they anticipate completion?

MR. HANKOWSKY: Roughly July of 2,000.

COUNCILWOMAN VERNA: Wow, that's really working fast.

MR. HANKOWSKY: That's very fast, a very aggressive schedule.

COUNCILWOMAN VERNA: Thank you.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

Mr. Hankowsky, I have, as you can imagine, a few questions. But I'd like to state for the record that notwithstanding some of the questions that I may ask, I have no bias against Disney. I have numerous Disney products in my home. A recent count shows that I have 35 Disney videos.

MR. HANKOWSKY: Thank you.

COUNCILMAN NUTTER: And potentially will be a major customer at this operation. So I want that clear for the record.

The TIF is being funded, is it my understanding, through a HUD 108 loan?

MR. HANKOWSKY: Yes. We would anticipate that a significant portion of the TIF notes -- in other words, the cash going in, then the TIF revenue is supporting would come from the 108 program.

COUNCILMAN NUTTER: And have we used that process before in the previous 13 TIFs?

MR. HANKOWSKY: We have used it -- we have used HUD 108 in conjunction with TIF dollars in the Reading Head House project. We have a somewhat different scenario in the Loew's project, where we have both a TIF, which is funded privately, and a 108 on top of it. So they're both in, though the 108 is not funding the note per se. And those are the two examples.

And we're also --

COUNCILMAN COHEN: Mr. President, when you turn in that direction, we don't hear your voice.

MR. HANKOWSKY: I'm sorry, Councilman sure. So I'll repeat the answer.

We have used 108 and TIF in conjunction in the Reading Head House project. We've used them in parallel in the Loew's Hotel project. We've used 'em in this manner in conjunction in the Kvaerner project. And we anticipate using them together in the Jump Street TIF, the Cecil B. Moore TIF, the Brewery Town TIF. And in West Parkside, we're not sure yet, it may happen that way. As you know, we have yet to have the final financing structure there.

COUNCILMAN NUTTER: Right. And when you use the HUD 108 loan, is there any requirement that the project or area where the HUD 108 loan is being used, that it be CDBG-eligible?

MR. HANKOWSKY: You need to pass -- yeah, you need to pass tests that HUD has as standards. You either need to pass a test of removal of slum and blight and/or the employment of low- and moderate-income individuals. So you have to pass one of those tests.

COUNCILMAN NUTTER: And which tests did this one -- which of those criteria were applied to this particular project?

MR. HANKOWSKY: I think, in this particular project, we actually don't have an approved HUD application, so I can't say it passed the test. But we would propose to attempt to pass the test on the basis of low- and moderate-income employment. And I think that actually works in conjunction withe the economic opportunity plan.

COUNCILMAN NUTTER: What do you anticipate the employment to be? How does it qualify as low- and moderate-income? What kind of dollars are you talking about?

MR. HANKOWSKY: I'm not sure I exactly know the --

COUNCILMAN NUTTER: Your response was that it's going to low- and moderate-income employment, the criteria.

MR. HANKOWSKY: The individuals who are

hired need to, prior to the employment, based on their family income levels, be defined as low or moderate. Hopefully, subsequent to their employment, they may not be, but that they were prior to.

So you keep track of the employee's incoming income situation, and then the goal is such that 51 percent of the jobs would go to individuals who would meet those tests.

COUNCILMAN NUTTER: So you show up to try to get --

MR. HANKOWSKY: So roughly 500 of the 1100 jobs, 550 or something like that would be --

COUNCILMAN NUTTER: So you show up to get work and, through the application process, you're asked, What were you doing before you got here? Were you working, were you not working? If you were working, how much were you making?

And, theoretically, it could happen that someone who had been working, if the project, I guess, reaches the 51 percent threshold, is told that we can't hire you because you either used to make too much, or we've hired our capacity of poor people?

MR. HANKOWSKY: You need to -- there's sort of two parts to that question. There would be a need to reach the goals of at least 51 percent. You don't have to stop at that goal.

COUNCILMAN NUTTER: Okay.

MR. HANKOWSKY: So I don't think you would necessarily turn away someone if you would reach 52 percent.

COUNCILMAN NUTTER: Right, okay, all right.

COUNCILWOMAN CLARK: Point of clarification.

COUNCILMAN NUTTER: Councilwoman Clark?

COUNCILWOMAN CLARK: Good morning, Mr. Hankowsky.

MR. HANKOWSKY: Good morning, Councilwoman.

COUNCILWOMAN CLARK: If I may, I'd like to follow on because I thought it was interesting that you don't see this project as removing or eliminating blight but, rather, improving the situation of low- and moderate-income.

MR. HANKOWSKY: I think, quite

candidly, Councilwoman, it could pass either test, but I think that we would seek to pass the job test.

COUNCILWOMAN CLARK: How about and? Would you ever premise your proposal on both, both to remove blight and offer an opportunity to --

MR. HANKOWSKY: I don't want to be particularly bureaucratic, I try not to be, but I'll have to be honest with you, when I'm dealing with HUD, I need to be.

It is generally easier, from a HUD perspective, to pass the job test than the slum-and-blight test. We would probably actually tell them it's both, but I'm most comfortable that I can pass the one.

COUNCILWOMAN CLARK: Okay. Well, we certainly do have ample opportunities to offer employment to low- and moderate-income people, if that definition is broad enough to include people who do not now have employment.

But will you also see it as a welfare-to-work initiative? People who have not had jobs for whatever reason.

MR. HANKOWSKY: Right.

COUNCILWOMAN CLARK: Do you see it there?

MR. HANKOWSKY: I think, given the nature of the jobs that will be created here, I think there's a very high probability that that can occur here, I would agree with that.

COUNCILWOMAN CLARK: Would you, then, tell us something about the kinds of jobs that you envision being developed just so that this record is clear?

MR. HANKOWSKY: Yeah, I'll do the best I can.

Again, we're talking about a project that will include a large parking garage, a movie complex, we know the DisneyQuest project, and other retail opportunities. So the kinds of jobs that will be created are people working in retail stores, working in restaurants, working at DisneyQuest. So there will be people, I presume, will be taking tickets, people who will operate facilities, maintain those facilities, keep them up. So that -- so it will be that range of kinds of jobs.

I don't want to call this a mall, but I

would analogize it to the kinds of jobs you would find at a particular retail operation. Those are the kind of -- you know, the high-end retail kinds of jobs, salespeople, etc.

COUNCILWOMAN CLARK: In the TIF, you are bargaining the permanent jobs or the construction jobs when you say, We're going to do 51 percent of the jobs?

MR. HANKOWSKY: Permanent, permanent.

COUNCILWOMAN CLARK: These are the permanent jobs?

MR. HANKOWSKY: This is for the use of 108 funds, in response to Councilman Nutter.

COUNCILWOMAN CLARK: So that the people who end up operating these commercial institutions, in exchange for accepting the benefits of the TIF, accept as conditions that they must employ these classes of people, is that how you --

MR. HANKOWSKY: They must employ people of these prior income levels before they're employed, that is correct.

COUNCILWOMAN CLARK: Who is going to monitor that?

MR. HANKOWSKY: It would be monitored by the Office of Housing and Community Development, OHCD, that does the monitoring for --

COUNCILWOMAN CLARK: For how long a period?

MR. HANKOWSKY: Generally, it's a three-year period, as the project opens and people are hired as it opens and it begins to operate.

COUNCILWOMAN CLARK: For the life of the TIF?

MR. HANKOWSKY: No, that's the requirement for the use of the 108 funds, is the three-year monitoring --

COUNCILWOMAN CLARK: It's the three-year period?

MR. HANKOWSKY: Yes. I want to make it clear: it's not three years from today because you have to build it first.

COUNCILWOMAN CLARK: Three years from the day it get's built.

MR. HANKOWSKY: That's right, that's right. It opens roughly three years from July 2,000.

COUNCILWOMAN CLARK: And the monitors

are OHCD?

MR. HANKOWSKY: That's correct.

COUNCILWOMAN CLARK: Okay. I yield back, Mr. Chairman, but I wish to be considered in my rotation.

PRESIDENT STREET: Councilman Nutter.

COUNCILMAN NUTTER: I'm sorry. Thank you.

The TIF is for $25 million, and this is a $167.5 million project; is correct?

MR. HANKOWSKY: Right. The 167, I just want to be clear, is the dollars being expended by the Goldenberg Group to design, construct, you know, financing costs, etc.

As an example, if you would add in the money that Disney will spend on top of this, you know, you'd be at 240 million, and other tenants may spend additional money on their own behalf.

COUNCILMAN NUTTER: The 25 is included within the 167?

MR. HANKOWSKY: That is correct.

COUNCILMAN NUTTER: Okay. And you may have answered this when Councilwoman Verna asked some questions, but if you wouldn't mind indulging me, just why is the TIF needed as a part of what is seemingly a fairly large project and one that has, obviously, at least one significant and major tenant? I think we don't know who all the other tenants are.

MR. HANKOWSKY: That's correct, we do not.

COUNCILMAN NUTTER: But a little bit of research seems to indicate that Disney's revenues last year were in the neighborhood last year of $22 billion. So what's the need for a $25 million TIF in this project?

MR. HANKOWSKY: The need is generated for a variety of reasons, and you're correct that I mentioned a couple in response to Councilwoman Verna, but I'll take this opportunity to somewhat elaborate.

And maybe the way to think about this is, if you would compare doing this project -- I'll use the term on "a green field," a big 20-acre site where you could build 400,000 square feet on 1 story, have a surface apartment, and it was a site that had no extraordinary cost considerations, and the tenants would pay X dollars in rent, and so the tenants look at it like, That's what we'll pay to be there and we'll pay that to be here, but we're not paying anything different.

So then what are the issues that impact that cost at this site?

The issues are, one, the site condition. This is a site, I think we all know, that previously had been the home of the Gimbel's department store. And for whatever reason, which I don't know 'cause I wasn't around at the time, when it was demolished, instead of doing what I would call "a typical demolition," which is take it all away, backfill it, level it, compact it, and put in a surface parking lot, they basically took some of it away, left some of it there, covered it over, and put in a parking lot over it.

And we all know that if go there today, your cars tend to be roughly 45-degree angle up or down as you park them.

COUNCILMAN NUTTER: Yeah, and you may lose your transmission.

MR. HANKOWSKY: Right. And the reason is, the site has had significant settlement --

"settlement" being that it has settled down.

The only way to now come back in here and build a new facility will be to go back in and excavate out all of that debris, generally called "organic material," so that this project will be -- we don't want to have "The Leaning Tower of Disney" down the road.

COUNCILMAN NUTTER: It could be an added future. I mean --

MR. HANKOWSKY: And, as an example, that differential of cost consideration is somewhere in the neighborhood of over $6 million just to do that.

Then if you looked at the fact that this has to be built vertically, so you're going to stack this activity versus spread it out, you're going to have to build -- I think there are like seven escalator systems that. . .

COUNCILMAN NUTTER: I'm sorry, keep talking, I'm trying to get Councilman DiCicco's attention.

MR. HANKOWSKY: It's something like 16 escalators, elevators, all of which, again, you wouldn't spend if you were doing this in a typical fashion, and that's in the neighborhood of several million dollars.

If you look at the parking garage, the difference between building a parking space on an asphalt parking lot, which is about $1500 and building a parking garage where each space is about $15,000, so the difference is about, you know, over $10,000 per space. We've got 1200 spaces here, so there's, you know, a more than $10 million differential.

So it's these series of extraordinary costs to do this project at this site in this way for tenants who are going to pay what they'd pay given other options. So the economics don't pay off those differential costs.

COUNCILMAN NUTTER: I'm listening. And I appreciate that answer.

The reason I raised the question is, I guess the first, or maybe it's the second one, I guess there's an existing one of these in Florida. That's the one that may be in the newspaper today, in the magazine section?

MR. HANKOWSKY: That's right, that's right.

COUNCILMAN NUTTER: Is the second one in Chicago?

MR. HANKOWSKY: There is one under construction in Chicago, that is correct.

COUNCILMAN NUTTER: Okay. A recent review of some stories out of The Chicago Tribune back from last year indicates that the DisneyQuest in Chicago is a part of a larger project. It's about a $500 million project involving a Nordstrom's, a DisneyQuest, three hotels, and a rehab of their downtown Marriott.

And in that particular project, the city of Chicago provided no financial assistance at all. What they did was help the developer get a zoning variance.

And so when I look at the two projects, that's why I asked what the nature was of our reason to do one here when, apparently, one was not needed somewhere else.

This is -- it's stretching the term. But I mean, this is a flat site, and you're talking about putting up a 7-story building and an 8-story parking garage. How much parking goes into an 8-story garage?

MR. HANKOWSKY: About 1200 spaces.

COUNCILMAN NUTTER: Okay. Is that just for what's going on with this particular project or is it to deal with some other parking issues down at that end of town?

MR. HANKOWSKY: Well, it is sized, so to speak, to respond to the anticipated clientele for the project, that it will be a public garage in the sense that you could park there, go into this project; or you could park there and shop at Strawbridge's.

COUNCILMAN NUTTER: Right. Who will own the garage?

MR. HANKOWSKY: The Goldenberg Group is developing it. I'm not sure whether they're going to retain long-term ownership. I'm sure they'll be a parking operator, and whether the parking operator will have some interest, I --

COUNCILMAN NUTTER: Where do the revenues from the parking go?

MR. HANKOWSKY: They go in, quote/unquote into the project, as part of the proforma. So part of the revenue stream that offsets the cost is from that.

COUNCILMAN NUTTER: Okay. You have a feasibility analysis on page --

PRESIDENT STREET: Excuse me, Councilman, can I just ask him one thing on the parking revenues? Will the parking revenues pay for the cost of developing the garage?

MR. HANKOWSKY: No. That's part of what the TIF is doing here. It's analogous to the fact that we supported a garage at 12th and Filbert via a TIF, and we supported via a TIF the garage at Penn's Landing.

COUNCILMAN NUTTER: On page 4, you have your feasibility analysis of at least a document that I got back on November 12th. This is the November 12th package with a cover letter to the Council President and the President of the School Board.

And your feasibility says -- which is relatively short, that it's based on the fact that the developer, quote, has extensive experience and successful large commercial and retail development projects in the Philadelphia region and nationally.

For the record, and at least at this

public hearing, could you possibly respond a little bit now on the feasibility analysis and what exactly have you based this on?

MR. HANKOWSKY: In terms of the experience of the developer?

COUNCILMAN NUTTER: Yeah.

MR. HANKOWSKY: The Goldenberg Group owns and manages about 3 million square feet of retail space in the region. They have projects --

COUNCILMAN NUTTER: What are some of the projects?

MR. HANKOWSKY: In the City, they operate Snyder Plaza. They operate the Court at Oxford Valley. They operate a project, I think, across from the Deptford Mall. I'm not sure what the label name is.

COUNCILMAN NUTTER: That's okay, I don't get to Deptford very much.

MR. HANKOWSKY: Yeah, nor do I. We could provide you with a full list, but those are the ones that I know off the top of my head.

COUNCILMAN NUTTER: Okay. And are those projects -- I mean, you're considering them for feasibility analysis purposes similar to this, or are they very different than this?

MR. HANKOWSKY: Well, I think that they are different to the extent that this is, you know, what is generally now called in the industry "an urban retail project."

They're analogous in the sense that the developer has successfully built, financed, and not defaulted on, and operated facilities such as this, has worked with tenants. That, you know, so whether they're restaurants or Zany Brainy or Barns and Noble, or who may be analogous tenants who would fill in the additional space in this project not occupied by DisneyQuest or by the movie theaters.

So that, you know, this is -- not that you're implying this, but this is not a, you know, first-time party trying to do a very big, complicated project. This is somebody that has done, you know, large retail projects, and they're building off of that experience in this situation.

COUNCILMAN NUTTER: Okay. When you TIF sales taxes, who is not paying the sales taxes? Is it the people --

MR. HANKOWSKY: You pay the sales tax;

everyone will pay it. The tax situation for the consumer will be exactly analogous to what would happen, you know, in another part of Philadelphia.

What then happens is that the one --

COUNCILMAN NUTTER: So the customer pays the tax.

MR. HANKOWSKY: Yes.

COUNCILMAN NUTTER: The tax is collected.

MR. HANKOWSKY: Correct.

COUNCILMAN NUTTER: The tax is calculated.

MR. HANKOWSKY: Correct.

COUNCILMAN NUTTER: The tax goes back into the project --

MR. HANKOWSKY: Correct.

COUNCILMAN NUTTER: -- to fund the TIF note.

MR. HANKOWSKY: Correct, correct.

COUNCILMAN NUTTER: And is there full roll-out on -- again, you responded to a question asked by Councilwoman Verna, but is it a part of the project plan in the various documents floating around that nail down what the terms are regarding

MBE/WBE/DBE participation and goals? Is that within any of the materials that we've received recently?

MR. HANKOWSKY: I do not believe that the members of City Council have directly received the economic opportunity plan. There have been --

COUNCILMAN NUTTER: Well, do you think we've indirectly received them?

MR. HANKOWSKY: No. Well, there have been drafts that have been worked on by the developer, Council's technical staff, and others that I mentioned earlier. It would then be finalized and would become a part of the final documentation for the project.

COUNCILMAN NUTTER: Is it possible to get copies of what is preliminarily floating around?

MR. HANKOWSKY: Yes.

COUNCILMAN NUTTER: Today?

MR. HANKOWSKY: Yes. I just want to make sure that there's a draft that I can say yes do.

COUNCILMAN NUTTER: You don't mean, it though?

MR. HANKOWSKY: I mean it.

COUNCILMAN NUTTER: Okay, thank you.

Thank you, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Mr. President.

I'll make the same kind of excusatory statements that Councilman Nutter made. I'm wearing my Disney tie. It came from the Children's Fund of the United Nations, but it has laughing children. And I put it on today because we're having this hearing.

And to me the, main goal of Disneyland Quest is to make children smile in what we hope will be a happy world.

MR. HANKOWSKY: It's the only project that --

COUNCILMAN COHEN: I am saying that to begin because then when I ask other kinds of questions, you will know that I still hope we can do something that produces happy children.

MR. HANKOWSKY: Councilman, this is the first time that my own children have ever thought that I could do anything that was interesting.

(Laughter.)

COUNCILMAN COHEN: Just first, some facts. I have two different memoranda; one talks of a 10-story building, and one talks of a 7-story structure. I'm not talking about the parking lot. Both statements I have, both were prepared by the Administration -- one in November, and one given out at a briefing that we had.

Can you tell me, has there been a switch from 7 to 10 and back again to 7? Or is it an error?

I have something -- you talked about a 7-story structure and an 8-story structure for the garage. The 8 stories is the same. But in a memorandum of November 12th, we talk of a 7-story structure; in a paper given out by the Administration at the briefing entitled "Pavilion at Market East TIF," it talks about a 10-story structure.

MR. HANKOWSKY: I think what happened, Councilman, is, it is a 7-story structure. What I put on the record today is the accurate information. I think what happened is that between the briefing piece which, I believe -- I'm not sure of the date of it, but I think the design moved along from that point to what is now the firm design for the project.

COUNCILMAN COHEN: So somewhere we lost three stories.

MR. HANKOWSKY: Somewhere it got revised, yeah.

COUNCILMAN COHEN: All right. Is it going to be firmly seven, or is it still --

MR. HANKOWSKY: Yes.

COUNCILMAN COHEN: I'm just asking; I'm not saying it's bad.

MR. HANKOWSKY: I think it's fair to say that it's firmly seven.

The project has been reviewed, for example, by the Art Commission. It has applied for the appropriate zoning permits, etc., so this is pretty -- in the design approval process pursuant to the various City requirements, it's fairly now far along.

COUNCILMAN COHEN: All right. Now, let me ask some questions about how the TIF works. And in the explanation you gave when Councilman

Nutter was talking you said, you know, the ordinary buyer will pay the sales tax.

Now, tell me what happens? How does the TIF -- at some point, there's going to be a TIF note issued in advance? Who's going to issue that TIF note?

MR. HANKOWSKY: Technically, what happens, Councilman, is that the Philadelphia Authority for Industrial Development, PAID, issues a note. A funding source is put in place to fund the note. The commitment is --

COUNCILMAN COHEN: What do you mean by "funding source"?

MR. HANKOWSKY: I'm going to -- I'm going to --

COUNCILMAN COHEN: Okay.

MR. HANKOWSKY: This obviously assumes that Council would favorably approve this. But how it would work, then, is that -- and I'll use the sales tax.

You would buy something, you would pay 1 percent, it would get collected by the store, it would get remitted to the Commonwealth, which is what happens today. It would then get remitted to the City Finance Department, which is how that 1 percent is done today. There would be a calculation that that 1 percent came from this project. It would be remitted to PAID, and PAID would pay the debt service on the loan.

COUNCILMAN COHEN: Now, that would be -- people all over the city that pay the sales tax, wherever the sales tax was collected, that extra 1 percent, that would go into the --

MR. HANKOWSKY: No, no, no. Only the sales tax if they buy or consume something at this site, only at this site. It's only the 1 percent collected inside this footprint. It's not citywide, absolutely not.

COUNCILMAN COHEN: And there's a way the State has and the City has of segregating that amount?

MR. HANKOWSKY: Yes.

COUNCILMAN COHEN: All right. Now, we have that segregated grade 1 percent. Then what happens to that?

MR. HANKOWSKY: That's the segregated amount that gets remitted from the City to PAID, and PAID uses it to pay the note, the loan.

COUNCILMAN COHEN: Well, the -- is the 1 percent sales tax going to be the only thing that is used?

MR. HANKOWSKY: No. In this TIF, we are using two taxes, we are using the increase in the real estate tax, the basic real estate tax, and we're using the 1 percent sales tax. We are --

COUNCILMAN COHEN: How does the real estate tax get used?

MR. HANKOWSKY: The same way. The developer will annually pay his real estate taxes, as he would normally. They get remitted to the City. The City will then cut a check for that amount for the increase on the real estate tax amount to PAID, and PAID will use it to pay the loan.

COUNCILMAN COHEN: Well, say the loan comes to a payment of $1,000 a month. I know we're -- I'm only mentioning maybe one-thousandth of what it will be or one-hundredth.

But suppose the amount collected is more or less than what's needed to pay the notes; is it done monthly, is it done yearly? I'm just interested in the mechanism.

MR. HANKOWSKY: Right. It is done annually, so there's an annual reconciliation of the amount of the taxes and the amount paid on the loan. The loan would probably be like any mortgage. It would be -- you'd know every month what you're paying. It would be what's generally called "a standard flat amortization."

And if there is a deficiency, not enough money to pay it, the developer would be responsible. There's no liability to the City or to the General Fund to come up with the missing money, so to speak.

If there were more taxes than were needed to pay it, it would stay in a fund so that, in effect, actually, if in the next year there weren't enough taxes, you could use the fund to make up the difference.

So those real estate and sales taxes, again, just from the project, if there's excess there available in a year, would there be not enough. But if that's not sufficient, then the developer's responsible. We have no responsibility.

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COUNCILMAN COHEN: Who maintains the fund, say, there were a surplus?

MR. HANKOWSKY: It would be maintained by PAID. And at the end of the 20 years of the TIF, if there's a positive dollar value in the fund, it's remitted back to the City; it doesn't stay with us or with the developer.

So the net effect is that the developer only gets the payment necessary to pay off the $25 million loan.

COUNCILMAN COHEN: Well, I'm troubled when I see something, say, on this Pavilion at Market East TIF. The very last paragraph says "Tax Benefits 20-year Sum." It inflates every, say, tax benefit which the City receives. Wouldn't it be more accurate to do it on a yearly basis?

MR. HANKOWSKY: We do do it on a yearly basis, Councilman.

COUNCILMAN COHEN: Where is that?

MR. HANKOWSKY: That is in the project plan, which were also transmitted. I have a copy here if you'd like to look at it, which is -- which does it year by year.

COUNCILMAN COHEN: But it seems to me that the impact would be more accurately stated if you said that the City is going to receive a little less than a $3 million increase per year. Because what we have to consider is that number in relationship to the annual budget.

Or if you do it on a 20-year basis, it would be my best estimate that the General Fund, during that 20-year period, may very well cost $80 billion.

And if you use the figure of 3 million against, the $2.5 billion General fund now, you get a more accurate picture, or you have to say the City is going to gain $55 million toward an $80 billion budget. Now, that's not an exact figure -- it could be under, it could be over.

MR. HANKOWSKY: Right.

COUNCILMAN COHEN: But over a 20-year period based historically, $80 billion would be about what we'd expect the accumulation of General Fund budgets in that period.

As against $80 billion, the $55 million is not a very great figure. It's considerably less, it's about a half of 1 percent or maybe even less than that. I'm pretty good at mathematics, but that defines me. I mean, 8 billion would be 10 percent; 800 million would be a 1 percent. It looks like it might be one-tenth of 1 percent.

I'm just indicating that I think that it --

MR. HANKOWSKY: But I believe right there, you have the project plan note, and it does do it year by year.

COUNCILMAN COHEN: But, actually, it's going to be a relatively minor revenue creator for the City. If it's an average of $3 million to the City, to the City Fund, considering everything that's being done to make this project a real thing, it seems to me that it doesn't play a very significant factor in the City's economic development program.

MR. HANKOWSKY: Well, Councilman, again, I would --

COUNCILMAN COHEN: I'm not saying that, therefore, let's not have it; I'm just trying to get a clear picture of it.

MR. HANKOWSKY: Right. The estimated

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-- I mean, I think you have to look at both. You are providing -- if this project happens, there will be new taxes to the City, and there will also new taxes to the School District.

COUNCILMAN COHEN: Right.

MR. HANKOWSKY: So in combination, there are about 110 million over the 20 years.

And you also have the 1100 jobs, which we don't have today. And you have the activity generated by the project.

We never -- years ago, we used to have discussions about this, so I stopped doing it, but we never talk about the multiplier. I mean, the fact that somebody may go here and then also go across the street and do something else. So we think this is a very meritorious project with worthy benefits worth investing in it.

COUNCILMAN COHEN: What does the figure next to TIF in that tax benefits 20-year sum mean? What does that figure next to TIF mean? It says 76,500,000.

MR. HANKOWSKY: What that represents is, over the 20 years, the interest and principal on the loan.

COUNCILMAN COHEN: How is that a tax benefit?

MR. HANKOWSKY: No, it's just showing that that part of the tax stream that's being paid is that part that I talked about earlier that's going to pay the loan.

I'm just showing you where all the taxes that are created, this is where they go. Some portion goes to the City, some portion goes to the School District, and some portion goes to pay off the loan.

COUNCILMAN COHEN: You're saying that over the 20-year life -- correct me if I'm wrong on this; I just want to make sure I understand.

Over the 20-year life of the TIF, the City will receive an additional $55 million, say, from the real estate tax, the School District will receive an additional 65 million, and 76.5 million will have been used up to pay off the loan.

MR. HANKOWSKY: I'm afraid you might slightly be --

COUNCILMAN COHEN: All right, correct me.

MR. HANKOWSKY: That 60 million that

the City gets is not from the real estate taxes; it's from the other taxes we're not using to pay the loan. The City gets that money, none of that money is used to pay off -- goes into this project.

COUNCILMAN COHEN: Well, what money is that?

MR. HANKOWSKY: Wage tax, parking tax, amusement tax.

COUNCILMAN COHEN: Is this an estimate of tax revenues that will result from the project?

MR. HANKOWSKY: Right.

COUNCILMAN COHEN: That would not otherwise have resulted?

MR. HANKOWSKY: Correct. And then for the School District, the School District gets those taxes. They don't put it in the project, and those are from their portion of the existing real estate tax; and most significant in a project like this, from the use and occupancy tax, and then liquor by the drink from, you know, sales at restaurants.

And then in addition, the other 76 is

from those two sources -- real estate and sales. And only those two taxes are used to pay the loan.

So if you add all three of those together, 180 million or whatever that would roughly come out to be, that's all the taxes that get paid by the project over 20 years.

COUNCILMAN COHEN: But actually, the only tax revenue we're going to get is going to be 120 million, that from the --

MR. HANKOWSKY: That we get to use and spend.

COUNCILMAN COHEN: That's what we'll see.

MR. HANKOWSKY: Right.

COUNCILMAN COHEN: The rest of the taxes --

MR. HANKOWSKY: That's right.

COUNCILMAN COHEN: -- go to pay off the loan.

MR. HANKOWSKY: That's right.

COUNCILMAN COHEN: So that would mean 120 million to the City and School District over 20 years comes to about $5.5 million a year.

MR. HANKOWSKY: Right.

COUNCILMAN COHEN: Between the City and the School District, that's what we would receive in tax benefits, approximately.

MR. HANKOWSKY: Right. And I simply want to point out in the 21st year, the loan's paid off, no more does any of the real estate or the sales go to pay the loan.

And so the City and the School District, in the 21st year, would be getting about 12 million a year.

COUNCILMAN COHEN: Yeah. Unless by that time, of course the -- a lot of renewal work had to be done, things were out, problems developed that nobody thinks of. So we just don't know what will be available in the 21st year; it will depend on a lot of circumstances.

MR. HANKOWSKY: Right, but there's no way that the developer or the project can use any of those dollars, whatever they are. If they wanted to use tax dollars in the 21st year, they'd have to come back here the. TIF ends, it's over, all money comes to us.

COUNCILMAN COHEN: If anybody had ever

told me that Disneyland -- wasn't there a Disneyland in Paris that failed to succeed?

MR. HANKOWSKY: I think it's still there and operating and making money, so I don't think it failed to succeed.

COUNCILMAN COHEN: Well, that's not the last I heard, but I would like to get that information, if we could. That would help.

But we just don't know. Everybody thought that Graduate Hospital was the greatest hospital -- many people argued it was the greatest hospital we had in Philadelphia. And yet, this morning's business section tells about Philadelphia Hospital Authorities bonds being worth only 20 percent. So we can't tell. Twenty years is a long time.

All right. That's -- I'm just trying to get all of the facts on this.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilmember Rizzo.

COUNCILMAN RIZZO: Thank you, Mr. President.

Mr. Hankowsky, I would like to follow up on something that Councilman Cohen just asked about. I'm talking about commitment. I apologize if you've already covered or it's been supplied in the materials.

Could you describe the lease arrangement that Disney has with the developer, how long, and what the commitment is.

MR. HANKOWSKY: Actually, I think I'd probably have to ask the developer to do that. We are not directly privy to the business terms and the --

COUNCILMAN RIZZO: The reason I ask that question, I read in the paper where the executives of Disney, it appeared -- I was surprised to read that they haven't really analyzed this to the point where they were positive exactly how well this operation would do in Philadelphia. And it sounded to me like it's a little bit of a crap shoot here. And I'd like to know what the commitment is, the lease.

And the second part of that question is, if DisneyQuest had not been considered as a tenant, would you have TIFed this project?

MR. HANKOWSKY: Well, let me address your first question about what are the terms with Disney. And I'll allow somebody to sort of figuratively kick me if I get this wrong.

Disney has signed a 15-year lease with an option to renew. In addition, you have to remember, Disney is going to be investing out of their own money 80 or $90 million on top of what we're talking about today, 167 million that Goldenberg will borrow r invest. That's a pretty significant commitment.

Disney did not have to pick us. They had other -- I can tell you for sure of this. They other municipalities that were also interested in them picking their sites. I think what Disney was doing, from a business perspective, they're a publicly traded company, and they have to be forthright. As with any new venture, you know, things can happen, but they're making a very significant commitment here.

To your question of would we have TIFed it if Disney was not part of the project? I think the simplest way to put that is we were only prepared to come to this Council if we knew Disney was on board. And the developer was only prepared to proceed if he knew he had Disney.

And so, as I think you know, when there was a briefing with Council, we began this process in terms of putting the ordinance in and waiting the 30 days on the basis that we knew that Disney was going to make a decision in early December. If Disney had said no versus yes last week, I don't think we'd be here this morning. I think we and the developer and everybody would be back to ground zero and thinking about what we're doing.

I don't want to tell you that under no circumstances would we have ever come back here, but we would not be here this morning, I can tell you that.

COUNCILMAN RIZZO: Back to the lease. If, unfortunately, DisneyQuest doesn't work in Philadelphia, and they pack up and leave, and they have 10 years left on the lease, if someone occupied it, another operation, would they receive the benefit of the TIF?

MR. HANKOWSKY: Well, again, the TIF is not going to Disney; I need to really emphasize that.

COUNCILMAN RIZZO: But you said that --

MR. HANKOWSKY: But the answer is --

COUNCILMAN RIZZO: -- the TIF is because of Disney.

MR. HANKOWSKY: No. What I said was, the project is because of Disney. Disney being in the project gives the project and the developer the capability to attract other tenants and make it work, rent it out.

But the answer to your question is, in fact, that a TIF will go in place, the developer will borrow all this money, build this, open the doors, and operate it. And yes, he would have borrowed the 25 million and would owe the debt service on it, and we would still provide the TIF funds to continue to honor that commitment, yes.

COUNCILMAN RIZZO: Do you think it's appropriate that, whether your organization or the Administration reviewed the lease, don't you think it would be terribly embarrassing to Philadelphia five, six years from now if it didn't work, if they packed up and left and paid off the lease?

MR. HANKOWSKY: Well, I think, Councilman, I don't disagree that that's a problem, but I do want to be clear we. We, meaning the Administration and City Council ourselves, have made numerous decisions about projects and have invested in them.

And things can happen. I mean, companies can go out of business. As Councilman Cohen just mentioned, Allegheny. I mean, five years, I'm not sure we all would have predicted where that was going.

So we need to make business judgments, but they, in fact, are judgments. And the judgment here is that this is a project where the pieces are in place, it's able to start and, you know, there could be a national recession. So many things can happen that affect projects.

So I don't think that there's a peculiar issue that highlights this any more than other transactions that we look at.

COUNCILMAN RIZZO: But you have to agree that if the American Street corridor packs up or one of the TIFs that's obviously not as visible as DisneyQuest having a moving truck backed up to the door in four years leaving Philadelphia.

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My question is, again, the developer would continue, you don't know what the lease agreement is. You know that they have 15-year lease, but what the commitment is, we really don't know 'cause no one has really seen the lease agreement.

MR. HANKOWSKY: I want to be completely clear because maybe I slightly misstated that. What I'm telling you is that the actual document is between the two parties. We do have the lease terms and know that Disney has signed a 15-year lease, is making an investment, is occupying 80 to 90,000 square feet, etc.

COUNCILMAN RIZZO: But could we -- and I don't think we know -- have a landlord being paid by Disney but a vacant property on Market Street?

MR. HANKOWSKY: I probably need to check that, but I -- that could be a situation at the PNC operation center. PNC Bank go out of business, continue to pay the rent 'cause they have a long-term lease there. It could be the case in the SmithKline TIF.

So is it a legal possibility? I think

the answer is yeah. I mean, Disney could go out of business, so you don't get companies to affirmatively covenant that they'll be in business.

COUNCILMAN RIZZO: But I was a little bit surprised to read and hear and see on television that Disney said that they weren't really sure. I would hope that that may be an inaccurate statement as to how well they're going to do here. You would think that an organization like Disney, before making a decision like this, would have done a lot of homework or analyzed --

MR. HANKOWSKY: Well, I can tell you that sure --

COUNCILMAN RIZZO: I'm sure they did but I'm also concerned by that statement.

MR. HANKOWSKY: Councilman, I want to -- I just want to be very -- Disney did a lot of work. Disney is a publicly traded company. I can tell you because I've dealt with publicly-traded companies before. They are loath, and in some cases, literally prohibited, without certain disclosure requirements, for example, speculating about revenue, because that deals with earnings, which deals with stock.

So that I think the best way to think about that is, they don't want to put a number on or characterize how well they'll do here. They're going to say the same thing in Chicago, they're going to say the same thing wherever it is they're doing things.

COUNCILMAN RIZZO: I checked. I didn't see that same comment in Chicago.

I would like to hear from the developer, if it's appropriate, and not confidential information. Whether you want to get back to me or to the Chair, I --

MR. HANKOWSKY: The developer is here right now.

COUNCILMAN RIZZO: Well, I'd like to hear the possibility if this would fail, what would happen to the property? I would like to hear from the developer and talk about the lease.

(Kevin Goldenberg comes forward.)

MR. GOLDENBERG: Hello. My name's Ken Goldenberg. I represent the developer, the Goldenberg Group. And I want to thank you for giving us the consideration of hearing this application today.

In listening to the question that you posed, I think, you know, one thing that we don't want to lose sight of is that we're talking about an absolutely enormous investment by a private company.

I was thinking back there, and I'm not sure I can think of another situation where a company has come into Philadelphia in the last 5, 10, or 15 years and invested in the neighborhood of 50 to $100 million of their own monies in any project. So -- and a company like Disney, who is as subject as it is to the vagaries of the marketplace just can't afford to take an investment like that very lightly.

So, suffice it to say, they've done an enormous amount of homework about Philadelphia and an enormous amount of homework about Eighth and market. And they're taking this investment with utter seriousness.

They are entering into a significant lease with the development company, Goldenberg Group, that will go on for 15 years and then has options extended beyond that. The amount of the rent is not insignificant by any stretch of the imagination.

So coupled with the size of the investment, I'd say, you know, outside of the fact that we can never predict with absolute certainty that any company won't have a problem, this is a pretty good investment from, I think, every standpoint .

COUNCILMAN RIZZO: If it turned out not to be, and they'd keep their 15-year commitment to the developer, do they have any -- is there any commitment? Could you release the property if they decided to move out, or would we have a vacant building with possibly boards on it at Eighth and Market?

MR. GOLDENBERG: Well, given the size of the investment and given the lease obligation, they will go through everything they possibly can to make this project work.

Keep in mind that Disney only represents about 10 percent of the entire project, about 15 percent of the entertainment an retail of the project. So you're going to have about 10 other very strong companies that are also, hopefully, going to be a part of this project.

And even if -- I should bite my tongue, but even if something happened to the DisneyQuest situation somewhere down the line, notwithstanding that investment, there will be so much going on there that someone else would probably fill that void.

COUNCILMAN RIZZO: The investment that you described, and also reading a lot of expense is back-room operations that can be packed up and moved someplace else, so a lot of that financial commitment other than the actual cosmetics and the aesthetics of the building could be relocated someplace else? Is that a given?

MR. GOLDENBERG: No. I think, actually, most of that is fixtures. I mean, most of that 50 to 100 -- and I don't know the precise number, but most of that is actually going into the organism which is the building. I don't think that it's the type of stuff that can be easily removed.

COUNCILMAN RIZZO: Let's hope that this was just a waste of time, that it's extremely successful. And that's not a concern, but you can understand that there is a need to ask that question.

MR. GOLDENBERG: Absolutely.

COUNCILMAN RIZZO: Thank you.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

Do we have any other questions for Mr. Hankowsky?

(No further questions for Mr. Hankowsky at this time.)

PRESIDENT STREET: Mr. Hankowsky, thank you very much.

MR. HANKOWSKY: Thank you again for this morning and for very everything.

PRESIDENT STREET: Thank you very much.

Mr. Mondesire, Jerry Mondesire from the NAACP.

(Messrs. Mondesire and Connors come forward.)

PRESIDENT STREET: Please identify yourselves for the record.

MR. CONNORS: Good morning, President Street. Good morning, members of City Council. My name is Clinton Connors, and I'm Chairman of the Economic Development Committee of the Philadelphia Chapter of the NAACP.

Can you hear me?

PRESIDENT STREET: Yes.

MR. CONNORS: Okay. We come today in opposition to the $25 million TIF for the Disney project, and we oppose this for a variety of reasons.

First of all, has a minority participation position in terms of contracts been brought to the table? As we have heard so far, it's pending, there is nothing that is concrete. We hear talk about 1100 jobs being created, but what types of jobs are we talking about? Has the Disney Corporation committed to the living-wage concept, or are these just entry-level level and dead-end jobs?

What has the City sought from Disney for the use of public funds? We feel that for the use of these public funds, the Disney Corporation should also develop a major neighborhood project. This project would be the building of five combination recreation-education centers to be located North Philadelphia, South Philadelphia, West Philadelphia, Germantown, and Kensington, fully staffed be residents of these respective communities. And if training is needed in these jobs, Disney would also incur those costs. These centers would have computers, a library, and current recreation equipment.

These are some of the things that we would expect you, as our elected representatives, to request on our behalf, and not to take the I'm-so-glad-they're-coming position.

Now in closing, we urge that Bill 980845 not be passed today but that these questions come under further scrutiny and review. I submit to you that they will be posed to the developer and to the Disney Corporation by the NAACP. We cannot and we will not, as a community or as a people and community, continue to be excluded.

Now, let me be me clear on this. We have watched the hotels receive TIFs, and I just got reports on hotels today that are under construction. In terms of personal services, professional services contracts, out of $8 million, 27,000 has been given to minority firms. This is not good, needless to say.

We've watched the Kvaerner deal get signed and the minority piece remain up in the air.

But let me tell you something. As far as this is concerned, we at the NAACP, if these questions or things of this nature are not addressed, we are prepared to take public action against this project, and we are prepared to lay down in front of the bulldozers, if necessary, to prevent this from happening.

We cannot to see projects that use public funds and not be included in it. This will not, I assure you happen. So, to the Goldenberg Group, to the Disney Corporation, we will be at the table.

Thank you.

PRESIDENT STREET: Thank you very much.

MR. MONDESIRE: My name is Jerome Mondesire. I'm President of the Philadelphia branch of the NAACP.

Just to echo what my economic development chairperson has said, we're really here today just to stress the need for inclusion.

We have watched too many times that this Council and this current administration use, or allow to be used, public money to do all kinds of things, whether it is to build Rite Aid stores all throughout every neighborhood of this city or to sign a half-a-billion-dollar deal Kvaerner. And now we have a deal involving the Disney folks and the Goldenberg Group.

And what we have found time and time again is that African-Americans are not included at the ground level, at the planning level, at the construction level. There's an article in the paper today which talks about the DisneyQuest project in another part of the country. And it shows an African-American in the picture, riding one of the electronic, computerized rides.

So there will be, we expect, and as this Council, I'm sure knows, there will be lots of participation by African-Americans in the DisneyQuest once it opens up, but we're saying that it's not fair, it is unacceptable to just look upon you as consumers, people who can just continue to pay the bill. And what we're talking about now is having inclusion.

So we urge this Council to go slow on this TIF. Do not approve it so rapidly, as it appears it appears it is about to happen on this day and probably three weeks hence. We urge you to go slow on this TIF, to force the Goldenberg Group, to require them to come forth with the economic opportunity plan, to inspect it, to ask them questions, and to join us at the NAACP, to ask both the Goldenberg Group and the Disney Corporation what it is they plan to do to include African-Americans and all Philadelphians in the building construction and management of this project?

That's why we're here. Thank you very much for listening.

PRESIDENT STREET: Thank you very much.

Are there any questions?

(No questions.)

PRESIDENT STREET: Thank you, gentlemen.

MR. MONDESIRE: Thank you.

PRESIDENT STREET: Is there anybody else to testify on Bill No. 980845?

(Steve Leshinksi comes forward.)

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COUNCILMAN NUTTER: Mr. President, I have a question I'd like to ask Mr. Hankowsky.

PRESIDENT STREET: Mr. Hankowsky. Well, let's have this witness, and then we'll get him.

Please identify yourself for the records.

MR. LESHINSKI: Hi. My name is Steve Leshinski. I'm an organizer with the Jobs and Living Wage Campaign in Philadelphia. And we're here today here with the Jobs and Minimum Wage Campaign here in Philadelphia. We're a coalition of 60-plus organizations representing unions, churches, and community-based organizations throughout the City.

And we're here today just to plant a seed in this process, to let City Council know. We want to echo the concerns of the speakers from the NAACP about the community implications of this project, about some of the questions that really still need to be answers about commitments to wages, workers' rights, and union neutrality.

At the same time, we think it's only fair to say that we've approached both Disney and

Goldenberg about meeting with the Coalition, and they've both agreed to do that. We'll follow up in those meetings in January, we'll present our concerns. We'll make our requests that these workers be paid a living wage so that when their shift is over, they can afford to go in and use these services. And we will be back to City Council and report on this progress.

Let us just say that the issue of waiting to make this decision, we think, is important. It's unfortunate that this big a project, that this great an opportunity is not having more time to be fleshed out in this arena.

Be that as it may and the urgency of City Council and the timeline that's been proposed here, we will be back and we will report on these meetings. So thanks for listening.

PRESIDENT STREET: Thank you very much.

Mr. Hankowsky, please identify yourself again for the record.

MR. HANKOWSKY: Bill Hankowsky, President of PIDC.

PRESIDENT STREET: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

Mr. Hankowsky, two things. There was testimony and there were some questions last week during the public hearing on the West Philadelphia TIF about the use of this particular tool and an expressed greater interest in possibly having some of these projects take place in whatever generally people refer to as "the neighborhoods." And in the TIF hearing last week, that is one example of that kind of project; there may be others.

I had mentioned to you earlier that I had gotten some information from Chicago about what they did with that particular project, but also sent some materials about their TIF program in Chicago. And I can just kind of show you this, but the interesting part of their brochure is entitled "TIFs Make Neighborhoods Come Alive." And I'd like to share this with you subsequent to this hearing.

There's also -- and we'll have some discussion about this. There's a report produced by the city of Chicago, a review of tax increment financing, which talks about all of the TIF districts out in Chicago and then some reporting requirements that go with what came out of their TIF program.

In light of the testimony from the gentlemen from the NAACP, just one quick question. It's my understanding that this project is slated for -- is it opening July of 2,000?

MR. HANKOWSKY: Correct.

COUNCILMAN NUTTER: And would that be considered a fairly aggressive timetable for something like that? I don't know what goes into building 15-story building.

MR. HANKOWSKY: It is extremely aggressive.

COUNCILMAN NUTTER: Okay. And what kind of schedule are you on in order to meet that opening date? When you back it all out, what does any level of, I guess, delay of this particular bill, which, without it you can't start the TIF district and get the revenues going, what does that do to the project?

MR. HANKOWSKY: Well, let me answer that in part by amplifying the schedule, because it will be relevant to the answer.

As you know, we introduce this ordinance with the indulgence of Council in order to meet the 30-day notice requirement and with an understanding that we were hopeful that we would have an answer from Disney at the beginning of December, and on the basis of that, would proceed with this hearing date that the President's office was kind enough to give us. And we wouldn't if we didn't have such announcement.

We now are in a situation where the pieces are beginning to come together such that the real schedule is, we would look for favorable consideration today, understanding that you're ending your activities tomorrow. Because what we immediately now need to do is take the Disney announcement, the developer needs to finalize their financing now that they're beginning -- they need to finalize leases with other tenants. It's a series of dominos that are now lined up, that have to get put together.

Such a developer could start construction in a kind of February time frame, which means that they're going to have to, for example, do things like order steal, award contracts, finalize their loan documents, finalize the TIF note.

So we would be hopeful that we would, therefore, be, when Council would reconvene in January, either have the first and second reading; or if Council would be pleased to do this today, if you suspend the rules and give us first reading tomorrow, then we would have second and final passage in January, because we're going to have to close the TIF note part of this financing probably also in February.

And I think in terms of doing all of that, and I would never be presumptuous to ever anticipate Council's final consideration, but understanding today that we're in the Committee of the Whole, and if there were favorable consideration, I would hope that that would be an indication that we could proceed to get all of those pieces together, looking for that final second reading and passage.

That's the schedule we're on. We're on a --

COUNCILMAN NUTTER: The statute requirement is three weeks from the time a bill comes out of committee?

MR. HANKOWSKY: Correct.

COUNCILMAN NUTTER: So that takes you into the first week in January. More than likely, there's no Council session the first week in January. So at the earliest, we might be talking about the second or third week in January --.

MR. HANKOWSKY: Yeah. We, obviously, were somewhat --

COUNCILMAN NUTTER: -- with a suspension.

MR. HANKOWSKY: -- speculating since Council has not yet put out a schedule of hearings or dates for '99.

COUNCILMAN NUTTER: Right, all right.

MR. HANKOWSKY: But I just want to be fair Councilman. It was both the schedule, but also, I think, the indication that a majority of the members of Council, presuming this committee would act favorably or, in fact, support it such that we would -- we and the developer would spend the necessary time, effort, legal fees, etc. to do this.

We would have a situation, I think,

where we would conceivably, with a passage, we would be trying to, you know, close the loans the next week.

COUNCILMAN NUTTER: Well, I understand you're going to be very busy.

MR. HANKOWSKY: Some of these we've done early, and we've had long times, but this is not that case.

COUNCILMAN NUTTER: I understand you're going to be very busy between now and then. You may need to be a little busier.

What commitment, in light of the earlier testimony, what commitment is PIDC prepared to make and then the developer prepared to make regarding any of the outstanding issues that were raised in the course of this public hearing? And specifically the tightening up or the nailing down on MBE/WBE/DBE issues that may be unresolved prior to passage of the bill?

MR. HANKOWSKY: Right. Well, I would never, again, speak for other participants.

COUNCILMAN NUTTER: I understand that.

MR. HANKOWSKY: For other participants in this process. But my understanding this morning is that after some five or six hours yesterday, which wasn't the first meeting, but a meeting. That between Minority Businesses Enterprise Council, Council's technical staff, the Urban Affairs Coalition, and the developer agreement is in place vis-a-vis MBE/WBE. It is, in fact, in the typewriter.

I put on the record the percentages because I wanted to be able to do that, out of respect for this committee. And I think the developer would be willing to come here and, you know, on their behalf, say what I said, speaking for myself.

PRESIDENT STREET: Mr. Hankowsky, do I correctly understand that the Golden Group, in conjunction with the City Council technical staff, the Minority Business Enterprise Council, and the Greater Philadelphia Urban Coalition have agreed to economic opportunity plan for the project?

I'm reading some answer. As I understand it, the plan provides for the following goals for minority, women's, and disabled participation. Does everybody have this?

COUNCILWOMAN CLARK: I don't have

this.

COUNCILMAN NUTTER: No.

COUNCILMAN DICICCO: I think Mr. Goldenberg suggested that he would be willing to come forward and talk about that document that you have and put some of those matters in the record. And at some point later today, I think Mr. Fina said that we would all have a written document from the developer.

COUNCILMAN NUTTER: That would be helpful.

PRESIDENT STREET: Mr. Hankowsky, can you do this?

MR. HANKOWSKY: Yes, I can do this.

PRESIDENT STREET: Let's have Mr. Hankowsky do it. He's much more experienced at this, and he probably can do it in a shorter period of time.

MR. HANKOWSKY: Yes. I'm going to go over the percentage numbers that will be in the plan. The plan will be the physical document that will be, you know --

PRESIDENT STREET: I understand that. Just give us the --

MR. HANKOWSKY: But they are:

On the construction workforce -- 30 percent minority, 5 percent female;

On the construction contracting -- 22 percent minority disadvantaged business enterprises; 12 percent women disadvantaged business enterprises; 2 percent disabled disadvantaged business enterprises.

Once the project is operational, open, that the goals for permanent employees on an hourly base would be:

40 percent for minorities, 30 percent for female, and 2 percent for disabled;

Permanent employees vis-a-vis management -- 25 percent minority, 35 percent female, and 2 percent disabled;

And service contract related to the permanent operation of the facility -- 22 percent minority disadvantaged business, 12 percent women disadvantaged businesses, and 2 percent disabled disadvantaged businesses.

COUNCILMAN NUTTER: So this is the document that, based on the earlier discussion, we will probably have later on today.

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MR. HANKOWSKY: Yes.

COUNCILMAN NUTTER: Okay. And, certainly, any other information, or if there are additional meetings and the like, they will certainly happen between now and the time of final passage?

MR. HANKOWSKY: Absolutely.

COUNCILMAN NUTTER: And if you could, I think on all of our behalfs, make sure that -- certainly Councilman DiCicco is always up to speed and naturally included in that and can report back to his colleagues. If there are any other issues or in fact that everything has been resolved prior to the second reading and final passage, I mean that should pretty much square things away.

MR. HANKOWSKY: We will do that.

COUNCILMAN NUTTER: Okay, all right.

PRESIDENT STREET: The Chair recognizes Councilwoman Clark.

COUNCILWOMAN CLARK: Mr. Hankowsky, this is an issue that you and I go through all the time, isn't it? Today it would have been so much easier for us if each of us had had the materials that you just read. It is a little bit distressing that I have to ask you for it each time.

These are predictable questions. We have to ask them. How else will we justify our existence if we didn't ask them? And you ought to predict our asking them and come prepared with it. We need to have some smaller group sessions where we talk about the sufficiency of these numbers, and I wanted to participate in that in greater detail.

But as you can tell by the testimony we just had, this is an issue that reverberates throughout the minority community, and it's too late to start negotiating for it after the money has already been obligated to other contracts.

So we need to have these discussions, we need to have serious sit-down discussions that result in contracts and not explanations of why there are no more opportunities.

I am willing now not to burden this record any further, but I do need the record to show that minorities and women and other historically left-out contractors want to be let in at the earliest ground level, including the soft money that the lawyers and the accountants and this early start-up. Can we get your commitment to that?

MR. HANKOWSKY: You can get my commitment that we will absolutely sit down on this as soon as possible, yes. And I think the developer would agree and be prepared to do that.

COUNCILWOMAN CLARK: Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

Right now, are there any other questions?

(No further questions at this time.)

PRESIDENT STREET: We temporarily lost our quorum. Thank you very much. Hopefully, the quorum will walk into the room.

Mr. Hankowsky I, understand you've offered an amendment.

MR. HANKOWSKY: Correct.

PRESIDENT STREET: And Councilman DiCicco will offer an amendment?

COUNCILMAN DICICCO: Councilman Nutter will be offering the amendment.

PRESIDENT STREET: Councilman Nutter

will be offering the amendment, the Chair stands corrected.

Has that amendment been circulated among all members of Council?

Mr. Hankowsky, do you oppose the amendment?

MR. HANKOWSKY: No, I do not.

PRESIDENT STREET: I knew you weren't going to say you support the amendment; you probably aren't authorized to say that.

Councilman Nutter?

COUNCILMAN NUTTER: Mr. President, do you want to take this amendment at this point, or at least a reading of it into the record?

PRESIDENT STREET: I'm waiting for my quorum. Once Councilwoman enters the chamber, we will have our quorum, we will end our public hearing and go into our public meeting.

(Quorum is reestablished.)

PRESIDENT STREET: Is there anyone else to testify?

(No response.)

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PRESIDENT STREET: We will now go into our public meeting.

The Chair recognizes Councilman Nutter for a motion.

COUNCILMAN NUTTER: Mr. President, I move the adoption of the amendment, as circulated to the members, on Bill No. 980845.

PRESIDENT STREET: Is there a second?

(Duly seconded.)

PRESIDENT STREET: All those in favor, let it be known by saying aye.

Those opposed, say nay.

The ayes have it. The bill is amended.

The Chair recognizes Councilwoman Verna for an amendment.

COUNCILWOMAN VERNA: Thank you, Mr. President. I move that the amendments, as presented to us by Bill Hankowsky, be approved.

(Duly seconded.)

PRESIDENT STREET: All those in favor, let it be known by saying aye.

Those opposed, say nay.

The ayes have it.

PRESIDENT STREET: The Chair recognizes

Councilwoman Verna for a motion on the amended bill.

COUNCILWOMAN VERNA: Mr. President, I move that Bill No. 980845, as amended, be reported out of committee with a favorable recommendation.

(Duly seconded.)

PRESIDENT STREET: All those in favor, let it be known by saying aye.

Those opposed, say nay.

The ayes have it.

COUNCILWOMAN VERNA: Mr. Chairman, do we need a suspension of the rules?

PRESIDENT STREET: I don't think we need one. We need a suspension for first reading.

COUNCILWOMAN VERNA: I further move that the rules of Council be suspended so as to permit first reading at our next session of Council.

(Duly seconded.)

PRESIDENT STREET: All those in favor, let it be known by saying aye.

Those opposed, say nay.

The ayes have it. This bill will be reported out of committee with a favorable and a

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recommendation that rules of Council be suspended so as to permit first reading at our next session of Council.

That brings us to the end of our agenda. We appreciate very much your attendance. Thank you very much.

(Adjourned at 12:37 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Wednesday, December 16, 1998, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL NO. 980845

_________________________________,

JOSEPHINE CARDILLO,
Registered Professional Reporter