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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING
COMMITTEE OF THE WHOLE

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Room 401, City Hall
Philadelphia, Pennsylvania
Thursday, November 30, 2000
9:30 a.m.

- - -

BILL NOS. 000721, 000722, 000723, 000724, 000725,
000729, 000730, 000731, 000732 and 000733

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK J. DI CICCIO
COUNCILMAN WILSON W. GOODE, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

- - -

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2 COUNCIL PRESIDENT Verna: Good morning.

3 Because of the importance of the issue of providing
4 public funding for the development and operation of
5 sports facilities, I have placed this issue before
6 the Committee of the Whole.

7 The purpose of this hearing is to
8 receive testimony, both negative and positive,
9 regarding the appropriateness for which and the
10 extent to which public funding should be used to
11 finance public stadiums, to determine the sites for
12 these projects and to receive reliable information
13 to provide assurances that the City's financial
14 obligations will remain finite, that the citizens of
15 the City, in particular, the citizens in the
16 vicinity of the stadium complex, are protected from
17 unwarranted intrusions resulting from the operation
18 of the facilities.

19 This hearing is to provide an
20 opportunity to all witnesses to express their
21 opinions in an open and congenial form. To this
22 end, I want to establish certain ground rules
23 regarding how this hearing will proceed. Anyone who
24 wishes to testify will certainly be given the
25 opportunity to do so. If necessary, time limits may

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2 be placed on the testimony of witnesses. The
3 audience will treat all witnesses with respect and
4 shall not be allowed to interrupt testimony. If the
5 audience does not maintain order, any individual
6 causing a disruption will be asked to leave the
7 Chambers. If a person fails to leave on their
8 volition, that person will be escorted from the
9 Chambers. If they resist removal, they will be
10 subject to arrest. I am insisting that we have to
11 quorum in this session.

12 At this time I would ask Mr. McPherson
13 to please read Bill Nos. 000721, 000722, 000723,
14 000724, 000725, 000729, 000730, 000731, 000732 and
15 000733.

16 MR. MCPHERSON: Bill No. 000721, an
17 ordinance authorizing the Commissioner of Public
18 Property and the Director of Commerce, on behalf of
19 the City of Philadelphia, to enter into a Ground
20 Lease Agreement with the Philadelphia Authority for
21 Industrial Development providing for the leasing by
22 the city to PAID of certain parcels of land owned or
23 to be acquired by the City, and further authorizing
24 said officers to enter into a Prime Lease Agreement
25 between PAID and the City providing for the

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2 subleasing by PAID to the City of all or a portion
3 of such land and certain improvements to be
4 constructed thereon, including a football stadium
5 and accessory and related amenities, improvements
6 and infrastructure and the payment of certain costs
7 for such stadium complex and further authorizing
8 said officers to enter into a Leaseback-Lease
9 Agreement.

10 Bill No. 000722, an ordinance
11 authorizing the Commissioner of Public Property and
12 the Director of Commerce, on behalf of the City of
13 Philadelphia, to enter into a Ground Lease Agreement
14 with the Philadelphia Authority for Industrial
15 Development providing for the leasing by the City to
16 PAID of certain parcels of land owned or to be
17 acquired by the City, and further authorizing said
18 officers to enter into a Prime Lease Agreement, the
19 Phillies Prime Leas, between PAID and the City
20 providing for the subleasing by PAID to the City of
21 all or a portion of such land and certain
22 improvements to be constructed thereon, including a
23 baseball ballpark and accessory and related
24 amenities, improvements and infrastructure and the
25 payment of certain costs for such stadium complex

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2 and further authorizing said officers to enter into
3 a Leaseback-Lease Agreement with the Phillies
4 Leaseback.

5 Bill No. 000725, an ordinance
6 authorizing the Philadelphia Authority for
7 Industrial Development to file an application and
8 enter into a grant agreement with the Office of the
9 Budget, Commonwealth of Pennsylvania, under the
10 Capital Redevelopment Assistance Program to provide
11 partial funding to assist in the development of a
12 professional baseball stadium and a professional
13 football stadium and training facility in the City
14 of Philadelphia.

15 Bill No. 000729, an ordinance
16 authorizing the Commissioner of Public Property, on
17 behalf of the City of Philadelphia, to acquire by
18 amicable negotiations or by condemnation fee simple
19 title to a certain parcel of real estate with the
20 improvements situated thereon and any covenants,
21 restrictions, easements and other matters that
22 burden said parcel of real estate and/or the
23 improvements thereon, located on the southerly side
24 of Pattison Avenue between 11th Street and Darien
25 Street and extending southwardly to the Delaware

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2 I-95 Expressway, Philadelphia, Pennsylvania.

3 Bill No. 000730, an ordinance

4 authorizing the Commissioner of Public Property, on
5 behalf of the City of Philadelphia, to acquire by
6 amicable negotiations or by condemnation fee simple
7 title to a certain parcel of real estate with the
8 improvements situated thereon and any covenants,
9 restrictions, easements and other matters that
10 burden said parcel of real estate and/or the
11 improvements thereon, located on the easterly side
12 of Darien Street south of Pattison Avenue,
13 Philadelphia, Pennsylvania, and to transfer that
14 parcel to the Philadelphia Authority for Industrial
15 Development in fee for nominal consideration.

16 Bill No. 000731, an ordinance

17 authorizing the Commissioner of Public Property, on
18 behalf of the City of Philadelphia, to acquire by
19 amicable negotiations or by condemnation fee simple
20 title to a certain parcel of real estate with the
21 improvements situated thereon and any covenants,
22 restrictions, easements and other matters that
23 burden said parcel of real estate and/or the
24 improvements thereon, located on the northeast
25 corner of Pattison Avenue and Darien Street,

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2 Philadelphia, Pennsylvania.

3 Bill No. 000732, an ordinance
4 authorizing the Commissioner of Public Property, on
5 behalf of the City of Philadelphia, to acquire by
6 amicable negotiations or by condemnation fee simple
7 title to a certain parcel of real estate with the
8 improvements situated thereon and any covenants,
9 restrictions, easements and other matters that
10 burden said parcel of real estate and/or the
11 improvements thereon, located on the northeast
12 corner of Pattison Avenue and 10th Street,
13 Philadelphia, Pennsylvania.

14 Bill No. 000733, an ordinance
15 authorizing the Commissioner of Public Property, on
16 behalf of the City of Philadelphia, to acquire by
17 amicable negotiations or by condemnation fee simple
18 title to a certain parcel of real estate with the
19 improvements situated thereon and any covenants,
20 restrictions, easements and other matters that
21 burden said parcel of real estate and/or the
22 improvements thereon, located on the easterly side
23 of Darien Street, north of Pattison Avenue,
24 Philadelphia, Pennsylvania.

25 COUNCIL PRESIDENT VERA: Thank you.

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2 Our first witness will be the Mayor. I
3 believe he's on his way up.

4 (Pause.)

5 COUNCIL PRESIDENT VERNA: Good morning,
6 Mr. Mayor. Welcome.

7 MAYOR JOHN STREET: Good morning. Thank
8 you so much. Thank you very much. I actually have
9 a few notes.

10 First of all, my name is John Street.
11 I'm a former member of the City Council of
12 Philadelphia for 19 years, 19 of the proudest years
13 of my life. I'm now the Mayor of the City of
14 Philadelphia, thanks to, I guess, a little luck and
15 a little hard work. And I'm absolutely delighted
16 and pleased to be here today to speak in favor of
17 the bills that are before you that have been
18 transmitted by the Administration, all of which are
19 calculated to put this City in a position to have
20 two brand-new stadiums at a stadium district located
21 in South Philadelphia.

22 First of all, I'd like to thank a few
23 people for helping bring us to this moment. I'd
24 like to thank Governor Ridge for his support of this
25 project in the very early days when there were some

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2 people who believed that we either shouldn't do it
3 or that no matter what the State did, it probably
4 wouldn't happen anyway. Governor Ridge was very
5 supportive, and we appreciate that.

6 I'd like to thank the members of the
7 Pennsylvania General Assembly. There are too many
8 to name. But they, over years, have been very, very
9 supportive, and I'd like to thank them at this time.

10 Of course, I want to thank the Council
11 President who, as usual, has been there both night
12 and day, sometimes very late at night and very early
13 in morning, helping bring us to this moment.

14 Special thanks to Councilwoman Blondell
15 Reynolds-Brown who sort of worked with us to create
16 this concept of a Children's Fund, which I think is
17 very, very important to what we're doing, and
18 Councilman Clarke and Goode and others who have
19 worked with us to make sure that we have a minority
20 business and a women business program and a jobs
21 program that I think we all will be proud of.

22 Council President, I think this is a
23 very special moment for us in this City, and I am
24 enormously pleased and proud of the program that we
25 have in front of us. This is a program that is good

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2 for the people of this City. And although I will
3 not go into great detail about all of it, I would
4 like to highlight some of the things that I think
5 are most important and things that I'd like to call
6 to our attention.

7 This is what I refer to as a deal that
8 doesn't cost, but pays. There are some people who
9 have speculated that if we do build stadiums, will
10 there been a necessity for a real estate tax
11 increase or any other kind of tax increase. And my
12 position has been and continues to be that this deal
13 not only will not cause us have to raise taxes, but
14 this deal will help pay for the quality of services
15 that we need to be delivering in our City because we
16 do have to continue to fund public education, we
17 have to continue to fund basic services, and we can
18 never, ever do too much to improve the economy of
19 our City and improve its tax base.

20 This deal will allow us to have an
21 additional \$159 million to spend in the City's
22 General Fund after it pays for itself. It will
23 provide an additional \$70 million of new revenue for
24 the School District of Philadelphia. It will
25 provide \$60 million in a Children's Fund that will

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2 provide desperately-needed services for the children
3 of our City. And it will pay for a sports district,
4 a special service district in our sports area,
5 stadium area, that will help us monitor the area to
6 the great benefit of people who live in South
7 Philadelphia, around the district and to the general
8 public. And I think that's very good news for the
9 people of this City and the people of this region.

10 But as life would have it, we have a
11 choice to make here and, you know, most of us who
12 are in public office today are responsible for
13 making decisions on the basis of the information
14 that we have and we make decisions on the basis of a
15 situation that confronts us. And although we might
16 wish we had a different situation, we don't. We
17 have a situation where -- and by the way, it was a
18 very interesting tour that I took of the Veterans
19 Stadium this morning. And I did it because I wanted
20 to have the conditions of that facility fresh in my
21 mind at the time I came to talk to you and came to
22 make my comments about this proposal. And I have
23 spoken to folks in the Recreation Department, the
24 Managing Director, and if anybody wishes during the
25 course of these hearings to take a peek at what we

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2 saw today, we can make those arrangements. But this
3 is a very significantly deteriorated facility that
4 we need to take out of service as quickly as
5 possible.

6 But, you know, not only does this
7 proposal have a great upside, there is a serious
8 downside to be considered if for any reason we
9 decide not to go forward. And not to go forward, I
10 think, creates a lot of losers. We lose the \$170
11 million that the Phillies are prepared to invest in
12 the stadium. We lose the \$310 million that the
13 Eagles are prepared to invest. We will ultimately
14 lose the \$159 million that the -- the economic
15 benefit to the City. We will lose all of the
16 existing revenue that we are generating out of the
17 Veterans Stadium. We will lose the \$170 million in
18 state money that the State has voted to put in the
19 development of new stadiums. And I think we will
20 lose the car rental tax.

21 And I'd like to be very clear about this
22 because there seems to be some confusion and I have
23 asked some questions to try to get some
24 clarifications. It is my understanding that when we
25 asked the Pennsylvania General Assembly and Governor

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2 to allow us to impose the car rental tax that our
3 former Mayor made an absolute commitment both orally
4 and otherwise that we would not use the car rental
5 tax to repair the Veterans Stadium. That's the
6 commitment that was made. And I think it will be
7 hard for us to maintain credibility with the people
8 who we asked to help us if we tell them we will do
9 one thing and if we tell them we will not do another
10 thing and then in the heat of doing what it is we
11 do, we decide, oh, what the former Mayor said, the
12 commitments that we made are not important and we
13 are not going to keep them. I think that is a
14 terrible way of doing business, and I think that if
15 for any reason we do not choose to go forward with
16 this proposal that we have to have serious
17 reservations about whether or not we are going to be
18 able to use the car rental tax to fund any kind of
19 renovations at the Vet because I think we lose our
20 credibility.

21 This is a great opportunity. It's a
22 great opportunity to fund the sports complex at the
23 Veterans Stadium. But, you know, this is a huge,
24 huge deal. And as is always the case when you have
25 these deals, they require a lot of evaluation. And

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2 I would be the last person that would want to
3 discourage anyone in this Council from doing your
4 job, and you should test the credibility of the
5 assertions that are made by witnesses representing
6 the Administration and the teams and others as they
7 sit here and testify. You should ask any and all
8 reasonable questions and you should demand
9 reasonable answers. But I will tell you, the nature
10 of this proposition is such that it is possible to
11 nitpick it to death. There are an unlimited number
12 of Dooks Day propositions that could be put on the
13 table that could create in anyone's mind any kind of
14 question that people want. And, whereas, I think
15 you should test the credibility of everything that's
16 said here, but at some point in time you have to
17 draw a line in just how far we go in speculating
18 about what bad could happen if we proceed with this
19 project. And, you know, I believe in it and I think
20 those people who testify will believe in it. And I
21 think if we give it the good thorough investigation
22 that you have been known to do, then all of us will
23 be able to be comfortable.

24 Now, there's one issue that you will get
25 to that I'd like to comment, and I'm going to

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2 restrain myself and try not to cover everything that
3 I know that you will cover in great detail with
4 people who are prepared to ask and answer all kinds
5 of questions, and that's this question of the
6 funding gap. You know, there was a time when people
7 said, "We can't get here; no matter what happens, we
8 will not be in a position before the end of the year
9 when we can have a stadium proposition in front of
10 City Council that works for the teams, that works
11 for the City and that can result in a great new
12 stadium complex in South Philadelphia." There's
13 probably a time when I was the only one in this City
14 who believed it could happen. And I firmly believe
15 that this can and will and should happen, but I
16 cannot tell you that we will know without a doubt
17 exactly how this funding gap will be met. I can
18 tell you and I will fully support an amendment to
19 make sure that it happens that the City will not
20 pay. And we are working diligently to fill that
21 gap, but I don't want anybody to believe that I
22 think it is going to be possible before we finish
23 these hearings to say "This is where every dime is
24 coming from, this is how it's going to all happen,"
25 because I don't think we're going to be here. I

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2 believe that we will be there in plenty of time to
3 make a billion-dollar deal happen for all of the
4 people of this City. And I guess what I'm asking
5 you to do is just to have some small confidence that
6 as between the teams and those of us who are working
7 with them, we can make this happen and it doesn't
8 have to in any way require any further commitment
9 from the City and will not in any way enhance our
10 risk.

11 Now, as is always the case, this deal is
12 going to have its nay-sayers. There are going to be
13 people who will come in here and they're going to
14 say all kinds of things.

15 You know, as part of my preparation for
16 all of this, I reflected on some of the other great
17 projects that we have done in this City and I
18 thought a lot about, you know, the consideration
19 that we went through when we did the First Union
20 Center. And there were people who said, "We should
21 never be doing this. Why should the City be in it?
22 Why should we be putting up money? Why should we
23 give them a loan? Why should we be pledging parking
24 revenue?"

25 You know, there were some of us who

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2 believe that this was an idea whose time has come
3 and that this would be a great thing for this City.
4 I don't know that there was anyone who at that time
5 had the courage to stand up and say, "Well, if we
6 build the First Union Center, we might be able to
7 get the Republican National Convention here; we
8 might be able to attract groups and conventions and
9 things to the City that we otherwise will never have
10 even a slightest chance of getting."

11 And I remember the debate we went
12 through when we talked about doing a convention
13 center. There were people who said, "We should
14 never do it. What are we doing? Why are we doing
15 this thing?"

16 Well, we're doing it because we have a
17 City that has to have an economy engine. We have to
18 be able to create jobs. We have to be able to
19 provide opportunities for people.

20 And by the way, there are a thousand
21 people who currently work at the Veterans Stadium
22 right now who, if we don't do something, and I say
23 if we don't do something today, they're jobs are
24 going to go away. They're jobs are going away
25 because that facility is not going to be able to

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2 exist in its current condition. We are not going to
3 be able to put enough money in it to make anybody
4 want to stay there any longer than is just
5 absolutely necessary under the law.

6 But I remember and I -- actually, a
7 former colleague of ours, I read his comments with
8 great interest, and it is always difficult for us to
9 take the leap when it comes to doing these kinds of
10 developments.

11 You know, we're going to talk a lot more
12 about it very shortly, but I wanted to call to your
13 attention some of the yet-to-be-released economic
14 impact information from the Republican National
15 Convention. There was an overall economic impact of
16 \$350 million or the creation of almost 5,000
17 full-time jobs as a result of that convention coming
18 here. There were more than 111,000 room nights were
19 sold generating a total room revenue of almost \$25
20 million. The hotel tax was increased by \$1.8
21 million between July and August as compared -- over
22 and above as compared to the same period in 1999, a
23 growth of almost 30 percent. The sales tax revenue
24 in the City of Philadelphia increased by \$2.7
25 million for July and August, a 16.6 percent increase

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2 over the prior period. There were 19,000 news
3 articles that were written about that convention or
4 128 billion impressions of what was happening in
5 this City, and the overwhelming majority of it was
6 all positive. An evaluation on all of this was done
7 and it would have estimated that it would cost us
8 about 75 to 100 million dollars to buy that kind of
9 publicity. And it was good for this City.

10 You know, this is a good plan for this
11 City. I think to be able to say that we're going to
12 create the jobs that will be created. We're going
13 to have a \$60 million Children's Fund. We're going
14 to be able to boost out economy. We're going to be
15 able to create economic opportunity for minorities
16 for women businesses and jobs for people in the
17 neighborhoods. I think that's a wonderful
18 opportunity.

19 This proposal is good for our teams.
20 Our teams will be able to be for the first time in
21 years in decent facilities. I mean, if you take a
22 tour -- and I don't know how familiar you are with
23 it. Some of those facilities in that place are
24 absolutely outrageous and risky.

25 This proposal is good for the neighbors.

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2 As a part and parcel of going down there this
3 morning, I stopped and took another little piece of
4 a tour of the residences just around the facility,
5 and I had an opportunity to see just what those
6 neighbors are going through. Under this proposal,
7 the nearest residence to the Phillies facility will
8 be over 400 yards away. I told one of the
9 residents, I said, "You know, you're going to have
10 to figure out what you're going to do without this.
11 You aren't going to hardly be able to hear that
12 noise that's coming from either one of those
13 stadiums."

14 I just think that this is going to be
15 great for the South Philadelphia community that has
16 had to endure some really, really horrible
17 conditions down there. And the Council President
18 and I have been meeting with them on a regular
19 basis. As a matter, we were meeting with them last
20 night, Council President, until what time?

21 COUNCIL PRESIDENT VERA: Midnight.

22 MAYOR STREET: Until midnight. And they
23 are getting very comfortable with the plan and I
24 think they're going to be in full support of it. So
25 I think that this is great for the City of

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2 Philadelphia.

3 The other thing that is troubling me
4 just a little bit is there are people who really
5 want to say, Well -- and I was at a parade
6 yesterday. They said, "Well, why aren't we putting
7 this money in education?"

8 Folks, we would love to be able to have
9 this money to put in education, but if we don't do
10 what we have to do to create this district, this
11 money is going to go away. It's not like we are
12 sitting here with a pile of money and we have a
13 choice, are we going to put it into stadiums or are
14 we going to put it into education. That's not the
15 issue. The Phillies, the contribution from the
16 state, the contribution from the Phillies, the tax
17 revenue that we will capitalize to put in here, that
18 money won't exist; it will not be available for
19 education, it won't be available for libraries. And
20 not only that, if we don't do something, there's
21 going to be less money available for education and
22 less money available for libraries and less money
23 available to fund all basic City services that we
24 hold so important.

25 So this is a defining moment for us

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2 because more than just people in this City are
3 watching what we do, more than just people in this
4 region. The country is watching, what is
5 Philadelphia going to do. And I believe that -- I
6 believe it is possible for us to set a standard
7 here. It is possible for us to say to the world
8 "We're not finished yet. Yes, we had a Republican
9 National Convention; and yes, we have great
10 facilities here in this City, but we are going to do
11 more and we are going to do better for people in
12 this City and this region."

13 So I ask that as you grapple with some
14 of the risk involved in all of this that we not get
15 caught up in the Dooms Day propositions and that we
16 look at what a great opportunity this can be for
17 this City.

18 You know, one of the folks at one of the
19 press conferences talked about the possibility of
20 getting the Good Will Games and getting the Olympics
21 and getting some things here that could really
22 distinguish this City in a very positive way.

23 Folks, I think that this is a great
24 opportunity for us. I know that you care about the
25 City and you care about our prospects and our

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2 opportunities. And I would respectfully ask that
3 you favorably report and vote each of the bills that
4 are in front of us because I think this is really a
5 great opportunity for the City of Philadelphia.

6 Thank you.

7 (Applause.)

8 COUNCIL PRESIDENT VERNA: Thank you very
9 much, Mr. Mayor.

10 MAYOR STREET: May I be excused?

11 COUNCIL PRESIDENT VERNA: I believe you
12 may. Thank you so much for coming up.

13 MAYOR STREET: Thank you so much.

14 (Applause.)

15 COUNCIL PRESIDENT VERNA: Our next
16 witness will be Bill Hankowsky.

17 (Witness comes forward.)

18 COUNCIL PRESIDENT VERNA: Bill, before
19 you start your testimony, I would just like to say
20 what we will be doing. You will testify. After
21 your testimony, we will hear from Dr. Mark
22 Rosentraub who is the professor and associate dean
23 of the School of Public and Environmental Affairs in
24 Indiana at Indiana University. Dr. Rosentraub will
25 have to take the plane. So what we will do is hear

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2 your testimony, then ask Dr. Rosentraub to testify
3 and then we will get back to the Administration's
4 testimony.

5 MR. HANKOWSKY: So you want me to go
6 through my whole testimony and then we'll do
7 questions after.

8 COUNCIL PRESIDENT VERNA: Yes, please.

9 MR. HANKOWSKY: Good morning, Council
10 President and members of City Council. I'm William
11 Hankowsky, President of the Philadelphia Industrial
12 Development Corporation, and I'm here today to
13 testify in support of Bills No. 000721, 000722,
14 000723, 000724, 000725, 000229, 000230, 000231,
15 000231, 000232, and 000233 which allow for the
16 construction of two new world-class sports
17 facilities in the City of Philadelphia. These bills
18 are the result of an intense effort by the City of
19 Philadelphia and the Philadelphia Phillies and the
20 Philadelphia Eagles to locate these new stadiums on
21 sites that are neighborhood-sensitive and to craft a
22 financial transaction that is sound and feasible.

23 What I'd like to do this mornings is go
24 through quickly the attached 18-page transaction
25 summary and financial analysis to provide you with

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2 an overview of the overall project and the financial
3 consequences of proceeding or not proceeding with
4 these new stadiums. My testimony includes this
5 attachment and we'll also be using the power point
6 presentation to put it up for Council as we as for
7 the audience.

8 Let me begin then with the first slide.

9 Let me first talk about the legislative package that
10 is before you, which includes the following
11 ordinances: There are five ordinances, 000729,
12 000730, 000731, 000732 and 000733, which authorize
13 the City to acquire the Jetro, Triple 7, Maggio
14 Cheese, T-Warehouse and Acme Warehouse parcels in
15 the South Philadelphia area.

16 There are three ordinances that deal
17 with the rezoning of the Naval Hospital and the
18 newly acquired sports district which are the subject
19 of a separate hearing of Council later, so I will
20 not be talking about those further this morning.

21 There are two ordinances that authorize
22 the City to ground lease the Eagles and Phillies
23 parcels to PAID and further authorizing PAID to
24 construct the stadiums and lease them to and lease
25 them back from City. These ordinances create the

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2 financial structure that allows for the financing of
3 the transaction, and these ordinances are subject to
4 the attached term sheets that go with them which
5 constrain what PAID can do in the leases between it
6 and the teams. And those ordinances are 000721 and
7 000722.

8 COUNCILMAN COHEN: Do you have written
9 testimony?

10 COUNCIL PRESIDENT VERNA: It has been
11 distributed, Councilman. And if you look at the
12 screen I think you can follow what he's saying.
13 This is the legislative package and Mr. Hankowsky
14 was explaining that.

15 COUNCILMAN COHEN: I don't see the
16 statement.

17 COUNCIL PRESIDENT VERNA: The statements
18 were circulated.

19 COUNCILMAN COHEN: Thank you.

20 COUNCIL PRESIDENT VERNA: Please
21 proceed.

22 MR. HANKOWSKY: Thank you. There's on
23 ordinance that authorizes PAID to apply to the
24 State, the Commonwealth for 170 million in funding
25 under their Capital Redevelopment Assistance

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2 Program. That's 000725.

3 And there are two ordinances required to
4 authorize funding by the City for the land
5 acquisition and they deal with amending the Capital
6 Budget; they're 000723 and 000724. We will be
7 submitting friendly amendments to those ordinances
8 to lower the dollar amount simply to the amount
9 necessary for the land acquisition.

10 Then we execute the transaction. The
11 City will buy five properties, the ones I listed
12 earlier. We will then relocated Jetro to Acme, and
13 the estimated cost of the acquisitions and the
14 relocation is \$95 million. This would expand the
15 existing 125 acre sports district by 74 percent to
16 293 acres and increase the available parking to --
17 and I'd like to slightly amend this due to last
18 evening's discussion, somewhere between 20,000 and
19 22,000 parking spaces. I think now is a correct
20 number, which is roughly a 40 percent increase.

21 The City will then ground lease the
22 properties to PAID. PAID will own the new stadiums
23 and lease them to and lease them back from the City.
24 And the City's rent would become the obligation to
25 make payments worth approximately \$394 million on a

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2 net present value basis,
3 \$304 million for bond proceeds and a net present
4 value of \$90 million for payments for a portion of
5 the Eagles operation and maintenance cost to their
6 facility.

7 We would then have the teams begin to
8 execute their responsibilities. The Phillies will
9 perform site preparation and construct parking on
10 the north or what some of us call the Vet lot, the
11 Jetro area, the Triple-7 and Maggio properties
12 utilizing 85 and a half million dollars of the bond
13 proceeds and 26 and a half million of the other
14 funding that we're currently working on that the
15 Mayor discussed earlier.

16 I want to point out here that we have
17 made it the responsibilities of the teams to do this
18 site work. They will get the sites as-is. They
19 will do the environmental remediation, the
20 demolition, the site work, and they will be
21 responsible for any cost overruns related to that.

22 The Phillies will then construct a new
23 baseball stadium using \$89 million of City funds, 85
24 million of Commonwealth funds, and 172 million of
25 their own funds for a total stadium cost of \$346

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2 million.

3 The Eagles will perform similar work.
4 They'll do the site preparation and construct
5 parking on the T-Warehouse and Acme parcels,
6 utilizing 11.2 million of bond proceeds and 18 and a
7 half million of other funding for a total cost of
8 29.7 million. The Eagles will construct their
9 football stadium using the state funds of 85 million
10 and 310 million of their own funds.

11 PAID will provide \$10 million of the
12 bond proceeds to the Eagles for a one-time
13 contribution to a capital maintenance reserve for
14 the capital upkeep of the new the stadium. We will
15 then have no additional responsibilities to either
16 teams for capital expenditures for those stadiums.
17 Those are the responsibilities of the teams.

18 PAID will demolish the Navy Hospital and
19 construct -- and I think probably I should insert a
20 word here -- interim parking utilizing 3.2 million
21 of bond proceeds and 8 million of other funds for a
22 total of 11.2 million.

23 We'll retain 10 million of our bond
24 proceeds to cover and contingencies, which might
25 include, for example, a Board of View award on our

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2 acquisition or should the site cost of the Navy
3 Hospital work be greater than our current estimates.

4 Both teams are responsible for the cost
5 overruns on the stadium costs and on the site costs.
6 I can't emphasize enough that the City is making
7 firm, finite -- I think it's very consistent,
8 Council President, with your opening comments that
9 we are going to limit and cap what we're doing in
10 this transaction.

11 Both teams will then have full
12 operational rights and responsibilities with respect
13 to the stadiums. There will be 10 City and 10
14 Commonwealth-use days for each stadium. We would
15 contribute 90 million towards the Eagles operation
16 and maintenance costs in lieu of investing directly
17 in their stadium. They will be responsible for all
18 additional costs O&M costs, and the Phillies would
19 be responsible for all operation and maintenance
20 costs.

21 Both teams have agreed to fund a
22 Children's Fund at a million dollars a team per year
23 over the 30-year term of the lease or \$60 million in
24 total.

25 Both teams have agreed to a special

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2 service district to be formed in the South
3 Philadelphia area with each team contributing
4 \$375,000 a year or a total of 22 and a half million
5 over the 30 years.

6 We have clause that provides if in the
7 next five years if there's a sale of the franchise
8 that after certain deductions for outstanding debt
9 losses, et cetera, that should there be profit that
10 the City could participate in that and that that
11 would also go to the Children's Fund.

12 Both teams must submit MBE, WBE, DBE
13 plans. And I want to emphasize these need to be
14 meaningful and real, and I believe this is in the
15 category of one of the aspects of this transaction
16 that we realize we must have in front of Council as
17 a final document before you finally vote on this,
18 and we're working on that.

19 The City would then maintain the Vet for
20 the next three years at an estimated cost of 20
21 million. We talked about this for a couple hours
22 yesterday.

23 Both teams will be obligated to play in
24 Philadelphia for the next 30 years. It's actually
25 33 years because they'll play the 3 years remaining

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2 in the vet and then start a new 30-year obligation,
3 so well have these teams for 33 years.

4 Let me talk a little bit about the
5 financial analyst, which I gather will be the
6 subject of much of the discussion over the next
7 several days. What we have done is we engaged
8 Arthur Anderson to do an analysis of the benefits
9 that come from these new stadiums, and we've also
10 looked at the risks of having the teams play out
11 there lease terms at Veterans Stadium. We think
12 that the benefits from this transaction could be
13 summarized as follows:

14 One, obviously, we retain the teams for
15 the next 33 years.

16 Number 2 is we obtain state-of-the-art
17 facilities which allow us, for example, to retain
18 the Army-Navy game, which we will lose without a new
19 facility, and attract new events at our four
20 facility sports complex which is unmatched in the
21 United States. This is basically the point the
22 Mayor made a few minutes ago. We don't know today
23 what opportunities lie before Philadelphia that we
24 could attract if we have facilities, if we invest in
25 our hospitality infrastructure. We don't know if

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2 there's a World Cup Game, a Pan-Am game or some type
3 of NCAA championship. What we do know is that if we
4 don't have world-class facilities we will not
5 compete into 21st century in this business.

6 We also leverage our investment to
7 obtain significant team contributions to new stadium
8 development, 172 million from the Phillies for the
9 cost of their stadium, 302 million from the Eagles
10 for the cost of their stadium, plus all of the
11 capital and O&M costs that the teams make on top of
12 our contributions.

13 We end forever our operational and
14 capital obligations at Veterans Stadium in 2004.
15 You will no longer see in the Recreation Department
16 the expenditure of General Fund dollars to maintain
17 the Vet. You'll no longer see in the City Capital
18 Budget the use of scares Capital Budget resources to
19 repair the Vet.

20 We create our Children's Fund of \$60
21 million.

22 We create our Sports Stadium Special
23 District.

24 We expand the complex. We create more
25 parking. Again, that should probably read 20,000 to

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2 22,000 spaces.

3 We capital our exposure, again, with the
4 sole caveat of the potential Board of View awards on
5 the land acquisition.

6 We obtain, if you go forward with new
7 stadiums, \$159 million of revenue for use in the
8 General Fund over the next 33 years.

9 We obtain for the School District a net
10 new amount of \$70 million over the next 33 years of
11 funds for the District.

12 And the teams end up with the stadiums.
13 The new revenues remain competitive and remain here.

14 There are risks which will happen if we
15 don't proceed. And in a few minutes, I'm going to
16 walk you through sort of the way we've looked at the
17 down side of not proceeding. Let me talk about some
18 of the very substantial risks that we face.

19 One is we currently are talking about
20 the need to spend some like \$80 million to keep the
21 Vet up over the next 10 years if we simply play out
22 the remaining 10-year lease term. But suppose that
23 number were different. Suppose it was either a
24 determination by the City, a determination by an
25 engineer because they found something, a

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2 determination by a court that we should be spending
3 another 20 or \$40 million to keep the Vet up. The
4 impact of having to spend that kind of money on the
5 General Fund over the 10 years will be a net hit of
6 50 to \$100 million.

7 The Mayor mentioned the issue of whether
8 the vehicle rental tax would really be available to
9 us in the future if the legislature became so
10 annoyed that we were trying to use it not for new
11 stadiums but for repair that it was repealed. If it
12 were repealed, then the future world for the General
13 Fund would be down by \$237 million.

14 If the teams that remain at the Vet,
15 it's difficult to understand how the Phillies would
16 be able without additional revenue to deal with
17 player salaries. The team would become less
18 competitive. A less competitive team would draw
19 less people. If you assume simply a 20 percent
20 decline in attendance by the Phillies, the General
21 Fund would take a \$12 million hit.

22 We all know there's been much discussion
23 about the revenues we'll receive when the skybox
24 revenue flips to us. We have projected that
25 historically about \$4 million. The teams believe

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2 it's more like a million and a half. Maybe we're
3 right; maybe they're right. If they're right, it
4 would have an impact on the General Fund of \$26
5 million.

6 What I have attached now, which is
7 difficult to read on the power point because of the
8 detail on the table, is in the attachment to my
9 testimony are a series of tables that extract the
10 relevant information in our analysis that I'd just
11 briefly like to comment on versus putting it all in
12 my new detail walking through it.

13 The first table, Table 1 simply restates
14 where we stand in terms of where we're getting the
15 money and how we're using the money in the
16 transaction, between us, the teams, and the
17 Commonwealth for the stadiums, for the site costs,
18 et cetera.

19 As the Mayor indicated, we need to
20 attain an additional \$53 million to fund all of the
21 activity that's involved here. We are working
22 aggressively to do that. And what is absolutely
23 clear and is categorical is that we're not going to
24 increase our column, called the City column here, to
25 make up for any shortfall in that number.

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2 The next table, which is Table 2, takes
3 a look at what happens to the City over the next 33
4 years if we build new stadiums. What we have done
5 is looked at the projected new tax revenues of a
6 football, projected new tax revenues of a baseball
7 stadium, the use of the vehicle rental car tax. We
8 have subtracted out the loss of tax revenue from the
9 buildings that we're acquiring. We take those
10 revenues, we pay for our obligations and 304 million
11 in debt and the operation of maintenance payments to
12 the Eagles and we then look at what happens to the
13 General Fund, which is cumulatively every year
14 positive and one year on an annual basis negative,
15 but every other year is positive. And say that we
16 can obtain somewhere in the neighborhood of \$159
17 million.

18 I really want to stress what this number
19 is and what it is not. We have not counted in this
20 number, we have not counted in this number, any
21 out-of-stadium benefits. To a degree a visiting
22 team stays at a hotel and eats a meal in
23 Philadelphia, to a degree of fan comes and stays at
24 a hotel room to go to a game, those are called
25 out-of-stadium benefits. Those are on top of this

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2 benefit. We've not included any multipliers,
3 meaning that you spend money and create jobs and
4 spend up more money in the economy. We have, in
5 fact, also downsized some of the assumptions that
6 the teams have given us about what's going to happen
7 in the building. So, for example, the Phillies
8 belief that their attendance will be around 3.3, 3.2
9 million; we go down to about 2.8 million. We
10 actually start them at 2.9 million at attendance and
11 take them down to 2.5 million. So we've attempted
12 to be realistic in what might happen. The result of
13 which is there is an upside potential to the 159
14 million that is not showing here.

15 There clearly is a downside potential
16 because everything might not happen exactly as you
17 plan it, as the Mayor indicated. But in the new
18 world scenario, you have an opportunity you do have
19 also the possibility of a downside exposure.

20 The next table, which is Table 3, looks
21 at what happens to the School District. The
22 District is a significant beneficiary of the
23 transaction because today whereas they get a single
24 revenue source out of stadiums, which is the
25 liquor-by-the-drink tax, in the future, they would

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2 receive more of that. More of that is a function of
3 more fan attendance, more consumption, more pricing.
4 They will also receive new use and occupancy taxes.
5 The would also receive a portion of the payment in
6 lieu of taxes, so the result is about the sixth year
7 of the transaction, the District begins to receive
8 about two and a half million dollars a year in new
9 revenue they're not receiving today.

10 We then walk through a series of tables,
11 starting with Table 4 that simply gives you the
12 background behind the numbers I've just used. We
13 first look at what happens in a football stadium,
14 what the Eagles will generate, what other events at
15 the Eagles stadium will generate.

16 On Table 5 we even break down further
17 the taxes you'll get from the Eagles by source. And
18 here again I want to make a single point. You see a
19 lot of columns here. The reason you see a lot of
20 columns here is because stadiums, somewhat like
21 hotels, are significant tax generators for the City
22 of Philadelphia. And they're significant tax
23 generators because every activity that happens in
24 the stadium we tax. We tax the parking when you
25 bring your car. We tax the ticket when you come in,

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2 the admissions tax. We have a 1 percent sales tax
3 on what you consume. We have a liquor-by-the-drink
4 tax on what you drink. We tax the wages of the
5 workers, of the coaches, of management, of the
6 players, and even of the visiting players. The
7 result is, and you're going to hear later, I gather,
8 testimony about displacement effect economically, et
9 cetera. This argument is very simple. These are
10 the taxes the City of Philadelphia gets that come
11 here, come to our treasury. I know it's kind of
12 interesting to talk about what might happen if
13 somebody doesn't go to a game and instead goes to a
14 movie or goes out to dinner because it's interesting
15 to talk about it if it happens in Cherry Hill or
16 Valley Forge or Media. It doesn't get us any of
17 these taxes. And in fact, somewhere in the
18 neighborhood of 70 to 80 percent of these taxes are
19 created by non-Philadelphians that come to events.
20 Basically what we're doing is taxing outside
21 spending that occurs in the City of Philadelphia.

22 Table 6 shows the revenue streams from a
23 tax perspective for the other events at the football
24 stadium.

25 Table 7 looks at what happens with the

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2 Phillies in a baseball stadium in terms of tax
3 revenue.

4 Table 8 again shows that in detail by
5 tax stream for Phillies stadium.

6 Table 9 is the set of assumptions used
7 in the Arthur Anderson analysis that goes through
8 how we've arrived at these numbers.

9 Table 10 is a table I'd really like the
10 Council to focus on. Table 10 is what happens if we
11 don't build new stadiums. Table 10 says assume that
12 our teams play out the remaining 10 years at the Vet
13 and let's look what might happen in this world.

14 First, our assumption is that the Phillies will
15 continue to simply kind of be where they are, not do
16 any better, so that our tax revenues would basically
17 be flat. You can assume that the Eagles would move
18 their practice operation out of the City and take
19 away wage taxes we collect today, so we subtract
20 those out. We look at the revenues we get today
21 from the Vet. We assume that we get the skybox
22 revenue the way we think we will, not the way the
23 teams think we might. We look at the expenses we
24 spend today. Then we say to ourselves, well, as the
25 Mayor indicated basically the teams in the City have

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2 simply let the Vet go on the anticipation of new
3 stadiums. No one's going to be able to do that in
4 the future if they believe they're there for the
5 next 10 years and new stadiums are not a possibility.
6 We believe that there would be a significant
7 increase in the expenses to operate the Vet that
8 would be required either as a practical matter or
9 even conceivably being forced on us in order to be
10 landlords in good standing and not expose ourselves
11 to team being able to leave. Assume that that's
12 simply a 50 percent impact on current expenses. We
13 also know from the consultant report that look at
14 capital status of the stadium that we need to spend
15 at least another million six a year just to maintain
16 elevators and escalators, transformers, electrical
17 system, the HVAC systems in a way that would be
18 prudent just to protect the 80 million that you're
19 investing. This assumes that you keep the vehicle
20 rental tax and then you spent only 80 million to fix
21 the Vet and another 23 to buy back the practice
22 facility. This says your best case for the General
23 Fund over the next 10 years is \$78 million.

24 The next table with the assumptions
25 behind that, and let me take you to the last table,

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2 Table 12. This table looks at what happens to that
3 assumption of \$78 million if anyone of the following
4 contingencies might occur. Suppose it cost more to
5 maintain the Vet another 20 million in capital.
6 We'll lose \$50 million of that benefit. If the
7 numbers actually 40 million more in capital, you
8 lose the entire benefit and in fact the General Fund
9 goes \$23 million negative. If Phillies attendance
10 declines, you lose ear \$12 million to the General
11 Fund. If the skybox situation goes against us, we'd
12 lose 26 million. And if you lost the vehicle rental
13 tax, you'd lose 237 million. If all of this
14 happened over the next 10 years, the General Fund
15 would have a \$300 million negative impact over where
16 we are today.

17 I'm not here to tell you all of this
18 going to happen. I would hope none of it would
19 happen. All I'm saying is that the future world
20 without new stadiums is a world with no upside
21 potential, none. And the only possibility you have
22 in a future world without new stadiums is a downside
23 potential at the Vet. It could be as catastrophic
24 as a \$300 million impact on the General Fund.

25 Our position is very simple. The City

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2 faces a choice between the future with new stadiums
3 earning the possibilities of significant upside
4 potential or a future without them and significant
5 downside exposure.

6 Let me close my comments with a few
7 final remarks. First, I want to join the Mayor in
8 thanking you, the Council President and all members
9 of City Council for your patience and indulgence in
10 dealing with this large transaction on such an
11 expedited basis.

12 Second, I want to emphasize what I
13 consider to be the key provisions of the
14 transactions that are before you. The City is
15 absolutely capping its financial contribution at 304
16 million in bonded investment and a fixed Eagles O&M
17 schedule with only one exception, Board of View
18 awards on property acquisitions. The City is
19 transferring the risk on this transaction to the
20 teams. The risk of cost overruns on site
21 development and stadium construction, the risks of
22 operation in capital upkeep of the new stadiums.

23 We've created a Children's Fund and a
24 special service district funded by the teams. We've
25 obtain significant team contributions, the highest

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2 in the NFL and one of the highest in major league
3 baseball. We'll have new state-of-the-art
4 facilities to compete nationally and internationally
5 for the events. We'll retain our two teams for the
6 next 33 years and we obtain new funds for the
7 General Fund and the School District with
8 significant upside potential.

9 In closing, the option to building new
10 stadiums is the preferred choice for the City versus
11 the downside risk of having our teams remain in the
12 Vet for the next 10 years. And we request your
13 favorable consideration, and I'll come back later to
14 answer question.

15 COUNCIL PRESIDENT VERNA: Thank you very
16 much.

17 (Applause.)

18 COUNCIL PRESIDENT VERNA: Councilman
19 Clarke, I notice that your light is on. We're going
20 to refrain from asking questions of the
21 Administration at this time because Dr. Rosentraub
22 must go back to Indiana.

23 COUNCILMAN CLARKE: Will I be first?

24 COUNCIL PRESIDENT VERNA: You're light's
25 on, keep it on so you will be considered first.

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2 COUNCILMAN CLARKE: Thank you.

3 COUNCIL PRESIDENT Verna: Our next
4 witness is Dr. Rosentraub.

5 (Witness comes forward.)

6 MR. ROSENTRAUB: Thank you very much.
7 My name is Mark Rosentraub. I'm a professor and
8 associate dean at the School of Public and
9 Environmental Affairs in Indiana University. I have
10 been involved in the study of Cities and
11 professional sports now for more than 25 years.
12 I've been a consultant to several cities, including
13 Los Angeles in their effort to retain the Los
14 Angeles Lakers and the Los Angeles Kings. I've
15 worked for the City Indianapolis. I've worked for
16 Buffalo's County that was involved with the Buffalo
17 Bills and several others. So I thank you for the
18 opportunity to review the proposals in my role as a
19 consultant to the Council. And I want to state two
20 points to start with and to develop these points for
21 you.

22 First of all, there's absolutely no
23 disagreement about the need for new stadiums. The
24 Mayor and the previous speaker both identified why
25 the City of Philadelphia needs to do it and that the

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2 teams do actually need the potential to earn
3 additional revenue to, in fact, remain competitive
4 and to bring pennants and championships to
5 Philadelphia. The question before the Council is
6 not whether to build or not to build. The question
7 is whether or not the existing partnership as
8 proposed treats the taxpayers as fairly as it does
9 the teams owner. And as I'll try to take you
10 through in some detail, I have a report here that I
11 have prepared and I would ask that it be circulated
12 for members of the Council who have not received it,
13 which does, in fact, document exactly my points
14 about why the stadiums do need to be built because
15 of the changing economics of professional sports,
16 but it also carefully tries to take the Council
17 through the finances of both Major League Baseball
18 and the NFL, the financial positions of both the
19 Eagles and the Phillies to indicate that the
20 partnership that is before you today would actually
21 make Philadelphia to provide three times the public
22 support that has been provided to other teams by
23 other cities who have built successful partnership
24 with their team.

25 Now, there's been a lot of discussion

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1
2 about averages; is this a better deal than the
3 average. And the problem, Madam President and
4 members of the Council, is that when you think about
5 the term average, what do you consider average? For
6 example, there have been 31 facilities built across
7 the last few years, from cities ranging in size from
8 Green Bay, Wisconsin, which you probably know just
9 recently approved a tax increase to redo Lambo
10 Field, to cities like Nashville and now, of course,
11 we have Los Angeles and Philadelphia.

12 What I'll submit today and what is part
13 of my proposal is that the Philadelphia market is so
14 large that relative to when we use the term average,
15 you should compare yourselves only to the deals done
16 in Boston, Chicago, and San Francisco. It makes no
17 for you to compare yourself to Nashville or to Green
18 Bay or to Milwaukee. In fact, if we added Green Bay
19 and Milwaukee population and wealth together, they
20 would be the size of one-half of the market in the
21 Philadelphia region. So consequently, one might
22 expect what Philadelphia needs to do and what Green
23 Bay and Milwaukee needs to do is radically
24 different. And that's the point that I really want
25 to focus people attention on.

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2 Again, it is not a question about
3 whether or not you need to build new facilities; you
4 do. It is not a question about whether or not a
5 partnership should be formed; it should. It is
6 question of how much tax money do you think is
7 necessary to take from taxpayers of Philadelphia to
8 increase the rates of return to the owners of the
9 Phillies and the Eagles. Now, with those as my
10 opening remarks, let me take you through a couple of
11 points.

12 The key issues when you look at what a
13 community needs to do for its professional sports
14 teams has to focus on the potential for profit that
15 exist for those two teams. What you have in the
16 Philadelphia market is right now 7.3 million
17 residents and 370 firms that employ more than 500
18 employees. Large firms are obviously quite critical
19 for the fiscal success of professional sports teams
20 because they are the primary consumers of luxury
21 seating. And the need to build new facilities is,
22 in fact, to satisfy that demand for luxury seating.
23 Of all the markets that have built new facilities,
24 Philadelphia will rank third to fourth in terms of
25 both its size and the number of wealthy firms.

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2 What this means, for example, when we
3 talk about building a facility in Green Bay or in
4 Milwaukee for the Bruins, there you might have about
5 50 to 75 that are as large as the 370 firms that are
6 located in Philadelphia. As a result of selling
7 luxury suites, the demand is both higher in
8 Philadelphia and the price one could charge is also
9 higher.

10 One also has to look at the amount of
11 money the owners have paid for their franchises
12 because this is another important variable in terms
13 of figuring out what is an appropriate element of
14 return. One.

15 Of the issues that I focussed on in my
16 report for you to consider is that the Philadelphia
17 Eagles --

18 COUNCIL PRESIDENT VERA: Doctor, excuse
19 me. I'm just being told that you're too close to
20 the mike and it's not being carried properly. Thank
21 you.

22 MR. ROSENTRUB: In my report I had
23 asked the Council to take a look at the different
24 purchase prices that owners have paid for their
25 various franchises and to realize, for example, to

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2 compare the City of Houston and Harris County did
3 for the new Houston, Texas, franchise would have to
4 be radically different from what Philadelphia needs
5 to do because Mr. McNair in Houston paid \$700
6 million for his franchise. Obviously, then, he
7 needs a rate of return on that investment that would
8 be drastically different from the ownership of the
9 Philadelphia Eagles which paid \$185 million for
10 their franchise. If we assume just for the sake of
11 argument that both owners should make 10 percent
12 returns on their investment, Mr. McNair would need
13 to earn 70 million, while the ownership of the
14 Eagles would need to earn 18.5. If you, in fact,
15 develop a partnership which matched the one in
16 Houston, you could potentially create an environment
17 in which the Eagles would earn \$70 million in profit
18 or effectively create for themselves a 45 percent
19 rate of return on their investment. I'm not
20 suggesting that that's what this partnership does.
21 But I need for you to keep that in mind as we go
22 through these elements and we start talking what
23 becomes important.

24 Now, what I've broken out for you in the
25 report is what will happen to the finances of both

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2 the Eagles and the Phillies if new facilities are
3 built and they perform at the levels which the
4 previous speaker indicates we should consider they
5 would perform. If the Eagles do exactly as the City
6 and the Authority predict, currently that would
7 produce for the Philadelphia Eagles \$43.4 million
8 in excess revenue after they meet all of their
9 obligations to pay the players, pay management, and
10 deal with the construction and any cost overruns.
11 That is \$43.3 million per year. This would equate
12 to a 23.5 percent annual return on the capital at
13 risk for the Philadelphia Eagles.

14 If the Phillies do exactly as the City
15 has projected in terms of attendance, I calculate
16 that they will have a return over expenses of \$19.1
17 million. This will yield no less than a 20 percent
18 rate of return for the ownership of the Philadelphia
19 Phillies.

20 I want you, please, to keep these
21 figures in mind because they will become critical as
22 we go through a suggested alternative that I'd like
23 you to consider which I want to underscore for
24 everybody here only refers to how the new stadiums
25 would be financed, not whether or not the facility

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2 should be built.

3 There's also been discussion this
4 morning already about the issue of how much money
5 the owners will, in fact, pay the players. I want
6 to bring the Council's attention an article that
7 appeared in all of the papers in morning, that the
8 NFL is about to adopt new guidelines that if any
9 team pays more than the salary cap, they will be
10 fined by the league and will have to forfeit draft
11 choices. This is absolutely critical for the
12 Council to understand, because currently in the
13 Veterans Stadium, the Philadelphia Eagles pay their
14 players just \$4 million below the legislated cap.
15 In other words, if their revenues increased by \$43
16 million they can only spend \$4 million additional
17 for players. If they would spend one dollar over
18 that, they would be subject to the new penalties
19 that the NFL has decided to impose on all teams.
20 Some of you football fans may have recently followed
21 the San Francisco 49ers' situation, and for
22 violating the cap several years ago, they have not
23 only been fined a certain amount of money, but they
24 have now forfeited two draft choices in the third
25 round. They are now talking about if teams violate

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2 it after this year, it will be two draft choices in
3 the very first round. So please understand that in
4 terms of revenue you will create through your
5 partnership for the Philadelphia Eagles, they cannot
6 spend that money on the players. If they do, they
7 risk both financial penalties as well as the loss of
8 draft choices.

9 When we turn our attention to the
10 Philadelphia Phillies, and I would bring this up for
11 your consideration as part of the partnership, the
12 Philadelphia Phillies are the poorest performing
13 team in their industry, Major League Baseball, not
14 over the last few years, Madam President, but over
15 the last century. There is no guarantee that you
16 have in the current partnership that if these
17 revenues do materialize that they will in fact pay
18 it to the players. And as I've spoken with members
19 of the Council before, you need to be sure, based on
20 the performance of the team in its own industry over
21 the last 100 years, that you get a kind of
22 commitment from this team and its ownership in
23 writing about the revenue that it will invest to
24 bring you a competitive team. As the previous
25 speaking already indicated to you, if the Phillies

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2 fail to compete, they will not bring you the
3 attendance that is driving much of the economic
4 model they're talking about. And again, this is a
5 team with a 100-year track record of failing to
6 perform in its industry. That's a very different
7 situation than the Philadelphia Eagles, of course,
8 who have not only brought championships to
9 Philadelphia, but continue because of the NFL's
10 requirements to spend an extraordinary amount of
11 money for the playing talent.

12 Let me focus with you for a minute now
13 on what I consider average deals and public sector
14 participation because there's been a little bit, I'm
15 afraid, Madam President, of misinformation that's
16 been brought to the Council in documents that I have
17 reviewed.

18 The three deals that are most comparable
19 in terms market size for you to compare yourselves
20 to would be the deal that the State of Massachusetts
21 together with Foxboro and the support of the Boston
22 City Council put together to retain the New England
23 Patriots. Football fans will remember that the
24 Patriots were thinking of moving to Connecticut
25 before they partnership was put together. The

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2 second deal is the deal that the State of Maryland
3 put together in Southern Maryland to permit the
4 Washington Redskins to build their new facility
5 which is now the FedEx Complex. The third deal, of
6 course, is the most recent one completed by the San
7 Francisco Giants in partnership with the City and
8 County of San Francisco.

9 I want to under score for the Council
10 that in none of these deals was more than \$71
11 million of public money involved in the entire
12 construction of the stadium, the building of the
13 infrastructure, the acquiring of land, the clearing
14 of the land, the site preparation of the land.
15 Total public investment was \$71 million in these
16 three deals.

17 The partnership that is proposed here
18 for both teams would be at least three times that
19 great. And what you should know is that
20 Massachusetts, Foxboro, and Boston were able to
21 secure a profitable deal accepted by Mr. Craft and
22 the NFL to retain the Patriots on an amount of money
23 that is less than what the State of Pennsylvania has
24 already committed. You should also know that the
25 San Francisco Giants this year appeared in the

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2 championship playoffs, having one their division,
3 having built a stadium where they not only assumed
4 100 percent of the responsibility for the capital
5 construction, they assumed 100 percent of the
6 responsibility for the operations and maintenance
7 and had a player payroll, Madam President, that
8 exceeded the Philadelphia Phillies. These factors
9 are important to remember because you're asking
10 taxpayers here to pay three times as much as the
11 taxpayers have paid in other markets.

12 I also detailed for the Council the deal
13 that the Chicago White Sox retained in securing
14 their new facility, Kominsky Park 2. If we index
15 that deal to the current construction prices, the
16 State of Illinois would have committed but 200
17 million towards the deal of the Chicago White Sox
18 that is one-third less than the total public
19 investment that is anticipated here.

20 As you'll see in my recommendation to
21 the Council, I would urge you to follow the model
22 that the City of Chicago and State of Illinois did
23 follow with regard to the Chicago White Sox.

24 I am also aware that there is a new
25 proposal circulating by the City Chicago involving

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1
2 the Chicago Bears. This may involve utilization of
3 state money to build an entire new facility for the
4 Chicago Bears. This would be a remodeling of their
5 existing Soldiers Field. One version of the
6 proposal has it that the City Chicago would not put
7 any of their tax money into that it, that it will
8 all come from the state share of the hotel tax. But
9 we will have to wait and see, in fact, what that
10 deal looks like as it is only now being submitted to
11 the legislature in Illinois.

12 The Mayor also made an important point
13 that I would ask you to keep in mind. The Mayor ask
14 for you to think about the impact of what you do and
15 what message you generate for other cities. If in
16 fact a large metropolitan market like Philadelphia,
17 in fact, provides the level of tax support for this
18 partnership has indicated, you will actually set
19 back the fiscal health of all other cities in the
20 United States, because this will become the new
21 standard. You will have, in fact, undone the work
22 that Boston, Massachusetts, and Foxboro did. You
23 will undo the work that San Francisco City and San
24 Francisco County did to protect their taxpayers, and
25 I do well fear you may have undone some of the

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2 efforts and success that Chicago has achieved in
3 building affective partnerships for professional
4 sports.

5 Let me now talk a little bit about the
6 return to the City of Philadelphia, and there's been
7 great deal of discussion about that. There's been
8 discussion, for example, about a Children's Fund
9 that the teams will commit over time to a total
10 absolute number of about \$60 million. I want the
11 Council to keep in mind that the return to the teams
12 will be exactly 20 times this commitment. While I
13 certainly applaud the need for this kind of
14 investment by the teams in their communities,
15 allowing them such a small investment in exchange
16 for a return that is 20 times that magnitude seems
17 to me to be a little bit unbalanced.

18 I want to also bring to Council's
19 attention to a point that was made by our last
20 speaker about sharing in the wealth from imputed or
21 increased value of the team if the teams are sold.
22 And I want to bring out three points from the
23 current proposal for you to consider:

24 One is the owners do not have to sell
25 all of the team to get some benefit. In fact, your

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2 share only takes effect if they sell controlling
3 interest. So they would be able to sell minority
4 shares and recoup a certain amount of return without
5 invoking any of the penalties described in the
6 clauses.

7 Second of all, you should be reminded
8 that this provision only exists five years after the
9 proposals are signed or approximately three years of
10 playing time in the new facilities. All the owners
11 have to do is to avoid any penalties whatsoever is
12 to complete the period of service, whether it's
13 interpreted as three or five years, and then sell
14 the team.

15 Lastly, I will also tell you that in
16 terms of definition of profit, the definition of
17 profit is worded in such a way that the return that
18 the City of Philadelphia could share in will be
19 drastically different. The accountants will frame
20 it such a way, I would predict, that the teams will
21 be shown to be less than as profitable as they
22 usually are.

23 There are a series of tax revenue gains
24 that have been discussed. I want to comment very
25 briefly on them for you to put them in perspective.

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2 While I do believe some of those returns will occur,
3 they will not occur at the robust levels predicted.

4 One, the Army-Navy game is only committed, as I
5 understand it from documents to the Philadelphia
6 area for three of every four years. If they would
7 decide to stay, I think they would, one needs to
8 adjust that.

9 Second of all, there's a projection of
10 attendance levels at soccer that we have not yet
11 seen from Major League Soccer in any market across
12 the United States. As a lover of soccer as well as
13 basketball, I certainly hope those attendance levels
14 happen. But I have to report to you as your
15 consultant they have not happened anywhere in the
16 United States, outside of selected games in selected
17 areas during selective seasons, not for annual
18 averages.

19 Attendance levels that are projected for
20 the Phillies are wholly dependent their ability to
21 field competitive teams. In the past, playing at
22 Veterans Stadium when the team was competitive, they
23 drew an excess three million people. However, the
24 ownership has been extraordinarily reluctant to
25 invest in the team, it is not fielding competitive

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2 teams of late. If, in fact, they do not do that and
3 you have no commitments that they will, you may not
4 see those attendance levels.

5 As the last speaker mentioned, there's
6 an overestimation in my point on the substitution
7 effects. I don't want to quibble about that because
8 that's not issue you should really bog yourself down
9 with. The key issue is what is the appropriate
10 amount of money the teams ought to invest in these
11 facilities given the rates of return they will earn.

12 In terms of the financial report also
13 that were introduced this morning by the Anderson
14 Consulting Firm, please remember to read the letter
15 itself Anderson transmitted with that document in
16 which they did not endorse or review in any manner,
17 shape, or form any of the assumptions and
18 methodology. They were essentially given a set of
19 numbers, discussed it with the teams, and ran those
20 numbers out for you. They are not evaluating
21 whether or not those numbers are valid and whether
22 or not those conditions or the assumptions
23 underpinning those numbers, in fact, have any
24 validity.

25 Now, let me get to what I would ask for

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2 you to consider as a way to make this deal or this
3 set of partnerships similar to those that Boston,
4 Chicago, and San Francisco have been able to
5 negotiate for their taxpayers. I would ask that you
6 remove the support that the City is committed to for
7 operations and management for the Philadelphia
8 Eagles facilities. This will save taxpayers 90
9 million.

10 I would ask that you remove the
11 construction support, the additional construction
12 for Philadelphia Phillies Stadium. That would save
13 taxpayers 89.5. Essentially, what I am proposing to
14 you today as a consultant to you is that if in fact
15 you could reduce when we pass what has been
16 submitted to you, simply removing those two items
17 you will save taxpayers of Philadelphia
18 \$179,500,000. The partnership will still be twice
19 as large as any public partnership negotiated by
20 large market to date. So this will not put you
21 behind the support that San Francisco's provided.
22 It will not put you behind or even equal to the
23 support that Massachusetts has provided. It will
24 not put you equal to or behind the support that
25 Maryland has provided for the Washington Redskins.

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2 You will be providing twice as much support but
3 still saving taxpayers \$180 million.

4 What will it mean for the teams if this
5 was the proposal that you, in fact, agreed to today?
6 It would mean that the Eagles rate of return would
7 drop to 16.5 percent. I want to underscore that's a
8 return of 16.5 percent per year from what I project
9 would be 23 and a half percent if you go ahead with
10 the current proposal.

11 The Phillies return, in my view, may
12 well if they field a competitive team and if they
13 pay the players what they should pay as a large
14 market team, their rate of return would exceed 15
15 percent, and in my estimations would be as high as
16 18 percent.

17 Again, I just want to make sure the
18 Council is clear on what my recommendations are.
19 The need to build stadiums is there. Producing a
20 hundred \$180 million of taxpayers commitments will
21 simply reduce the teams' profit levels to very
22 handsome and robust levels of 16 and a half percent
23 and at least 18 percent.

24 There's been -- when these conversations
25 always take place in communities, there's always a

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2 fear tactic that's introduced about what happens if
3 the City would fail to act. I do not urge you not
4 to act. I urge you to act and I urge you simply to
5 follow the recommendations I make.

6 But let me point out a few things that
7 give you more time if you feel more time is, in
8 fact, needed. One is, the team have leases. They
9 are, in fact, contractually bound to play in
10 Philadelphia for several more years. While it may
11 be a need to repair the Vet and do things, there is
12 time, in fact. These are not teams that can leave
13 in the morning.

14 For the Philadelphia Phillies, please
15 understand there is no other market left in the
16 continental United States that they could play in
17 that would generate for them anyway near the profit
18 they could earn if they stayed in Veterans Stadium
19 and you did nothing. They can't move to Charlotte,
20 even if Charlotte were to build them a stadium and
21 hand them the keys. There simply is not enough
22 money in the Charlotte economy to give them the same
23 profit levels here. So there's no place else for
24 them to move.

25 The Eagles, in fact, could try to

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1
2 relocate, but if you carefully review the provisions
3 that the NFL has established itself governing the
4 issue of movements of teams, neither of the
5 conditions that would support such a move do exist.
6 And while the Al Davis precedent does give some fear
7 that they could still try to circumvent those,
8 courts have shown now greater interest in looking at
9 what the NFL does. And what I want to point out in
10 terms of what those two elements are, fan support
11 for the Philadelphia Eagles has robust for decades.
12 You currently have an average attendance in excess
13 of 65,000. That does not meet the NFL criteria of a
14 community failing to support its team. Second of
15 all, you do not meet the criteria of failing to
16 negotiate in good faith for a new stadium. There is
17 a proposal of partnership before you right now. I
18 am urging you, in fact, to consider an amendment to
19 that proposal, but that could not be considered
20 evidence of a failure to negotiate in good faith
21 because you as a Council could turn to any court,
22 could turn to the NFL, could turn to the ownership
23 of Philadelphia Eagles and say to them "We are
24 prepared to offer you more money than was offer to
25 the Washington Redskins or the New England Patriots

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2 to maintain a presence in the City of Philadelphia.
3 That is certainly negotiating in good faith.

4 It has also been discussed, well, what
5 happens if Philadelphia did nothing and the teams
6 went to the suburbs? Madam President, I point out
7 to you that in terms of the performance of teams,
8 the only team to build a new stadium in a suburban
9 location is the Texas Rangers. They are having the
10 greatest difficulty selling luxury seating. The
11 teams themselves have a vested interest of being
12 near the consumers of luxury seating. And
13 therefore, while it is conceivable that some suburb
14 could make an offer that would dwarf what the City
15 of Philadelphia might or could offer, the teams in
16 the long run, simply put, cannot earn the revenue
17 that they can earn in their locations by going to
18 suburban locations.

19 Lastly, I want to close by saying to you
20 a few things. Build the facilities. They're
21 needed. It's overdue. And much of the dreams and
22 the hopes of the future of what you achieve in fact
23 you may well achieve if these facilities exist.

24 Form partnerships that treat your
25 constituents, businesses, taxpayers, and unions as

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2 well as you treat the teams owners. The current
3 proposal does not do that. The current proposal
4 treats the team owners much better than it treats
5 the owners, the taxpayers, and the people who will
6 ultimately be responsible for ensuring that
7 financially these deals can be met.

8 I also urge you to consider with your
9 own attorneys the implications of entering into a
10 deal when there is a shortfall of \$54 million. I
11 will not pretend to say that I understand
12 Pennsylvania's laws or Philadelphia's own
13 ordinances, but you already have, as the previous
14 speaker noted to you, one downside liability. You
15 are responsible for acquiring the property and you
16 do not know what the property will cost you. You,
17 therefore, must consider the possibility of a
18 contingency fund in case those costs exceed what's
19 currently projected. That I would think would be a
20 reasonable approach for you to take.

21 You also have an unfunded liability
22 currently of 54 million. You are entering,
23 therefore, into a partnership in which you actually
24 are not capped. You have some liabilities. I urge
25 that you not add to those liabilities by providing

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2 the team owners with rates of return that are
3 exorbitant.

4 I appreciate the opportunity to work
5 with you.

6 COUNCIL PRESIDENT VERNA: Thank you very
7 much, Doctor.

8 Can we have an opportunity for some
9 questions? I know you have to take a plane.

10 MR. ROSENTRAUB: Sure.

11 COUNCIL PRESIDENT VERNA: Thank you.

12 Councilman Clarke, I know you wanted to
13 be recognized. Do you want to recognize this
14 witness or the City witnesses.

15 COUNCILMAN CLARKE: My question was
16 originally for Mr. Hankowsky. I think there are
17 other members that may have had some questions.

18 MR. ROSENTRAUB: I can also stay through
19 the early afternoon, so if you want to wait for
20 questions, I'll be here.

21 COUNCIL PRESIDENT VERNA: Councilwoman
22 Tasco.

23 Councilman Mariano.

24 COUNCILMAN MARIANO: Thank you, Madam
25 President. Mr. Rosentraub, in your analysis you

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2 discuss the disposable income of immediate markets
3 as it relate to the construction of new stadiums.
4 However, you ignore the amount of public finances
5 versus team financing. Did you take into
6 consideration that the Eagles contribution to the
7 stadium is the greatest of any NFL team and that the
8 Phillies are the third highest of any Major League
9 Baseball team? Who is right, you or the teams? And
10 you state that these deals involve far more public
11 money than any other project across the country.

12 MR. ROSENTRAUB: Councilman, I point out
13 to you, the teams are wrong and there's no way to --
14 let me point out to the information they're giving
15 you with regard simply to the deal here in
16 Philadelphia. The information they are circulating,
17 which is what I call misinformation, and I apologize
18 I'm going to push back pretty hard on this, they are
19 saying that the only public money in the deal is the
20 \$85 million from the State. Sir, that's patently
21 absurd. You're buying land. You're dealing with
22 infrastructure. You already said you're committing
23 money. For them to report on a document that
24 therefore the only public money and construction of
25 the stadium is the \$85 million from the State is,

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2 simply put, a -- I don't know how you would define
3 that as such, sir. No one in professional sports
4 would define the cost of construction -- that would
5 be as if you were to talk about the construction of
6 your home and say it cost you nothing for the land.
7 So in effect, just looking at that one piece of
8 information on the table, we show you that this is
9 misinformation. If you like afterwards, I will go
10 through every single one of those deals, and I have
11 the information here for you. I have it not from
12 me, I have it from audited accounting firms that
13 will show you exactly the total public commitment in
14 every single deal. I can refer you to two other
15 sources for that that will give you every single
16 deal. This is simply wrong information.

17 COUNCILMAN MARIANO: Maybe you can stay
18 around this weekend, go to up to Juniata Park with
19 me, hope on the L and go down to the Eagles game.

20 MR. ROSENTRAUB: As I said, I would be
21 more than happy --

22 COUNCILMAN MARIANO: I have another
23 question for you. On Page 13, you breakdown the
24 Phillies expenses and you have them in a fashion
25 similar to Eagles expenses. You simply assume based

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2 on Cleveland that the annual cost based on salaries
3 and other teams expenses is 112 million. Could you
4 break down those other expenses out for me in terms
5 of dollars and how they sent to us? Can you do that
6 this afternoon?

7 MR. ROSENTRAUB: The breakdown of each
8 one of cost categories?

9 COUNCILMAN MARIANO: You've probably
10 done that.

11 MR. ROSENTRAUB: Absolutely. I've just
12 summarized them here, but I can give you every
13 single category.

14 Let me also remind the Council where
15 this comes from and why. The NFL and Major League
16 Baseball are privately owned companies. They have
17 no legal responsibility requirement and their
18 privacy should be respected and protected and
19 divulge some of these figures. Much of what people
20 like me and other accounting firms and consultants
21 work with is information from the Cleveland Indians
22 because they were for a period of time publicly
23 traded. As a result, each year they had to file
24 financial statements with the Security Exchange
25 Commission which it give us a very good idea. The

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2 only information that we actually have that is 100
3 percent accurate are the player salaries because the
4 union does divulge those. So we know, in fact, what
5 they pay their players. Everything else we're
6 either getting from what they choose to release or
7 based on the figures once released by the Cleveland
8 Indians.

9 COUNCILMAN MARIANO: Okay, my next
10 question, on Page 8 you discuss the Phillies market
11 size and the household income of the market related
12 to your efforts to build a new stadiums. What I
13 don't see there is a consideration of the teams'
14 annual revenue and broadcast revenue. Did you
15 consider that Philadelphia, we live in one of the
16 wealthiest regions and the fifth largest Media
17 market and the Phillies 26 out of 30 teams in
18 revenue 13 out of 30 in broadcast revenue despite
19 your factors? Did you figure that in?

20 MR. ROSENTRAUB: Yes, I did, and that's
21 what I was saying to you what I view what the
22 profitability potential of the Phillies is is that
23 baseball fans, like all consumers, and since I'm a
24 huge baseball fan I can tell you this, that when
25 teams win, more people watch. If in fact the

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2 Phillies do as well as they should have done, and I
3 pointed out that they're the worst performing team
4 in Major League Baseball in the last century --

5 COUNCILMAN MARIANO: Did factor the
6 Larry Bowa factor into that, too?

7 (Laughter.)

8 COUNCILMAN MARIANO: Seriously. It's
9 not a joke. We got a guy that was on the last
10 championship team here in the '80s, he was a
11 sparkplug, he was here, you know, he couldn't hit
12 but he could field. He's probably going to be a
13 great manager. The people are going to come see
14 Larry Bowa. Did you factor that?

15 MR. ROSENTRUB: I track one loss
16 attendance player payroll every year for every team,
17 so the Bowa effect is in the models.

18 COUNCILMAN MARIANO: Do you factor also
19 into that like young guys might want to play for a
20 Larry Bowa as compared to someone else?

21 MR. ROSENTRUB: The great thing about
22 statistics in sports is we can look at the bottom
23 line, how many games did you win. And, yes, we've
24 got it. And that's why I do believe the profits of
25 the Phillies should be at about 18 to 20 percent.

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2 COUNCILMAN MARIANO: Can I assume you're
3 saying that these intangibles, the Larry Bowa
4 factor, as I call it, he can come here and light
5 this team and we can see profits with this new
6 stadium that even you -- you could admit it is
7 possible, it isn't out of the realm. You know, we
8 are dealing with something here that's emotional and
9 a national pastime as opposed to numbers?

10 MR. ROSENTRUB: Again, Councilman, if
11 that occurs, then the situation with the Phillies
12 will be even better than projected. I'm giving you
13 a very conservative approach on what the Phillies
14 are so that you understand the magnitude of what
15 that subsidy means.

16 COUNCILMAN MARIANO: A couple other
17 questions. You talked New England, you talked about
18 Washington. It's hard for a Philly guy like me who
19 grew up in the and still lives in the City. When I
20 go like to New England, it confuses me like I'm in
21 Boston, I'm outside of Boston, they got a football
22 team and Boston's City Council is paying for it but
23 it's in Foxboro. You know, there's a lot of things
24 into the factor, you know, we're the County of
25 Philadelphia, the City of Philadelphia. Can you

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2 actually compare our scenario with Foxboro which is
3 not really Boston but it is. They let their police
4 live out of the city; we don't do that. The same
5 thing with Washington, D.C., and I saw Hankowsky
6 make a little face there, you said that Texas is the
7 only one building a suburban stadium. The new ones?

8 MR. ROSENTRAUB: Of the new ones, that's
9 right.

10 COUNCILMAN MARIANO: You meant from old
11 ones to new ones.

12 MR. ROSENTRAUB: Right, the facilities
13 that -- and the reason it's important to break that
14 out is, you're correct --

15 COUNCILMAN MARIANO: The Pats have had
16 to been in Boston for what --

17 MR. ROSENTRAUB: The new ones tend to
18 have the luxury seating. The Patriots now, of
19 course, would be the exception in trying to do it.
20 But the baseball teams, it's the Rangers that have
21 had the problem. Go back to your question, though.

22 COUNCILMAN MARIANO: These are suburban
23 stadiums, basically. Did take into --

24 MR. ROSENTRAUB: Right, when you're
25 dealing.

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2 COUNCILMAN MARIANO: This isn't a
3 suburban deal here, this is --

4 MR. ROSENTRAUB: Right. When we're
5 dealing with football and you look at the placement,
6 for example, of where the FedEx Redskins facility
7 is, you're right in the sense it's not inside the
8 inner city, but the key element is the market and
9 what it will do. Football teams have a little more
10 success at selling in more distant locations than do
11 baseball teams because baseball, of course, you're
12 selling 81 products. So you have a little bit
13 more -- less risk in that regard. With baseball now
14 we're pretty confident in telling you that if you
15 put a baseball team in the suburbs, you're running
16 some very high risks of meeting your revenue goals.

17 COUNCILMAN MARIANO: Let me ask you my
18 final question. You talked a little bit about
19 soccer. Do you know who Chris Albright is or Bobby
20 Convey are? Did you ever hear of them names? I
21 mean, this isn't a soccer quiz. Chris Albright and
22 Bobby Convey are professional soccer players that
23 play for the Philadelphia Metro Stars. Both of them
24 were high school stars here. Bobby Convey is 16
25 years old. He plays professional soccer for the

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2 Washington Metro Stars. Bobby Convey and Chris
3 Albright will playing here for the Philadelphia
4 whatever we're going to call them. I'm assuming
5 that there's going to be a professional soccer team
6 here. How can you count revenue that comes from the
7 Bobby Convey factor and the Chris Albright factor?

8 MR. ROSENTRAUB: Again what I advise
9 you, simply, is to look at -- you and I may be
10 strong soccer supporters. I've been a girls soccer
11 coach for 15 years, so I know that well and I've
12 analyzed the potential of soccer as an entity. I
13 hope it's successful, I really do. But the long run
14 data right now in terms of what you can charge does
15 not augur well currently. We have been trying, as
16 you know, by hosting the World Cup here in the
17 United States to get that extra kick up. It has not
18 materialized to date.

19 As you probably also know, the newest
20 proposals from both the women's soccer leagues and
21 the men's soccer leagues is to build and play in
22 much smaller facilities. And one of the elements
23 the Council would need to factor into those
24 projections is the recommendations from the soccer
25 associations themselves is that we probably need

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2 venues under 30,000.

3 You also are probably aware that the
4 NCAA men's final four in soccer, it's still
5 considered the premiere event. They tried for
6 several years to hold it in Charlotte, play it at
7 the home of the NFL franchise in a hope to attract
8 50, 60, 70,000. And I know you follow it as closely
9 as I do. You know that they were less than halfway
10 to their target goal and are now considering leaving
11 Charlotte after this year to return to smaller
12 venues.

13 So I bring this information to the
14 Council only to say that current market data doesn't
15 sustain attendance levels in the long-run event
16 magnitude.

17 COUNCILMAN MARIANO: And I wouldn't
18 pretend to be an expert on any of these subjects. I
19 know a little bit about a lot of things, okay? But
20 what I'm out here with the soccer point is the
21 Kensington factor, you know, that's stuff that you
22 can't factor in to it; I can't. That was a big
23 immigration thing and it was big and it happens
24 here. That's my whole thing. I mean, I hope some
25 day you can come back and tell us what's going on.

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2 Thank you. Thank you very much.

3 COUNCIL PRESIDENT Verna: Thank you.

4 The Chair recognizes Councilman Goode.

5 COUNCILMAN GOODE: Thank you, Madam

6 President. Good morning, Professor.

7 MR. ROSENTRUB: Good morning.

8 COUNCILMAN GOODE: It's good to finally
9 meet as our consultant before you fly back out of
10 town.

11 Can I ask you first off, did you consult
12 with any members of Council on what this review
13 should include?

14 MR. ROSENTRUB: Could you repeat that?

15 COUNCILMAN GOODE: Did you consult with
16 any members of Council on what this review should
17 include?

18 MR. ROSENTRUB: No. Let me back up.
19 When you say what it should include, the charge was
20 to look at the partnerships.

21 COUNCILMAN GOODE: Excuse me?

22 MR. ROSENTRUB: Was to look at the
23 partnership documents.

24 COUNCILMAN GOODE: So you would agree
25 this is a very narrow analysis of a billion dollar

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2 economic development project?

3 MR. ROSENTRUB: No, I would not.

4 COUNCILMAN GOODE: The only thing you
5 looked at in this was partnerships?

6 MR. ROSENTRUB: I looked at a
7 \$1 billion -- it's in excess of \$1 billion proposal
8 to create two partnerships.

9 COUNCILMAN GOODE: One billion?

10 MR. ROSENTRUB: The total amount of
11 money involved, right.

12 COUNCILMAN GOODE: Let me ask you why
13 there is no public benefit analysis in terms of
14 construction jobs, permanent jobs being created or
15 other economic opportunities? Why is there no
16 public benefit analysis of a \$1 billion economic
17 development deal?

18 MR. ROSENTRUB: I think you're missing
19 the thrust of my comments, sir.

20 COUNCILMAN GOODE: No, I'm asking a
21 question. Why is there no public benefit analysis?

22 MR. ROSENTRUB: It's not a public
23 benefit -- it's private benefit to construction I'm
24 saying it exists.

25 COUNCILMAN GOODE: I'm asking why is

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2 there no public benefit analysis in terms of
3 construction jobs, permanent jobs, other economic
4 opportunities that will come from this deal? Why is
5 that not included in this 16-page document?

6 MR. ROSENTRAUB: Again, I accept --

7 (Applause.)

8 MR. ROSENTRAUB: Sir, I accept the fact
9 that if you build the buildings, and I've
10 recommended that be done, that those benefits will
11 happen. What I'm -- Councilman, let me return, I'm
12 not disagreeing. I'm agreeing that those benefits
13 exist, and it would help, as I said, I think I
14 started my presentation by saying the stadiums ought
15 to be built and the jobs ought to be created. What
16 I'm asking you to consider, and I would pose my
17 question in this regard to the Council, is why
18 should you, in fact, take taxpayer money to
19 subsidize some of wealthiest people in our society,
20 taxes that union members will have to pay, taxes
21 that people who rent cars will have to pay.

22 COUNCILMAN GOODE: My question was why
23 is there no public benefit analysis. You didn't see
24 a need for it.

25 My next question is why is there no--

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2 MR. ROSENTRAUB: Please don't -- if
3 you're going to ask me a question, sir, please let
4 me answer it.

5 COUNCILMAN GOODE: You're not answering
6 the question.

7 MR. ROSENTRAUB: I answered the question
8 by saying to you, point blank, that I started my
9 presentation today by saying that I agree that the
10 stadiums should be built, I agree that those things
11 create jobs and those benefits. I asked you to
12 focus on who should pay for those benefits, sir, not
13 whether they exist or -- I'm not opposing the
14 stadiums. I'm not opposing this.

15 COUNCILMAN GOODE: Let me ask you a
16 couple other questions.

17 MR. ROSENTRAUB: Okay.

18 COUNCILMAN GOODE: Why is there no
19 allowances included here of participation goals for
20 minority, women, disabled businesses?

21 Did you look at participation goals in
22 other cities in terms of what economic benefits
23 those economically disadvantaged businesses might
24 have? Did you even take the time to examine that?

25 MR. ROSENTRAUB: I respect the

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2 Constitution which requires that to be done. I
3 would not think the City of Philadelphia would
4 violate that. So that's not relevant to the
5 proposal.

6 COUNCILMAN GOODE: This is very relevant
7 to the proposal.

8 One last question. If we were to spend
9 a billion dollars on the stadiums and 50 percent of
10 the contracts related to those stadiums'
11 construction went to economic disadvantaged
12 businesses, minorities and women, would that change
13 your analysis?

14 MR. ROSENTRUB: If you were to spend a
15 billion dollars?

16 COUNCILMAN GOODE: And 50 percent of
17 those contracts went to minority and women
18 businesses, would that change your analysis?

19 MR. ROSENTRUB: No.

20 COUNCILMAN GOODE: Have a nice flight
21 home.

22 (Applause.)

23 COUNCIL PRESIDENT VERNA: The Chair
24 recognizes Councilman Clarke.

25 COUNCILMAN CLARKE: Thank you, Madam

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2 President. Madam President, I just wanted to follow
3 up on a question that Councilman Mariano asked with
4 respects to the FedEx field and it was kind off
5 minimized in terms of the response. On a daily
6 basis we here wrestle with the issue about companies
7 making that decision to build within the city limits
8 or build outside the city limits in Montgomery
9 County and other surrounding counties, and
10 invariably they talked about the cost of doing
11 business in the City of Philadelphia versus the
12 outlying counties, and I think that your response
13 kind of minimized the decisions that we have to make
14 when we talk building the Eagles facility in the
15 City of Philadelphia versus building it on the
16 outskirts. When we talk about whether or not we
17 would ge certain revenue associated with the
18 facility being built in Montgomery County versus
19 being built in the City of Philadelphia, I think you
20 kind of minimized that and I don't just don't
21 understand. Did you take that into account when you
22 referenced that in your speech? I do believe that
23 FedEx Field is in the suburbs.

24 MR. ROSENTRUB: It's in the suburbs,
25 right. As I said, where I might quibble with what

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2 the previous said in terms of the exact magnitude of
3 what this extra spending would be, I'm not -- the
4 point of my report to you was to say it would be
5 fine if you wanted to accept it. I wouldn't. I
6 would tell you to look at his estimates with
7 caution. But again, we're off to and onto other
8 elements which I know critical and important. So
9 let me go back again and try to keep it, I think, on
10 a much more narrow track. I agree that there will
11 be tax benefits from building a stadium here and I
12 think I've spoken directly to the fact in everything
13 I've ever written that they would be in Center City,
14 so we're not disagreeing there. I resent the fact
15 that I don't consider coming out of an entire family
16 out of unions that I'm being categorized as in some
17 manner, shape or form as opposing the creation of
18 union jobs. Nothing can be further from the truth.

19 COUNCILMAN CLARKE: I didn't
20 characterize you that way, sir. I just asked about
21 the economic benefits.

22 MR. ROSENTRUB: So I'm saying the
23 economic benefits, while I think they're less, I'm
24 willing to accept in terms of this report to you
25 that there are there. But, Councilman, that still

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2 doesn't get to the central point that if you are
3 concerned about what businesses have to pay in
4 taxes, if you pass this proposal, you are raising
5 the tax bill of every business and every resident of
6 the City of Philadelphia.

7 COUNCILMAN CLARKE: Sir, you can't make
8 an analysis and not reference the fact that there
9 are certain revenues associated with building this
10 inside the City of Philadelphia versus Montgomery
11 County. You were talking about a FedEx versus an
12 Eagles facility.

13 MR. ROSENTRUB: As I tried --

14 COUNCILMAN CLARKE: I don't understand
15 how you can --

16 MR. ROSENTRUB: Councilman, if I as not
17 clear when I opened my presentation and if I wasn't
18 clear in that section of the presentation where I
19 told you that yes there will be economic benefit,
20 there will be taxes, I'm agree with each of those
21 points. I might disagree on the magnitude and I'm
22 asking you to look at it cautiously.

23 COUNCILMAN CLARKE: But I don't see any
24 reference to what that is.

25 MR. ROSENTRUB: You already have the

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2 documents. I said to you Arthur Anderson did it. I
3 am willing to state that I understand the figures --

4 COUNCILMAN CLARKE: I don't see the
5 analysis on your behalf of what that is.

6 MR. ROSENTRUB: I'm accepting Arthur
7 Anderson's analysis with a caveat which I reported
8 to you, sir. That's still not the central issue
9 before you today.

10 COUNCILMAN CLARKE: Well, that is
11 actually the central issue.

12 MR. ROSENTRUB: No, the central issue
13 is whether or not you're going to tax --

14 COUNCILMAN CLARKE: You may not think it
15 isn't, but it is.

16 MR. ROSENTRUB: Whether or not you're
17 going to pass taxes that increase the rate of return
18 to some of the most privileged members of our
19 society while asking lower and middle income people
20 to pay higher taxes and ask businesses in
21 Philadelphia to pay higher taxes; that's the issue,
22 not whether or the benefits exist, not whether or
23 not jobs are going to be created. We want the jobs
24 created. We want the facilities built.

25 COUNCILMAN CLARKE: Sir, you have

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2 admitted that you haven't done an analysis on the
3 stadium in the City of Philadelphia. What you're
4 talking about is the City's contribution.

5 MR. ROSENTRUB: What I said was that I
6 reviewed --

7 COUNCILMAN CLARKE: So how can you stand
8 here and talk about the split-offs associated from
9 the building of a stadium in the City of
10 Philadelphia, i.e., taxes and new income
11 individuals?

12 MR. ROSENTRUB: Sir, I analyzed the
13 reports from Arthur Anderson. I analyzed the
14 reports submitted to you by the Development
15 Corporation. I saw their projections. I have told
16 you that I am not here to contest them. I have told
17 you that I would offer that you put caveats on them.
18 I accept those benefits.

19 COUNCILMAN CLARKE: And you reference
20 other stadiums that do not have the same environment
21 that we do here in the City of Philadelphia. And
22 that's very important in your testimony. I mean,
23 you referenced those other stadiums in your
24 analysis. And you talk about Philadelphia's
25 contribution versus these other stadiums.

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2 MR. ROSENTRUB: Correct.

3 COUNCILMAN CLARKE: It's not the similar
4 situation.

5 MR. ROSENTRUB: Are you saying to me,
6 sir, that you don't think the state of Maryland had
7 any requirements what so ever about creating
8 construction jobs and minority representation?

9 COUNCILMAN CLARKE: I don't know about
10 that. Were they all union jobs? That's what I'm
11 saying, I don't see that in your analysis. Were
12 they all prevailing wage jobs?

13 MR. ROSENTRUB: Yes, they were.

14 COUNCILMAN CLARKE: All of them?

15 MR. ROSENTRUB: Yes. To the same
16 extent that the requirements you're placing on them,
17 the construction in Maryland reflected it and the
18 construction in San Francisco.

19 COUNCILMAN CLARKE: Were the
20 requirements as it relates to where those jobs were
21 and where they were coming from, who the
22 participants were? Were there MBE, WBE
23 requirements, were there city requirements,
24 residency requirements?

25 MR. ROSENTRUB: In San Francisco the

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2 answer is absolutely yes. I have to check and go
3 back and look at all the exact documents in
4 Maryland. I didn't look at that.

5 COUNCILMAN CLARKE: Sir, if you're going
6 to use every stadium in the United States, you can
7 pull one thing out of every stadium and obviously we
8 can't meet the goals associated all of the stadiums
9 in the United States.

10 MR. ROSENTRUB: What we're looking at
11 are the stadiums in similar market sizes.

12 COUNCILMAN CLARKE: Okay, sir.

13 Thank you, Madam Chair.

14 COUNCIL PRESIDENT VERNA: You're
15 welcome.

16 Councilwoman Tasco, your light is on.
17 Do you want to be recognized?

18 COUNCILWOMAN TASCO: No.

19 COUNCIL PRESIDENT VERNA: The Chair will
20 then recognize Councilman Nutter.

21 COUNCILMAN NUTTER: Thank you, Madam
22 President.

23 Dr. Rosentraub, let me try to understand
24 the tail end of your testimony which was Item No. 6.
25 I took from your testimony, I did hear you say that

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2 you basically support having new stadiums but you
3 have some concerns and, at least according to my
4 reading of the testimony, it seems that the main
5 point that you're trying to get across is on the
6 financials of the deal and it seems to be in the
7 middle paragraph in Item No. 6 on Page 16. Your
8 statement talks about a different scenario with a
9 savings to the City of the proposed \$90 million in
10 operating and maintenance cost, \$10 million the
11 one-time contribution to the Capital Fund, and the
12 \$89 million to the Phillies, and you end that
13 paragraph saying, "My proposal is to reduce the
14 burden on Philadelphia's taxpayers by \$189 million."
15 Now, does that represent, for the most part, your
16 basic recommendation to the Council as to what, if
17 anything, should be done with regard to this
18 particular proposal?

19 MR. ROSENTRUB: Yes.

20 COUNCILMAN NUTTER: And my question is,
21 how did you arrive at the decision that those are
22 the areas that either should be reduced or should be
23 cut versus any other area.

24 MR. ROSENTRUB: By, again, looking at
25 what governments trying to, again, generate the same

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2 sense of benefits for jobs and things of that nature
3 that I have been able to forge relative to building
4 of new facilities. Again, I'm not trying, as I
5 think was alluded to, pick deals around of the 31
6 new facilities built, but to focus on market sizes
7 that are similar to Philadelphia. So the decision
8 rule was what are the cities that are similar in
9 regional size to Philadelphia, what did those
10 communities do to create the same kind of benefits
11 we're talking about here, and how much tax money do
12 they have to invest in those partnerships.

13 COUNCILMAN NUTTER: And in those cities
14 where you tried to make the straight-on comparison,
15 did they have somewhat similar features in their
16 deals to of the proposals that are in deal in front
17 of us today?

18 MR. ROSENTRUB: Absolutely. The only
19 part that is different here is with regard to the
20 potential possibility of profit participation, but
21 the clauses here, of course, extend that for a very
22 short period of time.

23 COUNCILMAN NUTTER: Are you talking
24 about the five-year issue?

25 MR. ROSENTRUB: The five-year cap on

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2 that. That is a sizable difference in terms of what
3 it could be avoided. But that's a different
4 addition to these partnerships than most other
5 communities have. The standard 30 years term of
6 lease where the teams commit to stay for that period
7 of time is similar. Job creation is similar.
8 Minority projections are similar.

9 COUNCILMAN NUTTER: So, in essence, what
10 you're saying is that rather than the City having an
11 overall commitment of \$394 million, it's the 304
12 plus the 90 in operating and maintenance that the
13 City should seek to try to reduce that in your
14 estimate by \$189 million and have a commitment of
15 \$205 million; is that the essence of your proposal?

16 MR. ROSENTRUB: That's correct.

17 COUNCILMAN NUTTER: And what kind of
18 deal if we stayed in that area in this hypothetical,
19 what is your estimate of what kind of deal would be
20 put together under that scenario and what does that
21 do to any of the other projections that are part of
22 the ordinances or term sheets that are in front of
23 us from your perspective?

24 MR. ROSENTRUB: It would change nothing
25 other than, of course, the team profit levels.

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2 COUNCILMAN NUTTER: Is your assumption
3 that the \$189 million that the City would not be
4 spending would then come from the teams in their
5 proportionate shares?

6 MR. ROSENTRUB: Correct.

7 COUNCILMAN NUTTER: What are the other
8 cities that you used to compare Philadelphia to and
9 what is an appropriate comparable under these
10 circumstances?

11 MR. ROSENTRUB: As I laid out on this
12 tables, Philadelphia's market region is 7.3
13 million. That makes it the fourth or fifth largest
14 media market in the US. The comparable cities that
15 have built facilities at this time or have proposals
16 underway would be the Boston market with the New
17 England Patriots, the San Francisco market with the
18 San Francisco Giants, and of course the Washington,
19 D.C. area with a facility that's in southern
20 Maryland.

21 COUNCILMAN NUTTER: Is that the Redskins
22 facility?

23 MR. ROSENTRUB: Yes. And I've listed
24 for you the market sizes of each of the others that
25 have built facilities or have recently passed

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2 legislation to build facilities.

3 COUNCILMAN NUTTER: Well, it appears
4 that our players enjoyed playing in the Redskins'
5 facility fairly well the other week there and we
6 look forward to their continued success against the
7 Redskins.

8 Have you looked at -- in any of the
9 other deals, were there any participants in terms of
10 funding for any of the other deals across the
11 country other than either the respective local
12 government or county government or state government
13 and the teams?

14 MR. ROSENTRUB: There have been in some
15 communities philanthropic foundations that have
16 participated in the building of facilities. There
17 have also been corporate councils, groups of
18 corporations and individual corporations that
19 actually pledged a certain level of support for the
20 building of certain facilities.

21 COUNCILMAN NUTTER: That wasn't
22 necessarily anticipating that we might kind of have
23 a bake sale with our foundation community. I was
24 talking more about either investor groups or serious
25 financial people who participate in deals at a

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2 significant level.

3 MR. ROSENTRUB: There have been finance
4 people like you're describing, financiers who have
5 gotten involved in the building of facilities.

6 COUNCILMAN NUTTER: All right. Thank
7 you very much.

8 COUNCIL PRESIDENT VERNA: Councilman,
9 are you finished with your line of questioning?

10 COUNCILMAN NUTTER: Yes.

11 COUNCIL PRESIDENT VERNA: Thank you.

12 The Chair recognizes Councilman DiCicco.

13 COUNCILMAN DI CICCIO: Thank you, Madam
14 President. I have a few prepared questions, but I
15 want to go back to a couple of the, what I think I
16 heard correctly, remarks you made in responding to
17 Councilman Clarke where you said that -- I know the
18 issue here is how deep the public contribution may
19 be towards and I understand that you fully do
20 support building them it's just how do we get there
21 and how much money is invested. But you made a
22 comment a couple of times I think during that
23 conversation that the taxpayers of the City will
24 have an increase taxes. Do you know something I
25 don't know because I haven't seen that any of the

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2 reports submitted by the City or the teams? Where
3 do you come up -- I mean, that's probably the most
4 alarming statement that has been made this morning
5 and probably will be made when the press is here and
6 the public probably viewing what we're doing now
7 that there is an increase in taxes to the residents.

8 MR. ROSENTRAUB: There is a report that
9 I believe was already submitted to the Council as
10 was some of the documents that was shared with me on
11 the analysis of the auto rental tax.

12 COUNCILMAN DI CICC0: But auto rental
13 tax is not really a tax increase to the residents.
14 I mean, if someone chooses to go rent a car, then
15 they would pay, but that's -- I mean we can argue
16 how many citizens of Philadelphia rent cars versus
17 people who travel to our City and our guests
18 tourists. The burden would basically be on them, I
19 think you would agree. But you consider that a tax
20 increase to the residents?

21 MR. ROSENTRAUB: Yes, when it affects
22 somebody, for example, if their car is in an
23 accident and they have to rent a car, a replacement
24 car.

25 COUNCILMAN DI CICC0: Most people have

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1
2 insurance that cover that. But that's a rare --
3 that statement that we're increasing taxes for the
4 residents of Philadelphia really kind of sends up a
5 flag here that gets everybody on the edge of their
6 chair, including me. I thought I was missing
7 something. The numbers provided to that there will
8 not be a tax increase except for a tax on rental
9 cars. I don't see any need for any taxes.

10 MR. ROSENTRUB: If you're going to
11 define -- if all the numbers that were done, if we
12 take all the economic projections that were done, as
13 I said which I urge you to put some question on
14 that, but let's assume for the sake of argument that
15 all the projections from the previous speaker do
16 come to pass. And if you're going to define an
17 automobile income tax -- tax on the rental of cars
18 as not being a tax paid by people in Philadelphia or
19 if it, it's voluntarily and therefore doesn't
20 represent an increase in taxes to them, if those are
21 the two assumptions you're willing to make, then I
22 think you can say that it has a potential to be
23 revenue neutral.

24 COUNCILMAN DI CICCIO: I don't think it's
25 an assumption; I think it's a fact.

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2 (Applause.)

3 COUNCILMAN DI CICC0: I make a choice to
4 rent a car. It's my choice; no one's forcing me to.
5 The tax collector is not sending me a bill at the
6 end of the year saying, this is increase in your
7 taxes. We're not there. I just wanted to make that
8 clear before it's reported that there's something in
9 here that maybe the public isn't being made aware
10 of.

11 MR. ROSENTRAUB: Let me respond a little
12 bit in a sense in a court situation that if in fact
13 the City of Philadelphia uses the voluntary tax, as
14 you're calling it, and we can question whether it's
15 voluntary --

16 COUNCILMAN DI CICC0: It is voluntary.
17 You don't have to rent a car. I didn't own a car
18 for 13 years. I finally bought a car. I mean, you
19 decide if you want a car. It's voluntarily, it is.

20 MR. ROSENTRAUB: I'll accept for sake of
21 argument --

22 COUNCILMAN DI CICC0: Is anybody here
23 forced to rent a car?

24 MR. ROSENTRAUB: Let's accept for the
25 sake of argument for you position, Councilman, it's

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2 a voluntarily tax and if somebody wants to rent a
3 car, they'll pay it; and if they don't want to rent
4 a car, they won't pay it.

5 COUNCILMAN DI CICC0: Let me ask you.

6 Not to interrupt you. You come from Indiana?

7 MR. ROSENTRAU0: Yes.

8 COUNCILMAN DI CICC0: How many days have
9 you been here?

10 MR. ROSENTRAU0: Yesterday and today.

11 COUNCILMAN DI CICC0: Did you rent a
12 car?

13 MR. ROSENTRAU0: No.

14 COUNCILMAN DI CICC0: You chose not to
15 rent a car?

16 MR. ROSENTRAU0: So you don't even have
17 to pay that increase.

18 MR. ROSENTRAU0: That's right.

19 (Applause.)

20 COUNCILMAN DI CICC0: I don't think we
21 need to belabor the point. There's no real estate
22 tax increase, there's no sales tax , there's no wage
23 tax. That's what I consider a tax increase. We're
24 not talking about that here.

25 MR. ROSENTRAU0: Let me add just as a

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2 footnote is that if you in fact take this money from
3 the voluntary tax, would you also agree that if in
4 fact you wanted to have any other service funded,
5 whether it's a capital improvement for the library
6 or other things, that that option of using the car
7 rental tax would now not be there.

8 COUNCILMAN DI CICC0: Well, it's my
9 understanding that we can only use it for new
10 stadiums. That's my understanding based on what
11 I've been told, and the Mayor was here this morning
12 and spoke to that also. And we're not going to
13 debate that any more. I just want to make sure that
14 the press gets it correct that we're not here
15 raising taxes today.

16 (Applause.)

17 COUNCILMAN DI CICC0: While we're on the
18 subject of taxes. I want to refer you to your
19 discussion of the expenses of the Eagles and the
20 Phillies. The Eagles appear, I think, on Table 6 of
21 Page 12 and the Phillies on the last page on Page
22 13.

23 As you may or may not know, Philadelphia
24 highest business and individual taxes in the
25 country. We have a wage tax, a net profits tax, a

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2 gross receipts tax, an amusement tax, a parking tax,
3 a liquor tax, a liquor-by-the-drink tax, and
4 voluntary car rental tax, a hotel tax, et cetera.

5 MR. ROSENTRUB: But the hotel tax and
6 the liquor tax are also voluntary.

7 COUNCILMAN DI CICCIO: You don't have to
8 stay in a hotel and you don't have to buy liquor.

9 MR. ROSENTRUB: Correct.

10 COUNCILMAN DI CICCIO: Unless you're a
11 visitor and you have friend or relative whose home
12 you'll stay in, you're kind of forced to live in
13 hotel. We have enacted a sidewalk behavior law
14 which no longer allows you to sleep on our streets
15 in Center City.

16 MR. ROSENTRUB: But liquor tax is
17 voluntary.

18 MR. DI CICCIO: Where on your expense
19 performance for the teams do account for
20 extraordinary Philadelphia tax burden and does
21 Philadelphia's relatively high tax rates affect your
22 comparison of the deals to suburban deals like
23 Washington and New England?.

24 MR. ROSENTRUB: Where it's reflected,
25 sir, is in the gross revenue returns on investment

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1
2 that the team gets. In other words, when you figure
3 out the net money and you net out what's left after
4 ticket prices and things of that nature, while I
5 will agree with you completely that the tax
6 structure here is higher than some of the other
7 markets we look at. Because the incomes are also
8 higher, the teams actually will have an effective
9 rate for luxury suites and other goods and services
10 that higher, too. So it's my view, in fact, the
11 teams in effect pass to cost along and the net
12 prices there are such.

13 In fact, sir, if looked at the rates
14 charged for luxury seating in those markets with the
15 highest tax structures which would be San Francisco
16 and New York, you'll find that their luxury suites
17 and seat prices are highest in professional sports.
18 In that regard, if the wealth is there, these taxes
19 don't affect consumption.

20 COUNCILMAN DI CICCIO: So when you do
21 your performance, do you also take in what the taxes
22 on those goods and services that are being supplied
23 to Veterans stadium outside the facility?

24 My point being, when we talk about the
25 public investment, and I've had a number of these

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2 bills before me by way of tips because of the
3 district I represent, there's always a debate in
4 Council as to whether or not we should fund these
5 wealthy developers. In this case we're talking
6 about wealthy franchise team owners and whether the
7 public should make any contribution or what portion
8 of that contribution should go towards the project.
9 It's been my contention and always has been always
10 and it probably will be that you've got to look at
11 the greater benefit. When you make an investment,
12 and I'm sure the debate before I was here on the
13 convention center was very similar to what we're
14 talking about today. How much public contribution
15 should be made? And the argument goes to what the
16 other benefits to having a convention center are to
17 the goodwill to the City of Philadelphia.

18 There are small middle-sized companies
19 that would supply goods and services to the two new
20 stadiums. These are folks who employ people from
21 the neighborhoods. Many times because of the
22 expansion of business and the tourism in the City of
23 Philadelphia by way of Convention Center and the
24 ripple effect cause us to want to build new hotels
25 and more hotels. Businesses that feed into these

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2 facilities do get a benefit to them and to the City
3 because if they have to employ additional folks to
4 work for them to bring the food in from the food
5 distribution center, the linen services and all the
6 other things that go into a hotel and/or a stadium,
7 do you factor that into your performing, the other
8 jobs outside of the box that you're talking about
9 and the taxes that would be generated into the
10 City's General Fund by way of that?

11 MR. ROSENTRUB: Yes, we do that in
12 terms of the multipliers, absolutely. And that's
13 what said when I started by saying, which I guess is
14 still a point of confusion, the previous speaker
15 already introduced that information to you.

16 COUNCILMAN DI CICCIO: I know he did.

17 MR. ROSENTRUB: I absolutely factored
18 it in.

19 COUNCILMAN DI CICCIO: Okay, it's all
20 factored in.

21 MR. ROSENTRUB: Right.

22 COUNCILMAN DI CICCIO: And that gap is
23 still not where you believe it should be?

24 MR. ROSENTRUB: Again, based on what
25 other large markets have done, sir, it's not.

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2 Because all the points -- just let's make sure that
3 we're clear. We may disagree, but let's agree on
4 what we disagree on. Every point that you just
5 stated occurs in San Francisco City and San
6 Francisco County, occurs in the great Washington
7 area, suburban Maryland area, occurs in Chicago.
8 All these same benefits are there. So we
9 understand, one, we need the stadiums built, we need
10 to create the jobs, we understand that there are
11 going to be supplier linkages and things of that
12 nature. But again, if we come back to the fact of
13 the wealth that exists and the ability of the team
14 to charge the price which we've seen that they are
15 able to do in these markets, then we are reaching
16 the same conclusion that you're at, which is to say
17 there is that money there, that these costs will be
18 there and those benefits will be there. So they are
19 factored in.

20 COUNCILMAN DI CICCIO: Could you please
21 tell us where in your analysis you account for the
22 following, if you have because I didn't see it in
23 there: Payments by the teams of \$1 million each per
24 year for the Children's Fund. Payments by the teams
25 of \$374,000 a year each for the Special Services

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2 District, and payments by the teams of \$3 million a
3 year in pilot payments.

4 MR. ROSENTRUB: The Children's Fund
5 dollars and the other dollars you're referring to
6 are in there when I put in the calculation both
7 of -- the Children's Fund money I put in as direct
8 operating expenses. And you'll see, in fact, in the
9 language when we talk what the remaining funds would
10 be in terms of rate of return that it's in there.

11 Let me direct -- let me find that for
12 you because when I calculated the rates of return,
13 and you're quite right, that amount of money needs
14 to be in there and it is there. I just want to make
15 sure if it's missed that everybody is clear. Give
16 me a minute to find it for you. I've got to find
17 the exact sentence. When I step out, let me go
18 through it and I'll underscore it and get it back to
19 you. I'll show you exactly where it is.

20 COUNCILMAN DI CICCIO: Two other quick
21 questions. On Page 14 you state that the \$89
22 million contribution by the City to the Phillies
23 Baseball Park approximates the O&M obligation for
24 the team over the 30 years of the lease. Yet
25 according to the information provided by the

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2 Phillies and the City, the present value of the
3 Phillies O&M payments is \$243 million or more than
4 \$150 million more than you report. Can you explain
5 why that discrepancy is there?

6 MR. ROSENTRUB: I didn't see that
7 report, but I'd like to take a look at it.

8 COUNCILMAN DI CICCIO: I think that would
9 be very important to your analysis.

10 MR. ROSENTRUB: It would not change the
11 analysis, sir, because, again, even if you concede
12 again -- and we have to go back to this point which
13 I know we're struggling over. If you concede the
14 point that they will pick up some of the
15 maintenance, which they should, in a market this
16 size, that cost is factored into their income in
17 terms of what they charge for the suites. So the
18 question would be where do you want it, above the
19 line or below the line. Whether or not it is
20 exactly equal to present value makes no difference if
21 they can sell in a larger a suite for about 30 to
22 \$40,000 dollars a year more, then you can sell it in
23 a smaller market. And these costs of O&M as well as
24 taxes are reflected in that.

25 COUNCILMAN DI CICCIO: My final question,

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2 Madam President.

3 Are you aware that the Eagles have
4 invested \$20 million in a new practice facility
5 located in the City?

6 MR. ROSENTRUB: Uh-huh.

7 COUNCILMAN DI CICCIO: Have you made any
8 accountability for that in your analysis?

9 MR. ROSENTRUB: Yes, I did.

10 COUNCILMAN DI CICCIO: On the debt
11 service?

12 MR. ROSENTRUB: The operating expense
13 of the team. That operating expense occurs. All
14 teams have practice facilities.

15 COUNCILMAN DI CICCIO: But not
16 necessarily the City in which they play. That was
17 major consideration for us when we were considering
18 doing new stadiums.

19 MR. ROSENTRUB: And I've endorsed, and
20 as I said, I started out, Councilman, by agreeing
21 with you that we need to build the facilities.

22 COUNCILMAN DI CICCIO: And I understand
23 that we agree on that. But one of the conditions
24 was a new practice facility, and we understood at
25 the time and we still believe that a practice

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2 facility has an economic benefit as well.

3 MR. ROSENTRUB: We have no disagreement
4 with that and it's factored in.

5 COUNCILMAN DI CICCIO: And that's in your
6 analysis?

7 MR. ROSENTRUB: Absolutely.

8 COUNCILMAN DI CICCIO: Where is that
9 again?

10 MR. ROSENTRUB: In terms of accepting,
11 what I've said I accepted are the economic benefits
12 projected as done by the previous speaker and in
13 documents that were submitted to the Council.

14 COUNCILMAN DI CICCIO: Including the
15 practice facility?

16 MR. ROSENTRUB: I did not question and
17 you do not see in my report, sir, in any manner,
18 shape, or form that I am questioning the benefits of
19 return on that money to the City of Philadelphia.

20 COUNCILMAN DI CICCIO: Thank you.

21 Thank you, Madam President.

22 COUNCIL PRESIDENT VERNA: You're
23 welcome.

24 The Chair recognizes Councilman Rizzo.

25 COUNCILMAN RIZZO: Thank you, Madam

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2 President. Professor, based on your assessment, I
3 don't think two new stadiums could be built
4 anywhere.

5 MR. ROSENTRAUB: I beg to differ, sir.
6 They have been. Have you been to San Francisco.

7 COUNCILMAN RIZZO: Maybe in the past
8 tense, but I'm talking about today. I don't
9 personally believe that these stadiums can be
10 anywhere based on your assessment.

11 I'd like to ask a question. If these
12 stadiums aren't built, what consideration have you
13 given to the possible 80-plus million dollars that
14 might be needed to build or to repair Philadelphia
15 Veterans Stadium.

16 MR. ROSENTRAUB: Again, I apologize,
17 Madam, but read my lips. Build the stadiums. I am
18 not going to debate what I've already agreed to.
19 What I'm asking you to think about is how it's
20 financed.

21 COUNCILMAN RIZZO: Sir, do you think --
22 do you really believe, Professor, that based on the
23 deal that we have in front of us with the
24 recommendations and that the changes that you
25 suggest that this deal could happen?

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2 MR. ROSENTRAUB: It has happened, sir.

3 It has happened in New England. The Patriots are
4 currently building their facility. And there will
5 be a facility built if you followed the discussions
6 that occurred two days in the Boston City Council
7 which is wrestling with the exact same issue before
8 you today. They've completed their deal with the
9 New England Patriots that involves the State of
10 Massachusetts. The facility is being constructed as
11 we speak. They are negotiating a facility right now
12 with the Boston Red Sox. And, sir, the only thing
13 the Council in Boston has debated is not whether or
14 not the Red Sox need a new facility, but whether or
15 not they need the public to provide taxes at the
16 level requested by the team. So when you say to me
17 that you think it wouldn't be built, we have one
18 that just opened. We have one under construction.
19 We've another one that's being debated. We have a
20 third that include Kominsky 2. We have new football
21 facility that Mayor Daly is taking to the
22 legislature in Illinois. The City of New York is
23 negotiated at the current time, again, debating how
24 much they need to provide tax support to build a new
25 facility for the Mets, a new facility that hopefully

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2 will attract the Jets back to New York, and they are
3 considering, of course, renovations or a facility
4 for the Yankees. So these deals are going on as we
5 speak.

6 COUNCILMAN RIZZO: Thank you. And also
7 I disagree with your assessment of our Phillies
8 also. Thank you.

9 (Laughter.)

10 COUNCIL PRESIDENT VERNA: The Chair
11 recognizes Councilman Ortiz.

12 COUNCILMAN ORTIZ: Professor.

13 MR. ROSENTRUB: Yes, sir.

14 COUNCILMAN ORTIZ: To restate it, we are
15 going to build two stadiums in the City of
16 Philadelphia.

17 MR. ROSENTRUB: And I look forward to
18 coming to being allowed back to buy a ticket.

19 (Laughter.)

20 MR. ROSENTRUB: And to pay an
21 automobile tax and I will stay at a hotel and pay
22 the hotel tax.

23 (Laughter.)

24 COUNCILMAN ORTIZ: I think what has not
25 gotten through is how is it that the public interest

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1
2 is leveraged against the private interest of the
3 teams? I think in terms of your message, that has
4 not really come through. I think the issue of
5 minority participation is something that has to be
6 included in the lease. And obviously, if minority
7 participation within that lease is not of those
8 percentages that we believe, this Council believes
9 to be acceptable, obviously, a lot of us are going
10 to have problems with that. The issue in terms of
11 how other businesses in Philadelphia benefit out of
12 selling hot dogs and the beer distributorship that
13 is sold at Vet or the new stadiums, the Eagles
14 stadium and the new Phillies stadium, obviously,
15 that is going to be bought, hopefully, not from New
16 Jersey companies but from Philadelphia companies.
17 Hopefully the individuals and the huge majority of
18 the individuals that build the stadiums are all
19 union workers and are all individuals and the
20 majority of them, hopefully, will live in the City
21 of Philadelphia. So you have included that in your
22 analysis; is that correct.

23 MR. ROSENTRUB: Yes.

24 COUNCILMAN ORTIZ: So you have included
25 in your analysis the fact that there are going to be

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2 the ripple effect of the teams playing in those
3 stadiums. You have included in your analysis that
4 we are going to have, because that is not part of
5 what you were supposed to have been doing, the issue
6 of the \$1 million a year in terms of the Children's
7 Fund that they're supposed to be giving the City of
8 Philadelphia.

9 MR. ROSENTRUB: But I did include that
10 as an expense to the teams. I did do that.

11 COUNCILMAN ORTIZ: And you made a
12 statement that in terms of the contribution that
13 they make, it is 20 times -- the teams will receive
14 a benefit 20 times greater than they will give in
15 terms of the Children's Fund; is that correct?

16 MR. ROSENTRUB: That's correct.

17 COUNCILMAN ORTIZ: So in essence, the
18 teams put all of that investment in terms of their
19 expenses?

20 MR. ROSENTRUB: Correct.

21 COUNCILMAN ORTIZ: And you're including
22 all of those expenses when you said that the return
23 on investment that the teams get, including all of
24 these peripheral aspects, are all included and the
25 return in investment is greater for the Phillies and

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2 the Eagles and it is greater given the amount of
3 public subsidy that they are getting that other
4 teams in generally comparable markets did not get;
5 is that correct?

6 MR. ROSENTRUB: That's correct.

7 COUNCILMAN ORTIZ: So if we bring our
8 public subsidy down to a level that would be
9 comparable, not to eliminate, but to be comparable
10 to other markets, that does not preclude the two
11 teams from making a profit that would be equal or
12 comparable to teams in similar situations?

13 MR. ROSENTRUB: That's correct.

14 Absolutely.

15 COUNCILMAN ORTIZ: So what we're saying
16 and what I think you're trying to say is that the
17 public subsidy that we are putting forward should be
18 reduced, not that we do not build the stadiums, but
19 that the mechanism and the negotiations that we have
20 really be presented to the public because I think
21 the public have an idea that this is going to be a
22 done deal, that this Council doesn't want to have
23 any questions answered as to the relative impact of
24 public subsidy on our budget and I believe that
25 there is going to be, given the current situation

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2 that we have with PGW, with the Board of Education,
3 and it's already projected, it's already projected
4 and it's something that this Council has to take
5 very seriously to consideration that our five-year
6 plan if we keep the level of subsidy at the level
7 that we have, we already have a \$22 million hole.
8 And if they admit to that, if the Administration
9 admits to that \$22 million hole, I believe that that
10 hole is probably bigger.

11 MR. ROSENTRAUB: When I raise the
12 point -- and I appreciate you bringing it up because
13 I failed to do but it's in the analysis. When I
14 raised the point about taxes going up, one of the
15 issues that you're directing our attention to is the
16 five-year plan in terms of documents I've seen from
17 the Controller's Office has in the revenue that will
18 no longer come to the City of Philadelphia as
19 Veterans Stadium will be demolished. That shortfall
20 may well in fact lead to a new set of tax
21 obligations.

22 COUNCILMAN ORTIZ: So in essence, the
23 questions that were given to you and what you're
24 trying to bring to us is that we have minorities in
25 San Francisco, we have minorities in the Boston

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2 area, we have minorities in the Washington D.C.
3 area.

4 MR. ROSENTRUB: And Chicago.

5 COUNCILMAN ORTIZ: And in Chicago. In
6 all these areas, if there is a public subsidy,
7 minority set-asides have been included as part of
8 the lease agreement.

9 MR. ROSENTRUB: That is correct.

10 COUNCILMAN ORTIZ: And also contractals
11 set-asides have been included if there's a lease
12 agreement.

13 MR. ROSENTRUB: That is correct. And
14 union protections.

15 COUNCILMAN ORTIZ: So you have taken
16 that as a given in terms of what we're talking
17 about.

18 MR. ROSENTRUB: That's correct. There
19 hasn't been a stadium built that didn't have that.

20 COUNCILMAN ORTIZ: So what we're talking
21 about, and we go back again, what is the leverage
22 and what should be -- and that is the question this
23 Council has to answer, what should be the amount of
24 public subsidy to probably one of the wealthiest,
25 richest corporate institutions and socialist, I may

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1
2 add, the NFL because they do share the wealth, what
3 should be our assistance to them in terms of their
4 profit margin and what is it that the taxpayers in
5 the City, the citizens of Philadelphia, will be
6 getting in return for that subsidy? So if you can
7 talk to me and answer me that question. Over a
8 30-year period what, besides feeling good if the
9 Eagles win the Super Bowl, besides feeling good if
10 the Phillies manage to be a playoff team year after
11 year and if we get Gonzalez or Igor or one of those
12 Puerto Ricans or Dominican players to come here,
13 what is the return on our investment as a City over
14 that period of years? Because we're already going
15 to make the an investment; that's a given. The
16 public will invest some money on both the Eagles and
17 the Phillies. The issue is, should it be so large
18 and if it as large as it's going to be, how are the
19 citizens of Philadelphia ever going to get a return
20 on that investment other than feeling good?

21 MR. ROSENTRAUB: As we discussed when
22 you invited me to come in, I think it was June, and
23 this why I want to make sure everybody's clear why
24 I'm not saying provide no public money for the
25 stadium. And I know here are people on the Council

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2 who would argue we should provide absolutely
3 nothing, let them build them themselves with the
4 money from the state. I argued in June and I've
5 written extensively that these benefits the teams
6 generate are the enhancements to the quality of
7 life, they provide great opportunities for
8 recreation, and lots of people -- we have to realize
9 this. Lots of people enjoy it. So there is nothing
10 negative here that we should be focusing on. When
11 you say, what's the return over time? It will
12 establish Philadelphia sports life as an integral
13 ongoing part of the community for 33 years. That's
14 an important asset and one in which I have argued,
15 believe it or not, that this Council ought to make
16 an investment as did the State of Massachusetts when
17 they feared the Patriots would go to have
18 Connecticut. But what they were not willing to do
19 is to give an investment of a magnitude that
20 exceeded these benefits or increased the wealth of
21 the team owner. When San Francisco developed and
22 gave --

23 COUNCILMAN ORTIZ: Repeat that again,
24 please.

25 MR. ROSENTRUB: What the State of

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2 Massachusetts decided to do was to protect those
3 benefits was to, in fact, make an investment of
4 \$70.5 million to ensure that the New England
5 Patriots would remain in Boston. I mean, talk about
6 a voluntary tax, they could have just driven to New
7 Haven and watched the games there, but they wanted
8 it in Massachusetts for the quality of life. The
9 Boston City Council has made the same since the
10 statements. They want the Red Sox in downtown
11 Boston. They are going to ensure that the Red Sox
12 are in downtown Boston, but relative to how much
13 money the Red Sox make in downtown Boston which, by
14 the way, is as high a tax area as is Philadelphia.
15 They are not going to provide 300 to \$400 million in
16 public support.

17 COUNCILMAN ORTIZ: What is the Boston
18 City Council, which is very similar in terms of
19 population to Philadelphia, what does the Boston
20 City Council considering? And Fenway, I don't see
21 why they're tearing it down. What is the City
22 Council of Boston considering in terms of a subsidy
23 to the Boston Red Sox?

24 MR. ROSENTRUB: At the current time, as
25 I said, the proposal was about 300 million. And

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2 there were some Councilmembers have been reported as
3 saying that they would certainly be comfortable with
4 something in a total of a hundred million, but
5 they're not at 300 million. So there's a gap right
6 now. And there are some members of the Council who
7 are taking the position no support. So it's under
8 conversation right now. What was rejected at the
9 meeting as I understood it two days ago was the \$315
10 million proposal.

11 COUNCILMAN ORTIZ: And our proposal
12 right now in terms of the contribution of the total
13 subsidy of the people of Philadelphia towards this
14 project as currently presented by the Administration
15 is at what level right now?

16 MR. ROSENTRUB: Is in that range. What
17 I wanted to point out and make sure everybody's
18 taking away is that if the 89 and a half million in
19 construction was taken out, you would still be
20 offering in the same general level of money as
21 Chicago offered to the White Sox in the State of
22 Illinois, much more than San Francisco offered the
23 Giants which turned a profit this year and, of
24 course, went into the championship series, and would
25 be in league right now to be a bit more than what

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2 the City of Boston is anticipating that they will
3 do. But they may end up there. That conversation
4 is a work in progress.

5 COUNCILMAN ORTIZ: Madam Chair, I'll
6 come back later. Thank you.

7 COUNCIL PRESIDENT VERNA: The Chair
8 recognizes Councilman Cohen.

9 (Audience reacts.)

10 COUNCIL PRESIDENT VERNA: Let's not go
11 there.

12 COUNCILMAN COHEN: I have no objection,
13 Madam President. This will be preliminary to a much
14 larger "boo" about to erupt as I make it very clear
15 that the one disagreement that I had with the
16 professor is the fact that I think he is far too
17 generous in his analysis toward the concept of
18 public financing. I think that rich sports teams
19 ought to be held to the very same standards that
20 homeowners are held, and that is, build what you can
21 afford to build. Don't come to the public treasury
22 to ask for help. And that is my position clearly,
23 and the boos, if you so choose, please make them and
24 make them loud. I can hear them.

25 Now, having said that, I want to just

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2 first make a couple of short comments because we're
3 talking here as if there are specific proposals, as
4 if there is something that exists in writing, as if
5 there is something already agreed to by the teams
6 and the Mayor.

7 More than 60 years ago when I first
8 became a lawyer, the first thing I ever learned was
9 to make the advice clear to a client, never sign
10 anything unless all the terms are there. And this
11 City Council sits by quibbling about details that
12 don't even exist because part of this deal is the
13 effort to get this City Council to abrogate all of
14 its duties and to agree to something not in writing,
15 something to be determined at some future time by
16 the Mayor and people only part of the Mayor's team
17 and to develop from that an agreement which will
18 last for 30 years completely insulated from any
19 ability of this City Council to ever change even a
20 comma in the agreement. So that what you're talking
21 about in answering all of these questions, you're
22 dealing with something that is not even real because
23 right now Bill Hankowsky who gave us these specific
24 terms on that sheet cannot show us any agreement
25 that the teams and City have agreed to that because

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2 very likely as usually happens and is happening now
3 with that \$4 million payment that was originally,
4 incidently, when we signed the original Veterans
5 Stadium agreement and gave the lease to the teams,
6 it was supposed to be \$6 million a year that the
7 people of Philadelphia were to receive from the
8 current super boxes beginning February next year.
9 And Mayor Goode, not Councilman Goode, but Mayor
10 Goode was the one who sold us -- not that Mayor, the
11 Mayor who told us that said, sign this agreement,
12 you'll get the benefits later, just like Mayor
13 Street said, the benefits are going to come later.
14 And just precisely as the City of Philadelphia is
15 supposed to get 4 to \$6 million from the super
16 boxes, we're told that the City is going to enter
17 into a new agreement for the three years. And, sir,
18 I have to tell you in my judgment a new agreement is
19 required only, only if the teams are seeking and
20 have the Mayor's approval to eliminate that \$4
21 million payment. That's a giveaway to the teams if
22 nobody wants to talk about, everybody tries to
23 evade. Beginning this February by the teams own
24 estimates, we were supposed to get a minimum of
25 four. The then Mayor said \$6 million a year. Now I

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2 understand the teams are talking maybe it's only a
3 million and a half because already they're beginning
4 to manipulate how they should determine the payment
5 due to the City in February.

6 So I want to first point out, there's
7 nothing in writing, there's no lease whatever that
8 we're even talking about, and the City Council is
9 being ask to agree in advance to write off, pass
10 this bill by December 14th with no lease agreement
11 that we can approve or have anything to say about.
12 And I say that I would ask if I were not in City
13 Council, I would ask as a resident of City of
14 Philadelphia and as a voter what do we need a City
15 Council for if all it does is it takes all of its
16 powers, put them a basket, wrap it up neatly in a
17 package and turn it over to the Mayor?

18 We've been elected to make these
19 decisions. That's why we're going questioning the
20 team as you've been questioned here today because
21 what we need is the best deal for the taxpayers of
22 Philadelphia.

23 Now, it's strange, you know, on this
24 issue I'm a fiscal conservative and all the people
25 that have been lobbying me on the tips and the

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2 abatements who call themselves fiscal conservatives
3 are in here arguing, let's give the teams all the
4 money they want. You know, the Mayor could have ask
5 for double. I don't know why he didn't because I
6 can tell from these questions nobody wants to even
7 question a penny of the amount of money, indicating
8 that this is sacred money. It is sacred money, but
9 it should be sacred for the taxpayers and not for
10 the teams.

11 Let me take talk about the issue of
12 potential tax increase. Councilman DiCicco, I think
13 that ought to be clearly on the table. Andrew
14 Casell, The Inquirer reporter, business reporter for
15 The Inquirer has long advocated serious questioning
16 by municipal governments of public subsidies for
17 sports teams. He points out all the time that all
18 that happens is not new economic development, but
19 very largely a transfer of money being currently
20 spent for one purpose, being transferred to be spent
21 on stadiums, that there is very little new money
22 that comes in. And he argues very eloquently from
23 time to time and has done it for years as a fiscal
24 conservative, he says it's a question of priorities.
25 He says if we take out this money and pay the bond

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2 debt which the City, as I understand from Mr.
3 Hankowsky, intends to become the principal person
4 responsible for the payment. In other words, if all
5 these plans go awry and the teams have bad years and
6 they don't go to attendance, there is still an
7 approximately somewhere between 25 and \$30 million a
8 year in debt payments. If all these things go bad,
9 do you know who pays? The City of Philadelphia
10 pays. We take all the risks in this deal. Now,
11 that's why we've got to be so concerned about the
12 potential tax increases.

13 Yesterday there was a wonderful hearing
14 in this City Council, and I commended Councilman
15 Kenney for conducting it and for mainly being
16 responsible for it on the refurbishing of the Free
17 Library in Philadelphia. And I notice in this
18 morning's paper, the Mayor said, "Well, we've got to
19 be careful, that's \$60 million over 30 years for the
20 Free Library, that's an awful lot of money. You
21 know, we have a lot of other problems in the City of
22 Philadelphia. I don't know whether we can consider
23 it." But a billion dollars from the General Fund
24 for the stadiums, there's no problem about that.

25 It isn't 394; I want to dispute that

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1
2 figure. Who pays for the bonds, the debt each year
3 there's a debt service? My calculation is that that
4 figure of \$394 million is a figure about \$1 billion,
5 probably over \$1 billion because take the bond
6 payments over the life of the 30-year bond and I'm
7 told the total figure that the City will pay comes
8 to somewhere between \$950 million or \$1,050,000,000
9 depending upon the interest rate. So I don't know
10 why the City through Mr. Hankowsky when he talks
11 about the money income on the car rental tax, he
12 adds up the full 30 years of the revenue. But when
13 he talks about expenditures, he omits entirely the
14 annual payments because it isn't the original \$394
15 million of City money that's going in. It's going
16 to be, in my judgment, well over a billion dollars
17 over the life of this plan.

18 Now, is there anything I've said other
19 than our basic disagreement on public? Is there
20 anything I said that's unsound? Well, won't
21 payments from the General Fund guaranteeing this
22 bond liability make it more difficult for the City
23 of Philadelphia to decide to invest in the libraries
24 and educational system, in the areas where the
25 police work? You go into most of the police

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2 stations today, they're awful. They should have
3 been refurbished and revised and replaced maybe 75
4 years ago. They work with archaic furniture,
5 archaic typewriter equipment, all that kind of
6 thing. The City's ability to deal with all of its
7 other problems is going to be sharply reduced by the
8 stadium deal. Maybe we will vote to do that.
9 That's within the orbit of the power of the City
10 Council. But I think we've got to get all these
11 facts right on the table so that Council can make an
12 informed decision rather than advocate its
13 responsibilities to the Mayor. Thank you, Madam
14 President.

15 COUNCIL PRESIDENT Verna: You're
16 welcome, sir.

17 The Chair recognizes Councilman Goode.

18 COUNCILMAN GOODE: Thank you, Madam
19 President.

20 Professor, I just have one more
21 question. You started in your review of this
22 proposed partnership to do stadiums with the fact
23 that we absolutely should build new stadiums; is
24 that correct.

25 MR. ROSENTRUB: Yes. A slight

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2 amendment. It actually would be possible -- and I
3 indicated this which may not be absolutely
4 desirable. Both teams cannot play in the Vet. It
5 is possible and some cities done this, as you
6 probably are aware, where if you built one facility
7 for the other team and then to massively change the
8 layout of Veterans to fit the other team, that could
9 be done. So I just want to be sure we're clear for
10 the record that it's stated here, two facilities are
11 needed, but it would be conceivable to do it if you
12 said, let's build one for the Phillies on Position A
13 and then when that's built we will totally change
14 the configuration of the Vet to meet the needs of
15 the Eagles.

16 COUNCILMAN GOODE: So you are starting
17 the proposition that we need to construct at lease
18 one new stadium.

19 MR. ROSENTRUB: And substantially
20 remodel -- at a minimum, substantially remodel the
21 second.

22 COUNCILMAN GOODE: And that is your
23 advice to this Council. Is that advice based upon
24 examining the current lease?

25 MR. ROSENTRUB: It's based on looking

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2 at the current leases, the changing economics of
3 professional sports, what having the teams means in
4 terms of jobs and things of this nature. And if no
5 facilities were built and you showed no commitment
6 to build new facilities, it is conceivable you could
7 lose the teams.

8 COUNCILMAN GOODE: So what do you
9 determine the current tax burden on Philadelphia
10 residents to be under the current lease?

11 MR. ROSENTRUB: The tax burden that we
12 took a look at was on the future --

13 COUNCILMAN GOODE: Under the current
14 lease.

15 MR. ROSENTRUB: Currently, I did not
16 look at the current lease.

17 COUNCILMAN GOODE: The current lease
18 runs until 2010-2011.

19 MR. ROSENTRUB: Right.

20 COUNCILMAN GOODE: Did you look at the
21 current tax burden?

22 MR. ROSENTRUB: Yes, because the tax
23 burden would be, as I referenced in the document,
24 would not be a burden but would be an asset, as
25 Councilman Cohen talked out. In other words, given

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2 the commitments made, and now we've heard that those
3 commitments may not be honored, but if you go back
4 to the original commitments that beginning on the
5 1st of February of 2000 --

6 COUNCILMAN GOODE: Excuse me, Professor.
7 I'm asking in your determination that we build at
8 least one new stadium, did you examine the current
9 tax burden under the current lease?

10 MR. ROSENTRUB: Yes.

11 COUNCILMAN GOODE: And you determined
12 that it's a better public investment of tax dollars
13 to spend what amount on new stadiums versus what
14 amount under the current lease? What is the current
15 tax burden under the current lease?

16 MR. ROSENTRUB: As I said, the burden
17 on the lease is positive.

18 COUNCILMAN GOODE: What is the current
19 tax burden on the current lease?

20 MR. ROSENTRUB: It would be as
21 estimated by the Controllers Office under the
22 current --

23 COUNCILMAN GOODE: But what is it?

24 MR. ROSENTRUB: Six million dollars
25 positive. Not negative, sir, it's a positive gain.

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2 COUNCILMAN GOODE: I'm talking about the
3 amount of tax dollars we will spend between now and
4 the year 2000 --

5 MR. ROSENTRUB: That factors in the tax
6 dollars spent. It's not negative, it's positive.
7 It's a cash flow to the City beginning on
8 February 1, 2001.

9 COUNCILMAN GOODE: I'm not questioning
10 about tax benefit. I'm talking about tax burden.
11 You're saying the taxpayers should not pay this
12 amount of money for this deal. I'm asking you, if
13 we did not deal -- I'm not starting where you're
14 starting. I'm here actually at a hearing on pending
15 legislation which I may vote for. But what I'm
16 saying is that if this legislation did not pass,
17 what would be the burden of the taxpayers under the
18 current lease?

19 MR. ROSENTRUB: In the documents I
20 looked from the Controller, the answer is zero.

21 COUNCILMAN GOODE: It would be no tax
22 burden?

23 MR. ROSENTRUB: It would be a positive
24 cash flow.

25 COUNCILMAN GOODE: That is a ridiculous

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2 statement. Are you an economist by trade?

3 MR. ROSENTRUB: Yes.

4 COUNCILMAN GOODE: In what capacity?

5 MR. ROSENTRUB: At a university.

6 COUNCILMAN GOODE: You teach case
7 studies?

8 MR. ROSENTRUB: I teach everything from
9 case studies to economic principles.

10 COUNCILMAN GOODE: BUT you're not really
11 an economist by trade or economic development
12 practitioner?

13 MR. ROSENTRUB: No, I'm an academic.

14 COUNCILMAN GOODE: Thank you very much.

15 Thank you, Madam President.

16 COUNCIL PRESIDENT VERNA: You're
17 welcome.

18 The Chair recognizes Councilman Nutter.

19 COUNCILMAN NUTTER: Thank you, Madam
20 Chair.

21 Doctor, I did want just to ask a couple
22 other questions with regard to the analysis, some of
23 the factors that may have been in the analysis or
24 not in the analysis. These are purely informational
25 questions.

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2 With regard to the document either that
3 you've provided or any other materials that you may
4 have, did you look at the issue of any potential
5 liability currently at Veterans Stadium or going
6 forward or the continued operation of Veterans
7 Stadium as a part of any of the analysis of the
8 present deal that's in front of us and whether or
9 not that is good deal or not, or was your analysis
10 primarily limited to this deal as it's laid out and
11 the factors and components of this particular deal
12 in putting all other issues and circumstances to the
13 side?

14 MR. ROSENTRUB: The issue that I did
15 look at was the projections that were issued on what
16 it would mean if no facilities were built, the
17 current lease is continued, and the payments that
18 were received were equal to the commitments made,
19 yes.

20 COUNCILMAN NUTTER: And what was the
21 conclusion, I guess, of that analysis?

22 MR. ROSENTRUB: That through the period
23 of the ending of the leases by both teams, the City
24 of Philadelphia would actually net money.

25 COUNCILMAN NUTTER: I'm sorry, would you

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2 say that again? Are you talking about at 2010 or
3 2011.

4 MR. ROSENTRUB: 2011.

5 COUNCILMAN NUTTER: I'm sorry. I
6 couldn't understand that. Say that again.

7 MR. ROSENTRUB: That if in fact nothing
8 was built, we place no value on the team staying, et
9 cetera, the City of Philadelphia would actually at
10 the end of the period make money. You'd have a
11 positive flow; you wouldn't have a negative flow.
12 There is no taxes going in. The money's already
13 been spent.

14 COUNCILMAN NUTTER: When you say it's
15 positive from a tax standpoint, you're saying during
16 what would be this 10-year period or into the year
17 2011?

18 MR. ROSENTRUB: Into the 2011 period,
19 11 years from now or beginning 2001 counted for 10
20 years. But exactly in that time period all the
21 documents that I have seen both from the City and
22 the Controllers Office indicate that even with the
23 necessary improvements to the Vet to keep it
24 operational for that time period, the City would
25 actually come out positive.

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2 COUNCILMAN NUTTER: And that takes into
3 account additional capital and operating expenses of
4 Veterans Stadium, that takes into account loss of
5 revenues from, by that point in time I'm assuming
6 that the practice facility or practice activities at
7 least by the Eagles would not have taken place
8 during that 10-year period of time and the
9 subsequent wage tax and other business tax losses?

10 MR. ROSENTRUB: That's correct.

11 COUNCILMAN NUTTER: And that analysis is
12 a part of the one document that I have here?

13 MR. ROSENTRUB: Yes, it's referenced in
14 there as accepting the findings of the City and
15 Controllers Office.

16 COUNCILMAN NUTTER: What page would that
17 be on?

18 MR. ROSENTRUB: It's on 15.

19 COUNCILMAN NUTTER: What amount of money
20 in that model did you attribute to additional
21 capital repairs to Veterans Stadium and what amount
22 did you factor in for additional debt service
23 payments for those capital expenditures?

24 MR. ROSENTRUB: I don't have those
25 figures in front of me, but I will get that for you

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2 and get it back to you.

3 COUNCILMAN NUTTER: And those were also
4 factored into this?

5 MR. ROSENTRAUB: That's correct.

6 COUNCILMAN NUTTER: I'm on Page 15 and
7 notwithstanding what's on Page 15, you're saying
8 that there are other financial elements or financial
9 documents that you have or took into consideration
10 but I don't necessarily have as a part of this
11 document?

12 MR. ROSENTRAUB: Right. I think you
13 already have them in separate releases, but I can
14 get them again for you.

15 COUNCILMAN NUTTER: All right. Thank
16 you very much.

17 COUNCIL PRESIDENT VERNA: Thank you.

18 The Chair recognizes Councilwoman
19 Blackwell.

20 COUNCILWOMAN BLACKWELL: Madam
21 President, my light is on in error.

22 COUNCIL PRESIDENT VERNA: I beg your
23 pardon?

24 COUNCILWOMAN BLACKWELL: I didn't have
25 my light on.

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2 COUNCIL PRESIDENT Verna: Are there any
3 other questions of this witness?

4 (No questions.)

5 COUNCIL PRESIDENT Verna: Doctor, thank
6 you very much. You've been very patient.

7 Council will now stand in recess until
8 1:30. Thank you.

9 (Council recessed at 12:25 until 1:30.)

10 - - -

11 COUNCIL PRESIDENT Verna: Good
12 afternoon. We're now back in session. I would ask
13 Mr. McPherson to please read the titles of two bills
14 which he may have eliminated earlier.

15 MR. MCPHERSON: Bill No. 000723, an
16 ordinance amending an ordinance approved April 11,
17 2000, Bill No. 000003, relating to the Capital
18 Program for the six Fiscal Years 2001-2006 by adding
19 a project and an amount in the Department of Public
20 Property.

21 Bill No. 000724, an ordinance amending
22 an ordinance approved April 11, 2000, Bill No.
23 000004, relating to the Fiscal 2001 Capital Budget
24 by adding a project and an amount in the Department
25 of Public Property.

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2 COUNCIL PRESIDENT Verna: Mr. Hankowsky.

3 MR. HANKOWSKY: Yes. Council President,
4 since it came up this morning in some of the
5 discussion which was this issue of what is the
6 impact of these transactions on the City's adopted
7 five-year plan, I thought it might be appropriate to
8 augment my testimony by having Mr. Dubow, the budget
9 director, in fact address the question of what is
10 the impact of the transactions on the five-year plan
11 and then we'd be prepared to take any questions.

12 COUNCIL PRESIDENT Verna: Thank you.
13 Mr. Dubow.

14 MR. DUBOW: My name is Rob Dubow, I'm
15 the City's Budget Director. As Paul said, we've
16 done an analysis of what the deals mean for the
17 five-year plan and I'd like to kind of walk you
18 through what we did. We looked at a case which was
19 the numbers which were in last year's five-year
20 plan, so that includes things like getting the full
21 amount of having car rental tax revenues and having
22 none of the contingencies that Bill discussed this
23 morning come to fruition. We then compared that to
24 the numbers in the model that Arthur Anderson put
25 together for tax revenues except we discounted the

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2 revenues that they attributed to the Phillies. We
3 used only 80 percent of those revenues. We used
4 only 90 percent of the revenues attributed to the
5 Eagles, and only 50 percent of the revenues
6 attributed to the other events like soccer and the
7 Army-Navy game. We then added in the debt service
8 cost, and there were some earlier versions of this
9 that had earlier debt service runs. We kept
10 refining that. The debt service costs are lower
11 than we originally put in the model. When we ran
12 all those numbers through over the course of the
13 plan, the net cost is a negative \$5.8 million.

14 COUNCIL PRESIDENT VERNA: Was that
15 figure 5.8 million?

16 MR. DUBOW: 5.8 million over the course
17 the '01 to '05 five-year plan.

18 COUNCIL PRESIDENT VERNA: Do you have
19 copies of your testimony at all?

20 MR. DUBOW: I can make copies.

21 COUNCIL PRESIDENT VERNA: Would you
22 please. I think that will be helpful to each of the
23 Councilmembers.

24 The Chair recognizes Councilman Clarke.

25 COUNCILMAN CLARKE: Thank you, Madam

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2 President.

3 Good afternoon, gentlemen.

4 MR. HANKOWSKY: Good afternoon,
5 Councilman.

6 COUNCILMAN CLARKE: Mr. Hankowsky, you
7 recall briefing approximately two weeks ago in the
8 Mayor's Office, the initial briefing of
9 Councilmembers on this particular proposal?

10 MR. HANKOWSKY: Yes, I do.

11 COUNCILMAN CLARKE: And at that time a
12 question was raised by several Councilmembers with
13 respect to participation levels and goals.

14 MR. HANKOWSKY: Yes.

15 COUNCILMAN CLARKE: There was actually
16 even a question raised about apparently some
17 administrative functions in the State's contribution
18 as related to a program associated with the building
19 and trades union.

20 MR. HANKOWSKY: Correct.

21 COUNCILMAN CLARKE: And at that time you
22 essentially didn't have the level of details that we
23 felt comfortable with and indicated that you would
24 get back to us on that. In having been around for a
25 while, it seems that when these type of projects

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2 come to us, myself both as staff person and now as a
3 Councilperson, too frequently the whole issue about
4 participation is an addendum to the discussion. And
5 to some of us, and I think probably all of us, that
6 is as important as the financing, the site
7 preparation, and all other aspects of the particular
8 deal. So subsequently, Councilwoman Miller,
9 Councilman Goode and myself co-authored a letter to
10 the Mayor indicating our concern about that and
11 making certain requests as it relates to this
12 project as we move ahead. Are you familiar with
13 that letter?

14 MR. HANKOWSKY: I am aware of it, though
15 I haven't read a full copy of it, but I'm aware of
16 it, yes.

17 COUNCILMAN CLARKE: Are you aware of any
18 levels of the detail in terms of percentages and
19 participation levels?

20 MR. HANKOWSKY: Where we are on that
21 issue, Councilman, and I'd like to address sort of
22 the couple of issues you raised in your questions.
23 So let me do right away. You raised the issue of
24 the building trades and I believe apprentice issues
25 that go back to the passage of State funding for

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2 stadiums. At the briefing you're citing which was
3 two weeks ago I at least accurately said I wasn't
4 totally aware of that issue. Since then I've
5 actually checked into it. In fact, there were
6 requests made at that time that should we proceed
7 with the project in Philadelphia that something
8 unique and different be done to further increase the
9 capacity of participation that you're raising here.
10 My understanding is that the building trades have
11 been working on that. My understanding is that
12 there's been dialog that's commenced with the teams
13 on that so people are working to, in fact, in the
14 spirit of that discussion which I think is probably
15 at that time almost now a quote/unquote a year old
16 because it goes back to when Harrisburg acted on
17 this. So people are working to fulfill that
18 commitment at the time. That has not been
19 forgotten. I didn't know about it two weeks ago,
20 but I've now checked and, in fact, your recollection
21 was accurate.

22 COUNCILMAN CLARKE: Okay.

23 (Pause.)

24 MR. HANKOWSKY: I'm sorry, Councilman.

25 The major focus of your question was the issue of

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2 the status of discussion about this particulars of
3 the MBE, WBE or DBE programs.

4 COUNCILMAN CLARKE: And that's across
5 the board. The letter that we sent referenced
6 professional services contracts.

7 MR. HANKOWSKY: Right, right, I
8 understand. I mean, I appreciate that without
9 having immediately read the letter. We actually did
10 have discussions with the teams about this issue,
11 again, over a year ago, as you recall when we were
12 sort of thinking we were going come to some closure,
13 which obviously we didn't at the time. And both
14 teams, I think, will be in a position to speak
15 directly to their efforts. I think you're aware
16 that the Eagles, in fact, began a dialog with the
17 City and with the Administration. And in fact, when
18 they proceeded with the practice facility, proceeded
19 with activity related to MBE and WBE participation
20 there. As this current set of negotiations was
21 proceeding, we, again, began -- as we began the
22 whole negotiation, we began the discussion again of
23 participation plans. We have had discussions with
24 the teams about that. We've had lots of hard
25 discussions with the teams about lots of issues. We

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2 have asked them to do more than they had originally
3 talked to us about recently, so we've challenged
4 them to be more aggressive on this. I believe that
5 the Mayor is interested in seeing goals in the
6 neighborhood of the mid-30s for MBEs and around 10
7 to 12 percent for WBEs as where we would like these
8 teams to end up. And there's a DBE number also.
9 The teams are working through those plans to come up
10 with final plans. As I indicated in my testimony,
11 we are extremely aware of the fact that this is a
12 critical issue for this transaction. We believe
13 that these plans should be in front of you before
14 you vote on this with enough time that you can both
15 digest them, ask questions about them, of the
16 Administration and the teams. So we're going to
17 finalize those plans and the Mayor has set some
18 targets that he wants the teams to be able to say
19 that they are committed to fulfilling.

20 COUNCILMAN CLARKE: I reference the
21 particular state legislation and the subsequent
22 funding of a particular program and I reference that
23 because it's my understanding that there were some
24 concern that the goals wouldn't be met simply
25 because there were not enough people who were in the

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2 particular trades across the board who had not
3 passed apprenticeship or were not in
4 pre-apprenticeship programs, and I think the number
5 is somewhere around \$500,000 on the state level, 00
6 to 500 -- I'm not sure of the specific numbers, but
7 it's my belief that those numbers are not sufficient
8 to achieve the goals requested in our letter. I
9 would like to know if it's prudent for us to ask for
10 when you do your financial analysis to incorporate
11 into that some level of funding that will allow us
12 an opportunity to have some sort of component that
13 will get us to the numbers that we need to get
14 solely because people may not have -- may not be
15 journeyman, may not be apprentices, or may not be in
16 a pre-apprenticeship program so we can access the
17 diversity that we need to access.

18 Additionally, I would like to see some
19 discussion about increasing the bonding capacities
20 about certain small contractors throughout the City
21 of Philadelphia who simply cannot afford a bond of
22 the magnitude that we're talking about on the
23 stadium development or somehow being under a larger
24 bond either by the City or a larger contractor.

25 MR. HANKOWSKY: Obviously -- I guess one

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2 thing I'm lost. Do you have any sense of what the
3 funding level needs to be for the apprentice program
4 when you said that you think it's greater than the
5 200,000 or 500,000. I simply don't know so I'm
6 hesitant to say we can fund the program without
7 knowing what we need to agree to.

8 COUNCILMAN CLARKE: Mr. Hankowsky, I'm a
9 politician, not a technician.

10 MR. HANKOWSKY: Okay. Well, why don't
11 we go on both of those issues and get you a response
12 because I think those are both very good
13 suggestions.

14 COUNCILMAN CLARKE: And the other thing
15 is on the professional services level, too often
16 when these deals come to us, professional services
17 contracts are already done, signed, sealed,
18 delivered, and there's not the level of diversity on
19 the professional services contract that we would
20 like to see, so I would like to start from that
21 point and then work our way throughout that process.

22 MR. HANKOWSKY: Right.

23 COUNCILMAN CLARKE: And the other thing
24 is I can't put enough emphasis on the fact that the
25 level of concern and frustration about this issue

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2 simply being an add-on to the discussion. So I
3 would like to see that escalated relatively quickly
4 so if we have an additional presentation other than
5 the single line, I'd like to see that be a whole
6 chart.

7 MR. HANKOWSKY: Okay. I understand. I
8 absolutely understand.

9 COUNCILMAN CLARKE: All right. Thank
10 you.

11 COUNCIL PRESIDENT VERNA: Thank you. I
12 want to give everybody a fair chance. We will have
13 a 10-minute go-around ask so everyone will be
14 recognized.

15 COUNCIL PRESIDENT VERNA: We have been
16 advised by the negotiating teams and members of the
17 Administration that final deals with the teams will
18 not be completed by December 14, 2000. Based on the
19 fact that the City continues to bear the obligation
20 of paying \$23 million to the Eagles to purchase the
21 team's practice facility, how will this be factored
22 into the City's financial commitment for the
23 construction and financing of the operation of the
24 Eagles stadium?

25 MR. HANKOWSKY: Where we are on the

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2 issue of the buy-back of the practice facility is we
3 are moving the dates from when they were originally
4 set, which I'm sure you recall, had a November 30th
5 trigger date and a December 15th end date. We've
6 advised -- and the team has agreed that we would do
7 that. We've advised the bank. The bank is
8 currently working through the mechanics. In fact, I
9 got an e-mail. When I left here to go back to my
10 office, I had an e-mail and he e-mailed me what the
11 fee is to extend the LC so that we will extend the
12 letter of credit. And we would set a new start date
13 at December 15th, which is not to say that Council,
14 should they deem it necessary, obviously can't
15 deliberate further past that, but that would be --
16 and then we've set it at January 15th at the back
17 date so that we will not face, while you are
18 deliberating -- the Eagles aren't going to draw the
19 letter of credit, that's not going to be part of
20 what's going on. That would remain out there should
21 we all decide not to proceed and would revert back
22 to the original scenario and so we are moving the
23 dates.

24 COUNCILMAN ORTIZ: I didn't understand
25 that answer.

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2 COUNCIL PRESIDENT Verna: Could you
3 clarify your answer?

4 MR. HANKOWSKY: Yes.

5 COUNCILMAN ORTIZ: You said the deal
6 will not be terminated by December 14th, the deal with
7 the teams, the day we're supposed to approve this.
8 And we're supposed to approve it without the deal
9 being terminated with the teams; that's what she
10 asked, right?

11 MR. HANKOWSKY: I just want to make sure
12 I'm responding to the right question. The way it's
13 set up is that should there not be -- I think the
14 terminology, and I'm doing this by memory. Should
15 there not be legislation enacted and signed by the
16 Mayor that provides for the financing and
17 development of new stadiums, and I think it's
18 actually specifically the football stadium,
19 obviously, that then Eagles would have a right to
20 call on the letter of credit and have us buy the
21 facility. And my response was that what we have
22 done is moved the dates of that event back to be in
23 line with the dates of the process we are now
24 underway such that the Eagles will not be exercising
25 that right. And that's what I thought you meant by

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2 terminating, you know, terminating the agreement,
3 making us take the practice facility, buy it, while
4 we are in deliberations here. It will go pass that.
5 Obviously, if Council sees fit to affirmatively
6 approve stadiums, then their right terminates.

7 COUNCILMAN ORTIZ: But are all the
8 details of the deal with the teams going to be
9 before us before we approve the legislation? I
10 think that's what we're trying to get to here.

11 MR. HANKOWSKY: I didn't realize that
12 was the question. I'd be happy to answer that
13 question, but I thought I thought it was the team
14 lease question -- the practice facility question.

15 COUNCIL PRESIDENT VERNA: That was not
16 my question. I was questioning about the practice
17 facility and the \$23 million. I think Mr. Hankowsky
18 did answer the question. I said based on the fact
19 that the City continues to bear the obligation of
20 paying \$23 million to the Eagles to purchase the
21 team's practice facility, how will this be factored
22 into the City's financial commitment for the
23 construction and financing of the operation of the
24 Eagles stadium?

25 MR. HANKOWSKY: And the way it's

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2 factored in is if we collectively agree to proceed
3 with new stadiums, we're not buying back the
4 practice facility so that obligation would
5 terminate.

6 COUNCIL PRESIDENT Verna: Councilman,
7 are you okay with that?

8 COUNCILMAN Ortiz: I get what you're
9 saying, Madam Chair.

10 COUNCIL PRESIDENT Verna: Mr. Hankowsky,
11 in LIGHT of the fact that nothing in the term sheets
12 provided to us is binding on any of the parties to
13 these transactions, what assurances do we have that
14 the terms are enforceable and that City Council will
15 be able to approve any changes to them or any
16 amendments that may be required during the term of
17 the leases?

18 MR. HANKOWSKY: Let me try to do that in
19 two parts. I should have introduced Bill Martin who
20 is with me today who may occasionally be speaking to
21 respond to some of these. We obviously have other
22 administration people also with us.

23 I believe that the way that the Paid
24 lease lease-back with the City and the term sheets
25 work is in fact that PAID will be bound to

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1
2 incorporate the terms of the term sheets into any
3 final transaction. So that, in fact, should Council
4 approve these transactions, these term sheets, in
5 fact, become the binding business terms that we're
6 obligated to perform under and we don't have a right
7 to change the deal or amend the deal, to use that
8 term, with regard to any of these business terms in
9 the term sheets without coming back to Council.

10 MR. MARTIN: Council President, in the
11 lease lease-back document, lease lease-back lease
12 agreement which was provided as an attachment to one
13 of the ordinances, s to the Phillies, for example,
14 in Section 2.4, the relevant section is "The
15 Authority may enter into the Phillies lease upon
16 terms and conditions generally consistent with the
17 term sheet attached hereto made a part hereof."

18 The language is similar in the Eagles
19 lease-back lease agreement so the concept is the
20 materials that you're approving bind PAID to the
21 City that it's agreement with respective teams have
22 to be consistent with the terms of the term sheet.

23 COUNCIL PRESIDENT VERA: But presently
24 there are no terms in the leases regarding the full
25 utilization of the stadiums.

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2 MR. HANKOWSKY: I think there are.

3 Obviously, some fairly critical issues that are of
4 concern to either Council at large or particular
5 Councilpeople that need to be resolved and
6 incorporated into the term sheets either by
7 amplifying them in the term sheets or as exhibits.
8 I would included Councilman Clarke's issue which is
9 I think that we are committed that there would be
10 fully developed in writing MBE, WBE plans, that
11 those plans would, in fact, become part of the term
12 sheets and become binding on the Authority and on
13 the teams. We're very aware, and I should thank you
14 myself for your efforts, of issues that relate to
15 concerns the community has scheduling others that
16 need to get, one, resolved and then, two, put into
17 writing, and then, three, in all probability added
18 to the term sheets so that those are also clear.

19 COUNCIL PRESIDENT VERNA: I guess, Mr.
20 Dubow, the next question should go to you. What is
21 the basis for the wage tax estimates beyond 2005?
22 Can you tell us does the Administration anticipate
23 there will be no further decreases in the wage taxes
24 after that point? It's on the sheet that you
25 provided us. It's from the Arthur Anderson study.

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2 MR. DUBOW: No, we anticipate continuing
3 the wage tax reduction program.

4 COUNCIL PRESIDENT Verna: I'm sorry,
5 your voice is muffled because you're speaking too
6 closely to the mike.

7 MR. DUBOW: We anticipate continuing the
8 wage tax reduction program. I think that you're
9 right in that the model should have continued to
10 decrease the wage tax and that would result in a
11 slight decrease in the revenues that we're
12 projecting.

13 COUNCIL PRESIDENT Verna: Why wasn't it
14 corrected before it came here?

15 (Pause.)

16 MR. DUBOW: Because we don't know what
17 those decreases would be.

18 COUNCIL PRESIDENT Verna: I don't know,
19 I think you and Mr. Hankowsky were having a little
20 tete-a-tete. I didn't hear a word you said, Mr.
21 Dubow.

22 MR. HANKOWSKY: Let me try. What we did
23 in the Arthur Anderson model I think is we took what
24 is now the five-year plan wage tax reduction
25 schedule and ran it through the model and then

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2 stopped. You're right, we stopped and didn't
3 continue it because there's not, at least at the
4 moment, any specific, you know, we're going down .10
5 percent or, you know, what's the specific declining
6 rate by which we would continue to decrease the wage
7 tax, so we wrote it out flat. But you're right, to
8 the degree that we continue to adopt five-year plans
9 and continue to show progressive wage tax decreases,
10 there would be a slight adjustment downward in the
11 numbers, that's right.

12 COUNCIL PRESIDENT VERA: Mr. Hankowsky,
13 if you don't feel comfortable in answering the
14 following question, I could certainly ask the teams
15 tomorrow. How many of the other events contemplated
16 at the Eagles facilities are currently scheduled at
17 the Vet Stadium? I'm sure that the teams would know
18 the answer off the top of their head, so if in fact
19 you don't feel comfortable --

20 MR. HANKOWSKY: I think roughly, doing
21 this off the top of my head, the Phillies really
22 don't project additional other events in their
23 building. Of course they project their 81 baseball
24 games which we do at the Vet. The Eagles project,
25 obviously, their 10 football games, 2 pre-season and

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2 8 home games, as we do at the Vet. They project
3 Army-Navy. They project the five Temple games.
4 These being things we do today at the Vet. We do --
5 I don't know whether we do it every year, but it
6 strikes me it seems like it's every year. We do the
7 Jehovah Witness event which I think is five days, if
8 I recall. They project -- we also have done -- I
9 think we had one concert last year in the Vet, I
10 think it was David Matthews, so they project
11 concerts. So there's probably 20, 25 of the events
12 projected are current Vet events and then the ones
13 above that would be new. And I think the teams can
14 amplify that or be more specific.

15 COUNCIL PRESIDENT VERNA: They could
16 probably be more specific tomorrow.

17 Can you tell us who will determine the
18 use of funds deposited in the fund for children?

19 MR. HANKOWSKY: Because of the IRS tax
20 rules with regard to the receipt by the City
21 directly of payments from the teams that are what
22 are known in the business as private payments which
23 create a significant problem and, in fact, could
24 undermine your capacity to issue your debt on a tax
25 exempt basis, in other words, a much cheaper basis

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2 for the City. The City cannot be the direct
3 recipient of funds under the Children's Fund. The
4 intent, therefore, is to find an appropriate
5 non-profit organization, a 501C3 who would be the
6 recipient. That may be an existing organization or
7 one yet to be created.

8 COUNCIL PRESIDENT Verna: Excuse me.
9 I'm sorry.

10 Would someone close the door, please.
11 It's terribly noisy in here and it's very difficult
12 hearing testimony.

13 Thank you. I'm sorry. Please continue.

14 MR. HANKOWSKY: Thank you. So the
15 intent is to designate either an existing or a
16 to-be-created non-profit corporation 501C3 who would
17 be the recipient of the funds and who would then be
18 obligated to expend those funds on programs for the
19 benefit of children in the City of Philadelphia.

20 COUNCIL PRESIDENT Verna: What is the
21 status of the acquisitions of the properties that we
22 are to acquire? How certain are we that the
23 purchase prices will be in agreement with those
24 stated in the plan?

25 MR. HANKOWSKY: We have, obviously, five

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2 properties that we're in discussions with. I think
3 that for the benefit of the City in general and our
4 expenditures, what I'd like to do is characterize
5 these versus speak specific about numbers. But
6 where we are is we have had conversations with all
7 five property owners and we have actually reached a
8 handshake agreement now with one of them that
9 involves both price, timing, and the fact that they
10 would not file preliminary objections. We are in
11 discussions --

12 COUNCIL PRESIDENT Verna: Can we guess
13 on which one what that is?

14 (Laughter.)

15 COUNCIL PRESIDENT Verna: I'm sure we
16 know who it is. Go ahead.

17 MR. HANKOWSKY: We only reached this
18 agreement last evening so...

19 We are in discussions with a second
20 property owner and they are in fact -- well, this
21 one maybe I will say the name. This is Jetro where
22 we have actually had a conversation about them
23 moving into Acme. We've identified the space. They
24 are actually working with an architect to price and
25 tell us what would be involved to renovate that

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2 space such that it would be a substitute for the
3 space they use today, so it does need physical work.

4 COUNCIL PRESIDENT Verna: Is that going
5 to be an even swap? How is that going to work?

6 MR. HANKOWSKY: Well, basically, there
7 would be an agreement between us and Jetro that
8 would roughly have the following characteristics:
9 We would identify a portion of the Acme building,
10 several hundred thousand square feet, a couple
11 hundred thousand square feet. We would negotiate
12 with Jetro in what condition that space would be in
13 when they come to it. So, for example, it needs on
14 truck docks, it needs work on what are called wax
15 systems, storage systems, and perhaps certain other
16 improvements that we would pay for out the \$95
17 million line item, such that they would get, I'll
18 use the term, equivalent kind of space to the space
19 they have today both in terms of building and land.
20 We would pay certain costs for them to move from
21 where they are into that facility. And if we can
22 reach agreement on that bundle of sticks, both the
23 renovation, relocation cost, business disruption
24 issues that in consideration of handling all those
25 things for them, which would be inside our budget,

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2 we would, I'll use the term, give them that
3 renovated space in lieu of them giving us their
4 space. That's the swap idea. So there is a cost to
5 us to do it because we have to create the space and
6 move them.

7 COUNCIL PRESIDENT VERNA: But aren't you
8 also able to lease the remaining portion of that
9 building and would you not generate money from that?

10 MR. HANKOWSKY: Yeah, we would have an
11 additional portion of the building that would be
12 unincumbered, available, and we would have an
13 opportunity to lease that, sell that, make use of
14 that in some way. And there is, in fact, the
15 potential that there might be some economic value in
16 doing that. To be candid, we have not explored that
17 at all at this point. So that's another property
18 owner.

19 Two other property owners have given us
20 prices upon which they would sell the properties.
21 We would like to negotiate further with them about
22 those prices, get them down.

23 And we have a third property owner whose
24 agreed that they were not object to the condemnation
25 and hold up on moving forward but with that property

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2 owner we have not reached an agreement on price.

3 COUNCIL PRESIDENT Verna: If
4 construction falls behind schedule and the and the
5 Vet must be maintained for an additional season, who
6 bears the financial responsibility?

7 MR. HANKOWSKY: For operating the Vet
8 for an additional year?

9 COUNCIL PRESIDENT Verna: Uh-huh.

10 MR. HANKOWSKY: To be quite candid, the
11 specifics of what would happen in that scenario have
12 not fully been determined. We discussed, I think, a
13 little bit yesterday in the session that there would
14 absolutely be a need to bring back to this Council
15 for this Council's deliberations amendments to the
16 Vet lease that would terminate the current agreement
17 which has to happen because the teams have to get
18 out of that lease to go into a new lease. And one
19 of the things that that amendment's going to have to
20 deal with is, for example, what would be generally
21 called a force majeure event. Something happens, it
22 delays the project, and a team has to stay longer
23 and what will be the terms and conditions of that.

24 COUNCIL PRESIDENT Verna: Would you
25 please explain the provision of the environmental

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2 remediation in greater detail, please? What is the
3 likelihood that these costs could be more than \$2
4 million? If costs do exceed that amount and the
5 teams ask the City to cover the excess, how does the
6 City intend to make the decision whether to provide
7 additional funding?

8 MR. HANKOWSKY: I think there are
9 probably three components to that question. One
10 obviously is the question of what is the anticipated
11 risk out there from an environmental prospective. I
12 think for those of us who have been around a little
13 bit of time, we have some familiarity with the food
14 distribute center. Prior to its construction, it
15 was basically vacant ground. We used it at one
16 point during the centennial many years ago. We
17 actually have some history down there of a project
18 of a similar nature when we built the First Union
19 Center and there were environmental provisions
20 there. What the history seems to be is that what
21 you're going to discover is you might discover some
22 debris because there was some short thumping in
23 history before the current buildings like the
24 T-Warehouse were built there. Each of the buildings
25 that have built there are the original buildings.

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2 They weren't factories or steel plants there before,
3 so there isn't any history of industrial use that
4 would make you worry that there are significant
5 environmental problems.

6 And in fact, what we've discussed in the
7 First Union situation was when we did hit some
8 debris that the debris was so old, meaning it went
9 back literally to the beginning of the -- I was
10 going to say the beginning of the century, but I
11 guess we're in the century, so the beginning of last
12 century, the early 1900s that many of them now very
13 dangerous, toxic, hazardous substances hadn't even
14 been invented. For example, we didn't find PCB
15 because they didn't have PCB back then. What we did
16 find actually was coal ash that was used when people
17 used to heat their houses with the bins on the
18 sidewalks and they'd pick up the coal dust, and I
19 guess we dumped some there. So we don't anticipate,
20 we have no knowledge that there are any significant
21 environmental issues that might be discovered.

22 We've have an upset price so that if the
23 first 2 million in total per side of the street come
24 up that the teams worry about that. If we go past
25 that number, then you're correct, Council President,

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2 the understanding that we would have the ability to
3 elect to help contribute to that cost to keep the
4 project going, but we're not required to do it. We
5 would anticipate that that is one of the issues that
6 we have, the \$10 million contingency for, so that if
7 something should come up that we need to jointly
8 decide on that we would do it inside the budget and
9 the caps in funding that have been proposed to
10 Council today.

11 COUNCIL PRESIDENT Verna: Thank you.

12 Councilwoman Tasco. I know you've been
13 waiting for a while.

14 COUNCILWOMAN TESCO: Thank you very
15 much.

16 Mr. Hankowsky, I just want to say that I
17 support the comments made by Councilman Clarke. I
18 do think, though, that we need to have sometime a
19 full discussion about not just what the percentages
20 would be, but how the whole minority participation
21 will work.

22 MR. HANKOWSKY: Correct.

23 COUNCILWOMAN TESCO: Because even though
24 we may put the component in part of the -- make it
25 part of the deal, there is always some come back

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2 about problems that exist and we need to discuss
3 those problems.

4 MR. HANKOWSKY: Councilwoman, I couldn't
5 agree with you more. We've had some terrific
6 experiences and we've had some not good experiences.
7 And you and I both know which are which.

8 COUNCILWOMAN TASC0: Right.

9 MR. HANKOWSKY: And thinking up front is
10 preferable to what we've sometimes had to do, which
11 is think after the fact. I agree.

12 COUNCILWOMAN TASC0: I appreciate it.

13 MR. HANKOWSKY: No argument here.

14 COUNCILWOMAN TASC0: On the site work
15 that's going to be done, is the City paying for the
16 site work and teams will be doing the work or will
17 we be -- will the City do the site work through the
18 City's Procurement Department.

19 MR. HANKOWSKY: No, the teams will do
20 the site work, Councilwoman with us funding it. The
21 only exception to that is the demolition of the Navy
22 Hospital which will be done through PAID.

23 COUNCILWOMAN TASC0: And you have a
24 minority component? Will cover everything?

25 MR. HANKOWSKY: Yes, yes.

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2 COUNCILWOMAN TASC0: On Page 2 of the
3 table that we were looking at this morning, and this
4 is just for clarification. I'm not real good at
5 looking at all this stuff. On Column 7 where you
6 have foregone tax revenues, you see that, the
7 General Fund revenues from two new stadiums?

8 MR. HANKOWSKY: Yes.

9 COUNCILWOMAN TASC0: And you have
10 15,300,000 at the bottom total, Line 7.

11 MR. HANKOWSKY: It's 15,300,000.

12 COUNCILWOMAN TASC0: And that is because
13 you're going to lose business and real estate taxes
14 associated with the purchase of Jetro, Triple 7,
15 Maggio, T-Warehouse and Acme Markets?

16 MR. HANKOWSKY: Right.

17 COUNCILWOMAN TASC0: Do you add that 15
18 million to the cost?

19 MR. HANKOWSKY: No, it's not there. I
20 don't add it to that cost. What I do in this table
21 is I subtract the fact that we're going to lose
22 those taxes, I subtract it from the new taxes we're
23 getting to show you the, I'll use the term, net new
24 taxes you're getting. So charge the project for
25 losing the five buildings and the taxes that are

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2 related to those buildings before we take on any of
3 our obligations here. So I've included in the
4 analysis of what are the costs of proceeding.

5 COUNCILWOMAN TASC0: Okay. So we will
6 be down 15 million from the total new revenue coming
7 in?

8 MR. HANKOWSKY: Right. And so I
9 subtracted before I got to the 159 million. I
10 subtracted before I got there.

11 COUNCILWOMAN TASC0: On Table 3, Column
12 4, just for explanation purposes, what does less
13 base dollar, what's that column?

14 MR. HANKOWSKY: On this chart for the
15 School District what we did was we actually looked
16 at what the School District gets today out of the
17 stadiums. What the School District basically gets
18 today out of the stadiums is the liquor-by-the-drink
19 tax. So we took that tax, which we got from the
20 Revenue Department, we grew it by two and a half
21 percent to say, we're already getting this so let's
22 look at what the School District's getting new. So
23 again, this is -- this table the 70 million over 33
24 years to the School District is new money to the
25 district over what they're getting today.

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2 COUNCILWOMAN TASC0: So you have in the
3 year 2004, 672,000,000?

4 MR. HANKOWSKY: It's actually 672,000.

5 COUNCILWOMAN TASC0: Thousand. And you
6 take the 444,000 base that they're getting now?

7 MR. HANKOWSKY: Right.

8 COUNCILWOMAN TASC0: So the difference
9 would be 200-some thousand?

10 MR. HANKOWSKY: Right.

11 COUNCILWOMAN TASC0: On Table 3, again,
12 you have under U&O for the baseball stadium you have
13 it based on 165 million? Or is that thousand? Look
14 at the footnote, footnote number 2.

15 MR. HANKOWSKY: That's right.

16 COUNCILWOMAN TASC0: The baseball
17 stadium U&O is based on 165 million?

18 MR. HANKOWSKY: Right.

19 COUNCILWOMAN TASC0: Market value and 10
20 percent usage factor?

21 MR. HANKOWSKY: Right.

22 COUNCILWOMAN TASC0: That's the use of
23 the baseball field?

24 MR. HANKOWSKY: Yeah. What's different
25 with, I guess, with stadiums or arenas is how do you

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2 figure out the use and occupancy given here it sits
3 -- it's not like an office building where workers go
4 there everyday and use it and we charge U&O as if
5 you use it all time. You use it periodically. So
6 that the methodology was to look at the use of it
7 over the course of a year based on both days it's
8 open and seats that are filled, I think is the
9 methodology that we worked through because the
10 City's had to actually look at this for other
11 facilities of a like nature, how do you figure out
12 the U&O.

13 COUNCILWOMAN TASC0: Do you use the
14 baseball field more than you use the football field?

15 MR. HANKOWSKY: Well, you have event
16 days, so currently you're anticipating 81 events in
17 the baseball building and 59 in the football
18 building. But then you also have to look at
19 attendance for the different buildings and actually
20 you end up with like a million seven people in the
21 football building and I guess we used 2.9 million
22 people in the baseball building. So it's days of
23 use and occupancy.

24 COUNCILWOMAN TASC0: Because you have
25 the baseball U&O based on 10 percent usage and then

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2 the football U&O based on a 7 percent usage factor.

3 MR. HANKOWSKY: I think that's the
4 difference between the 81 days and the 57 days.

5 COUNCILWOMAN TASC0: It would seem to me
6 that you're going use the football field more than
7 you're going to use the baseball field.

8 MR. HANKOWSKY: If it's helpful, we
9 actually can give you the work sheets that back up
10 these numbers and go through the mathematical
11 calculations of how you get them if it would be
12 helpful. There are worksheets that back these up.

13 COUNCILWOMAN TASC0: Okay. On Table 10
14 you have calculated in here general revenue if no
15 new stadiums are built.

16 MR. HANKOWSKY: Yes.

17 COUNCILWOMAN TASC0: You do have
18 calculated the vehicle rental tax revenue. Now, are
19 we going to be able to keep the vehicle tax revenue
20 because I see on the next table it's not part of the
21 calculation.

22 MR. HANKOWSKY: Right. What we're
23 trying to do in this base case is to take the world
24 over the next 10 years and try to reasonably
25 anticipate what it might look like. As you know,

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1
2 when we enacted the \$80 million repair legislation
3 and the buy-back in the spring of this year, we said
4 well maybe we can use that rental car tax to pay for
5 those expenses if that's what happens to us. Then
6 in June, I believe, of this year which was I believe
7 after we dealt with this which I think was in March,
8 correspondence was received from legislative
9 leadership, both in the State Senate in one letter
10 and the State House in a separate letter that
11 basically said we're not sure that that's right,
12 that we, the legislature, enacted this tax on the
13 basis that the City was looking for this revenue to
14 support new stadiums and we're not sure that we
15 would be comfortable if you used it for repairs and,
16 in fact, we might be so uncomfortable we might
17 repeal it.

18 What I show you here is suppose you had
19 it what happens. And then on the next table I say,
20 well, if you don't have it, let's take the revenue
21 out -- not the next table, but the last table, Table
22 12. Let's show you what happens if in fact the
23 legislature would go forward and repeal it and what
24 the impact would be, and it would be massive impact.

25 COUNCILWOMAN TASC0: Madam President, I

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2 have one last question. I want to go back to Table
3 2. I missed my question.

4 MR. HANKOWSKY: Please.

5 COUNCILWOMAN TASC0: On Table 2 you
6 have -- this is very complicated.

7 MR. HANKOWSKY: Yes, I do and I
8 apologize. We tried to make it as informative as
9 possible.

10 COUNCILWOMAN TASC0: Back to that U&O, I
11 was just curious how we came to U&O being 250,00 for
12 the football stadium and the baseball stadium.

13 MR. HANKOWSKY: Right.

14 COUNCILWOMAN TASC0: Was that just
15 because --

16 MR. HANKOWSKY: Well, we actually ended
17 up -- I think we had a number like 243 and 230, I
18 mean they were slightly different and we rounded
19 them both to 250.

20 COUNCILWOMAN TASC0: Now, you have
21 calculated in the football stadium pilots and the
22 baseball stadium, pilots.

23 MR. HANKOWSKY: Yes.

24 COUNCILWOMAN TASC0: On Table 3. But
25 you didn't include pilots on Table 2.

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2 MR. HANKOWSKY: The pilot numbers ARE
3 inside Columns 4 and 5. So within the new revenues
4 from a football stadiums and within the new revenues
5 of a baseball stadium, I've already included the
6 pilots.

7 COUNCILWOMAN TASC0: Okay.

8 MR. HANKOWSKY: And I actually show you
9 that, Councilwoman. For example, if you went to
10 Table 4, you'll see that I now break out the Eagles
11 football revenue, the other event revenue and the
12 pilot revenue. And that last column called the
13 total column on Table 4 is in fact Column 4 on
14 Table 1.

15 COUNCILWOMAN TASC0: But on Table 2 when
16 you have projected football stadium tax revenue,
17 it's only 406,000 --

18 MR. HANKOWSKY: 406 million.

19 COUNCILWOMAN TASC0: 406 million and
20 then you have 423 million. I've been trying to
21 figure out how do we get there. Shouldn't they be
22 the same?

23 MR. HANKOWSKY: It's the -- I think
24 maybe what we did is in Table 4 -- it should be the
25 same.

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2 COUNCILWOMAN TASC0: Because I did add
3 the pilots.

4 MR. HANKOWSKY: Oh, you know what it is?
5 We might be missing a year at the bottom of Table 4.
6 Let me check on that. I think we might have just --

7 COUNCILWOMAN TASC0: The numbers don't
8 add up.

9 MR. HANKOWSKY: Oh, that's right. The
10 difference between Table 4 and Table 2 is Table 4 we
11 show the construction taxes in the first column,
12 16.7 million, show just what comes out of the
13 football stadium. If you take the 16.7 from the
14 4.23, you'll end up with the 4.06 under football,
15 and the construction impact of football is in Column
16 3 on Table 2.

17 COUNCILWOMAN TASC0: Would you just look
18 at that again?

19 MR. HANKOWSKY: I wanted to make sure
20 everybody read these tables and saw if they added
21 up, and you obviously did.

22 COUNCILWOMAN TASC0: I don't have a
23 calculator. I can't get them to add up, so just
24 look at that again.

25 MR. HANKOWSKY: Okay.

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2 COUNCILWOMAN TASCO: That's all I have
3 right now, Madam President.

4 COUNCIL PRESIDENT Verna: Thank you very
5 much.

6 The Chair recognizes Councilman Goode.

7 COUNCILMAN GOODE: Thank you, Madam
8 President.

9 Mr. Hankowsky, I'm going to go back to
10 the Mayor's letter, the letter we sent to the Mayor
11 on November 17th, sent by Councilwoman Clarke,
12 Councilwoman Miller and myself, and specifically the
13 contracting goals within that letter that we sought
14 to be at least 50 percent for economical
15 disadvantaged businesses. I heard you speak about
16 some of Mayor's goals, and in that letter, we
17 actually asked for a formal response from the Mayor.
18 And it's my understanding that you were supposed to
19 give that administrative response today and you did
20 in terms of some ranges. I just want you to repeat
21 those ranges for the record because I wasn't clear
22 on the specific numbers that you gave in terms of
23 participation ranges the Mayor is seeking.

24 MR. HANKOWSKY: Well, Councilman Clarke,
25 who isn't here I guess now, was so effective, I can

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2 actually get more specific. I've actually been
3 handed a letter that we in fact -- that I can now
4 report that the Administration and the teams have
5 reached an agreement on a 35 percent goal for MBEs,
6 a 12 percent goal for WBEs and a 2 percent goal for
7 disabled-owned businesses in the design and
8 construction of the project. I gave the range
9 earlier because I wasn't aware that this agreement
10 had yet been reached, which it has been since we've
11 been sitting here.

12 COUNCILMAN GOODE: How do we make that
13 legally binding in terms of good faith efforts?

14 MR. HANKOWSKY: I think what we need to
15 do, Councilman, is take what I believe, which is
16 sort of happening while we're here, which is the
17 handshake on this turn this into a full-blown
18 written economic opportunity plan, get that plan to
19 you. I don't want to tell you I can get it to you
20 tomorrow, but maybe with this agreement we would be
21 able to get you something very quickly such that
22 both you can ask questions about it and we would
23 amend it into the term sheets.

24 COUNCILMAN GOODE: Thank you.

25 COUNCIL PRESIDENT VERNA: You're

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2 welcome.

3 The Chair recognizes Councilman Nutter.

4 COUNCILMAN NUTTER: Thank you, Madam
5 President.

6 Mr. Hankowsky, I want to go back to a
7 comment that you made before I asked my questions.
8 In response either to a question raised by
9 Councilman Ortiz or the Chair, I picked up the tail
10 end of something that you said with regard to the
11 Eagles practice facility and the -- I think actually
12 to day is the date that's specifically mentioned in
13 the legislation that we passed back in March.

14 MR. HANKOWSKY: Right.

15 COUNCILMAN NUTTER: Today is the day.
16 And what I wrote down and what I thought I heard you
17 say was that there is or have been an agreement to
18 move the date back because you're in active
19 discussions, obviously, with some uncompleted pieces
20 of a stadium deal. If we have a stadium deal, then
21 we don't have to worry about practice facility.
22 Could you add a little more to the record? Just
23 explain to me what you meant by that.

24 MR. HANKOWSKY: I think I'll be
25 responding to your question, though I was having a

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2 side-bar in the middle of your question so I hope I
3 didn't miss it all.

4 We have a verbal agreement with the
5 Eagles that they are not going to draw the letter of
6 credit, that we are going through this process in
7 good faith collectively. We are working with the
8 bank and we're moving the dates of the letter of
9 credit from November 30th through December 15th and
10 changing those dates to be December 15th through
11 January 15th.

12 COUNCILMAN NUTTER: What was the
13 November 30th through December 15th, what's the
14 significance of that?

15 MR. HANKOWSKY: There was the date by
16 which, if I can remember this right, Council was to
17 have enacted and the Mayor to have signed the
18 legislation. And as you recall, there was a whole
19 bunch of discussion before about sliding dates.
20 Remember we had September 8th, we had November 8th,
21 we had November 30th. So in order to between us and
22 the Eagles make it simple, we simply said that if by
23 November 30th something hadn't happened they would
24 draw the letter of credit on December 15th. We
25 created this two-week window. So there was a date

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2 for an event that the bank could say, yep, happen,
3 didn't happen, and then there was a date that could
4 draw. Quite candidly, it was also created just --
5 it's November 30th and you want to have one day of
6 hearings, we don't want the same date to be the date
7 of the action the date of the draw. I mean, you
8 know, something could happen. So the two-date idea
9 is simply to lift a date for the enactment and have
10 a separate date which is the date they can draw it
11 on which give us room so that if something
12 happens -- and by the way, it also just makes it
13 cleaner as a legal matter.

14 COUNCILMAN NUTTER: And the new dates
15 are what?

16 MR. HANKOWSKY: I'm sorry?

17 COUNCILMAN NUTTER: The new dates are?

18 MR. HANKOWSKY: The new dates are
19 enactment by December 15th and draw on the letter of
20 credit by January 15th. And again, that's a little
21 bit longer than the original two-week gap, but with
22 the holidays, the bank simply asked \$23 million
23 letter of credit could we do it after the New Year,
24 so that makes sense.

25 COUNCILMAN NUTTER: Okay. Let me go

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2 back to an area that has been raised on a number of
3 occasions. Your answer -- I won't ask you questions
4 about the goals. Councilman Clarke and Councilman
5 Goode have talked about that for sometime. What
6 does strike me in this situation is in many of these
7 deals that package and usually a couple other things
8 always appear to be the last items that get dealt
9 with. And I'm trying to understand why is that the
10 case. We seemingly are always left at the tail end
11 arguing, even in a nice fashion -- I won't say
12 arguing, discussing or requesting either additional
13 information or where are the documents or what's
14 going on. I mean, we have no lack of paper here
15 with 13 bills and extensive information that is
16 obviously been put together to get ready for today
17 and the next couple of days. Why is this always the
18 last piece that gets done?

19 MR. HANKOWSKY: I guess I would just
20 slightly modify the question by saying I'm not sure
21 it's the last piece, but I understand the clearly
22 the perception is it sure ain't the first piece.

23 COUNCILMAN NUTTER: It's clearly not the
24 first piece.

25 MR. HANKOWSKY: The only reason I make

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2 that distinction is we've got a few other pieces in
3 this deal to get done.

4 COUNCILMAN NUTTER: There's no question.
5 You've got a lease, you've got a \$54 million gap,
6 all the things that we're talking about. But always
7 at the tail end of the package is this uncompleted
8 piece.

9 MR. HANKOWSKY: I think in this
10 transaction, though, and I think we have been clear
11 from the beginning that meaningful -- aggressive
12 equal opportunity plan were an essential component
13 of the transaction. And maybe this is wrong. Maybe
14 I'll learn one last thing before I get out of here.
15 I mean, generally what we end up doing, maybe it's
16 just the nature of the beast, is we generally end up
17 trying to figure out do we even have a deal in terms
18 of the economics with the understanding that as soon
19 as we figure out whether we have a deal or we don't
20 have a deal, that we're going to need to finalize
21 what were the prior discussions. And there were
22 clearly prior discussions. This is not something
23 that we just started talking about since the
24 announcement.

25 COUNCILMAN NUTTER: I understand that.

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2 But I mean you, obviously -- this is no chastisement
3 of you. Can I'm trying to understand the process.
4 I mean, you obviously moved on a variety of items
5 simultaneously without knowing whether you had a
6 deal or not, the result of which is all the paper on
7 our desks.

8 MR. HANKOWSKY: Right.

9 COUNCILMAN NUTTER: Where did this go as
10 a part of that process and why is it not a part of
11 what we have as the material as opposed to -- this
12 is not the first one that it's happened on. We're
13 not at the point of alarm even at the moment. But
14 every one of these big projects that comes through,
15 this, Tifts, Kvaerner, hotels, everything, it is
16 always one of the last items that gets dealt with.
17 And it seems to me that if there's an ability to
18 negotiate and nail down a whole wide variety of
19 items simultaneously to trying to figure out whether
20 you have a deal or not, I'm just looking forward to
21 the day where this is not an item that's still being
22 discussed at the public hearing in a very compact
23 period of time. And I will take you at your word
24 that we'll have the documents and materials prior to
25 a vote as long as we understand that today is

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2 November 30th and at the outset there's an
3 expectation that there will be a vote on the 14th.
4 So somewhere between now and -- actually, first vote
5 is either going to be late in the night of the 6th
6 or early in the morning of the 7th to get a bill out
7 of committee. That's the first vote. So I'm just
8 -- you've got a lot of things that you need to take
9 care of. It's just apparent that this a continual
10 pattern of activity and I'm just trying to figure
11 out as everybody's stuff gets taken care of, I'm
12 just trying to figure out how this business gets
13 taken care of all at the same time and if there
14 other components that need to be dealt with
15 subsequent, let those other components not be this
16 component.

17 MR. HANKOWSKY: At lease on that
18 characterization I think that is the case, that the
19 number one thing we have now reach an agreement on
20 out of the to-do list that we had after doing a term
21 sheet, the first one I think I can check off in a
22 handshake and hopefully in a day or two check off as
23 a document is this.

24 COUNCILMAN NUTTER: Thank you. I know
25 there was some discussion earlier about the various

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1
2 sites. I think it's five properties in total. It
3 does not appear that any of the boards and stuff are
4 here today. I'm sure at another point in time we'll
5 have those. But, I guess, can you verbally talk
6 about how you came to the decision about these
7 various sites, why are we buying all that we are
8 buying and size of the project, at least the cost,
9 as compared to -- we don't need to have a China Town
10 discussion, but I think at an earlier point in time
11 when there was a discussion about South Philadelphia
12 and the potential two stadiums, the price was one
13 number which may have been unrealistic and then
14 there was another number in late '99 which may have
15 been more realistic, I think somewhere in the 7 or
16 \$800 million range. That was the number that was
17 being promoted at the time. We never had a deal,
18 though. And now we're where we are. Why do need
19 all of this property, why we need to own it as
20 opposed to some other pieces being under lease to
21 different people? Why is it the way it is?

22 MR. HANKOWSKY: Let me try to respond to
23 that sort of comprehensively without turning this
24 into an hour briefing on the site in question. When
25 we came back to begin to look at the two stadium

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2 option in South Philadelphia this fall, you
3 obviously started with what might have been the base
4 case, I'll use that term, where it had been left
5 before. And it had been left before with the Eagles
6 on T-Warehouse. That has pretty much been a
7 constant throughout.

8 And the idea of a potential of putting
9 the Phillies in what has been generally now dubbed
10 the north lot. That's a scenario that only requires
11 the acquisition of one property, T-Warehouse. It is
12 physically doable, you know, you have the north lot
13 you can put a building on it. It results in two new
14 buildings in the complex with no increase in parking
15 over what you have because in effect you almost flip
16 -- if you can almost think of flipping the Vet from
17 where it is up to the parking lot. And then you
18 have -- so you have no new parking, you still have a
19 stadium roughly as close, little bit further away
20 but not that much further away from neighbors to the
21 west as the Vet is today, what is generally called
22 the stadiums neighbors neighborhood. You actually
23 have placed the stadium further north and placed it
24 close to Tenth Street. So you've now actually
25 created a situation where conceivably you have a

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2 neighborhood impact going up Tenth Street to the
3 neighborhood just north of the stadiums that you
4 didn't quite have before when it was all the way
5 down on Pattison. The feeling was that that was an
6 undesirable siting scenario, both from a
7 neighborhood perspective and from an overall sports
8 complex efficiency and effectiveness and operations
9 scenario.

10 We asked the Phillies to explore --

11 COUNCILMAN NUTTER: Is that because
12 things are even more stretched out? You actually
13 increase in size of the sports complex area?

14 MR. HANKOWSKY: Yeah, I mean, we already
15 have three buildings today, then you'd have four
16 buildings. And you have three buildings south of
17 Pattison. You'd have one building north of
18 Pattison, you'd have -- the parking would not be
19 around each of the buildings. We have parking
20 problems today; no question. We have traffic
21 problems today; no question. So instead of simply
22 subtracting one and adding to and leaving everything
23 else the same, was there a scenario that would give
24 you a better sports complex because you're live with
25 it for 33 years, maybe a long, long time.

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2 COUNCILMAN NUTTER: Right.

3 MR. HANKOWSKY: So the first question
4 was to the Phillies was can this stadium be pushed
5 further south and get it further away from the
6 neighbors, with that be a driving force. And the
7 idea was whether it could fit between the current
8 Vet stadium on the west and Tenth Street to the east
9 and front on Pattison Avenue. So now in effect it
10 would be the Vet flipped, just literally just over on
11 its side from where it is not to the lot that's
12 immediately to the east of the Vet. We looked at
13 that and the technical answer is, yeah, it sort of
14 fits. What I mean it sort of fits is you can build
15 a baseball stadium from the edge of Tenth Street to
16 the edge of the Vet and get it in there, the
17 buildings, and you have a little bit of space. I
18 forget if it's 25 or 50 feet between the wall of the
19 Vet and the wall of the new building. So you have
20 the new building coming out of the ground while the
21 Vet sits there.

22 In order for that to happen, you impact
23 four aspects of current Vet operations. You take
24 out one set of significant ramps, you know, the big
25 ramps we all come up to get to the E Gate or the A

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2 Gate. You take out whole set out. You take out the
3 truck ramp that brings trucks to supply the stadium
4 and so the service entrances is on that side. You
5 take out the pump house which is where the pumps are
6 that pump out the water from field system because
7 the field is sunk. In effect today we have a
8 continual sump pump system running out in the field.
9 And you take out the box louver, the cooler systems
10 for the air conditioning. You'd solve any technical
11 problem with money.

12 You also have a problem that you can't
13 add parking. You've sort of done nothing to make
14 the place any different than it is today. And you
15 face a real sort of interesting mechanical problem
16 that if either of the new stadiums would have any
17 force majeure event -- I mean, the only what this
18 would work is a scenario where you're building both
19 stadiums are coming out of the ground, you endure
20 the problem for the construction season and then you
21 get the Vet out of there real fast. If anybody
22 misses getting done -- and you wouldn't move it in
23 mid-season so they'd be there another season. To
24 think of having the baseball stadium open, not under
25 construction, but open and the Vet open, we weren't

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2 quite sure how that worked.

3 So we said, okay, is there another
4 scenario that would make sense here? And what we
5 looked at was moving the new baseball stadium east.
6 East, meaning cross Tenth Street now and when you
7 cross Tenth Street you now say could it fit on what
8 has now become known as that Jetro site. That's the
9 site that's in fact in the briefing maps. The
10 answer is, yeah, you could put it there. And when
11 you put it there, you've eliminated all the Vet
12 impact issues. You've eliminated the coordination
13 issues of the two buildings being side by side.
14 You've begun to think about the capacity to begin to
15 add new parking because now when you take the Vet
16 down, that's new parking because we've kept all the
17 old parking and we've added some new parking.

18 You then say to yourself, okay, let's
19 take Jetro. One of the issues with Jetro is this is
20 a business that's happy to be in business in the
21 food center, has no interest in moving, makes money.
22 And in our previous discussions with them, they
23 said, look, maybe we'd move, but we want to move in
24 the food center. Moving us two miles away, we might
25 as well go to Jersey or somewhere. It doesn't help

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2 us.

3 The scenario existed because the Acme
4 building had been vacated, was sitting there and was
5 empty that you on could literally just move Jetro
6 into Acme and you could also create a situation
7 where you could get further additional parking by
8 taking what is the undeveloped portion of the Acme
9 site -- if you look -- and I apologize because I
10 promised it to you and I still haven't gotten it to
11 you, an aerial. If you looked at the Acme site, you
12 would see that a significant portion is just grass.
13 Acme, because they're a corporation, just -- they
14 didn't park cars there, they just ran their
15 business. They didn't want third parties on their
16 lot. But you can pick up a fair amount of parking,
17 in fact, we think probably around 2,000, 2500 spaces
18 by sort of finishing out the Acme site. So now you
19 can gain more parking there, gain more parking on
20 the north lot. Then you look and you say, wait a
21 minute, now the baseball stadium is across two kind
22 of warehouses, meaning, the Triple 7 and Maggio.
23 And you'd really like parking all around it, so why
24 don't we take those two, have a really full blown
25 parking solution, gets us that 20 to 22,000 number,

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2 have a complex that really ties together. And part
3 of this parking is space number and part of this
4 parking is space location. And if we can have
5 spaces on every side of each stadium, then people
6 can literally leave from each way and much of what
7 we face today in terms of congestion will get
8 alleviated because it will just flush out more
9 easily.

10 That's the history of the site process.

11 COUNCILMAN NUTTER: Tell me the shorter
12 version of the story of why do you need to buy the
13 Acme warehouse in order for the Jetro relocation to
14 work and was there any -- now, is it my
15 understanding that the Jetro site is about 13 acres
16 and the Acme site is about 40 or 42 or something
17 like that?

18 MR. HANKOWSKY: Yeah ,that's roughly
19 right. I think Acme is like maybe it's 41 acres, 40
20 point something, and Jetro is probably around 12,
21 13.

22 COUNCILMAN NUTTER: So the first
23 question is we need the one we'd like to be there
24 there's a space for you across the street why don't
25 we take you over, introduce you to the folks over

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2 there, you guys do a business deal, life is good,
3 you're relocated, good-bye. That's one.

4 And, two, was there ever any thought or
5 consideration given to putting the baseball stadium
6 on the Acme site and leaving Jetro where they are?

7 MR. HANKOWSKY: Let me do the last one
8 first, and then I'll do -- actually we looked at
9 that for a split second because putting the
10 potential 3 million fans any one game stadium at the
11 Acme site so at the far -- again you almost have to
12 look at a map. You would have had Jetro still there
13 so maybe you would even have Triple 7 there and
14 Maggio. You'd stick a stadium in a corner. You'd
15 have warehouses on two sides and I95 on the south.

16 COUNCILMAN NUTTER: Is Acme the white
17 building to right of the Eagles Stadium.

18 MR. HANKOWSKY: Yes. So it didn't seem
19 to make any sense to put baseball there.

20 We did look, though, of putting baseball
21 and T-Warehouse; football and Acme. So we looked at
22 both ideas. And we still though we probably needed
23 to buy Jetro and Triple 7 and Maggio because the
24 parking is all the way up here and stadiums are way
25 down here and there's a need for enough parking

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2 around the stadiums to make them work.

3 We also thought when you did that -- we
4 actually have a plan where we actually bought all of
5 that and stuck two stadiums on the south of
6 Pattison.

7 We then started looking at that from a
8 traffic and operational standpoint, and what happens
9 is you got all four buildings on the south side.
10 Effectively, the new stadiums have one edge. The
11 only way to get out of them is Pattison Avenue. The
12 side streets simply get you up to Pattison. So we
13 have all this traffic on the south side, whenever we
14 parked down there going north trying to get on
15 Pattison. And take an Eagles football game, which
16 is, you know, kind of the sell-out event in the
17 complex, so we have 65,000 people down there. You'd
18 have 30 to 35,000 people crossing Pattison Avenue to
19 get to the north parking south to the stadium,
20 crossing against all this traffic. I think all of
21 us know that experience today in a much smaller
22 sense.

23 COUNCILMAN NUTTER: So is --

24 COUNCIL PRESIDENT VERNA: Excuse me,
25 Councilman, would you let this be your last question

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2 and then we'll have a second go-around, please?

3 COUNCILMAN NUTTER: Sure. Thank you,
4 Madam President.

5 MR. HANKOWSKY: So the functionality of
6 it didn't seem to make sense. Let me complete the
7 question because you had a two-parter and I only
8 have done one part.

9 In terms of voluntarily dealing with the
10 Jetro relocation question, we wanted to do two
11 things which we thought we would achieve by
12 acquiring Acme versus not acquiring Acme. One was
13 to have total control of the time of proceeding, not
14 having a third party who might or might not make a
15 deal with Jetro who might or might not proceed at a
16 certain pace and the Phillies now with some sense of
17 they maybe finally have a site want to move very
18 quickly because they want to open in the April 2004
19 season. That literally means that we'll be working
20 on a Jetro relocation beginning after the first of
21 the year in the sense of designing their relocation
22 stuff, bidding it out, getting them set up. By the
23 time you move them, and you run that out on a
24 schedule, you almost have no time to have somebody
25 make a mistake, slow you up, do something adverse.

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2 And secondly was to gain control of the
3 2,000 to 2500 parking spaces that that creates as
4 part of the complex. Because what we face today is
5 the space down there we don't control in an
6 operational. And if we can control in an
7 operational sense, we can do a lot more to achieve
8 the goal in getting cars out of the neighborhood,
9 forcing people into lots.

10 COUNCILMAN NUTTER: Okay, thank you.

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2 (Relief stenographer, Josephine
3 Cardillo, takes over.)

4 COUNCIL PRESIDENT Verna: The Chair
5 recognizes Councilman Kenney.

6 COUNCILMAN KENNEY: Thank you, Madam
7 Chair.

8 Mr. Hankowsky, I'd like to thank you
9 for all of your hard work during the course of
10 these many years dealing with project. And I know
11 that you're coming to the end of your tenure soon
12 and, hopefully, we'll be able to send you off with
13 a completed deal finally.

14 MR. HANKOWSKY: Thank you very much,
15 Councilman. I appreciate that.

16 COUNCILMAN KENNEY: Let me go back for
17 a moment to the issue of 12th and Vine. Do you
18 remember when the Mayor announced that 12th and
19 Vine was his preferred site for the Phillies
20 baseball facility?

21 MR. HANKOWSKY: When did we announce
22 it. My recollection is that the site -- Stadium
23 Site Selection Committee made a report -- was it
24 April? Maybe early May? I think.

25 COUNCILMAN KENNEY: April or May.

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2 MR. HANKOWSKY: Yeah.

3 COUNCILMAN KENNEY: Could you describe
4 the activity that went on, or did not go on,
5 relative to the effort to get 12th and Vine
6 accomplished. Were there meetings with business
7 owners? Was there an attempt or plan to acquire
8 the properties needed? Were their meetings with
9 community people at 12th and Vine? Were there
10 traffic studies done? What was the process
11 employed by Administration and PIDC to make 12th
12 and Vine happen?

13 MR. HANKOWSKY: We commissioned -- I'll
14 do it a little bit off of the top of my head. I
15 mean, we commissioned a full-blown consultant
16 analysis of the 12th and Vine site. We hired
17 engineers, traffic consultants, environmental
18 consultants, utility consultants. We went through
19 a fairly intense effort that, my recollection is,
20 roughly was a 30-day effort to analyze the
21 technical feasibility of the site, which hadn't
22 been done prior to saying, you know, it's a
23 recommended site.

24 So there were discussions with PECO,
25 there was analysis done -- I mean, I have --

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2 COUNCILMAN KENNEY: I guess the
3 question is --

4 MR. HANKOWSKY: I have many boxes of
5 stadium files; two of them are the 12th and Vine
6 boxes. So I have all kinds of reports about that
7 site.

8 We also simultaneous our parallel, I
9 guess, with that, as you might recall, the Mayor
10 appointed a Stadium Negotiating Committee that
11 included Mr. Rouse, Mr. Adler, Ms. Corbin, and
12 Mr. Zeitz (ph.). And we began a series of
13 intense, tough discussions with the teams about
14 financing and transaction that would involve that
15 -- that involved that site in conjunction with
16 T-Warehouse. Proposals went back and forth.
17 There was a lot of financial analysis and numbers-
18 crunching, and those things were happening.

19 We never actually, I don't believe,
20 Councilman -- I think there -- there may have -- I
21 did not participate. I think there were some
22 discussions with some community representatives.
23 I don't think they ever got very far. I didn't
24 directly participate, so I can't really totally
25 characterize them.

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2 COUNCILMAN KENNEY: When, in your
3 opinion, did you believe that it was clear that
4 12th and Vine was not a feasible site, either from
5 a financial standpoint, or more importantly, I
6 guess, from a timing standpoint with the teams,
7 that it would take a lot more time to get this
8 particular facility done at 12th and Vine as
9 opposed to South Philadelphia? Was there a almost
10 a month or a time when people said, you know what,
11 despite the announcement by the Mayor that it
12 wasn't going to happen, when was it kind of
13 understood that this just wasn't going to work?

14 MR. HANKOWSKY: Well, let me -- I'm
15 going to respond to the question, but I want to do
16 it slightly in components. I don't think we ever
17 reached the conclusion that it wasn't technically
18 possible.

19 COUNCILMAN KENNEY: That wasn't my
20 question.

21 MR. HANKOWSKY: Yeah, I understand.

22 COUNCILMAN KENNEY: The question was,
23 when was it clear that --

24 MR. HANKOWSKY: And then the timing
25 aspect ended up turning into a financial issue.

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2 COUNCILMAN KENNEY: Correct.

3 MR. HANKOWSKY: So, in other words, at
4 a certain point, the Phillies actually said, Okay,
5 we might live with the delay because of
6 condemnation and relocation of the significant
7 numbers of homes and properties, but we're only
8 going to live with it for a while. So it began to
9 turn into, for example, would there be penalties
10 if we were late and, you know, because they -- I
11 mean, how long could they hold their economics
12 when we were controlling when they got to turn the
13 lights on?

14 COUNCILMAN KENNEY: When would you
15 estimate that --

16 MR. HANKOWSKY: So -- and then there
17 was a discussion of the economics. As you recall,
18 the Mayor gave an address, a TV address, which I
19 can't remember when that was. Was that June?

20 COUNCILMAN KENNEY: June.

21 MR. HANKOWSKY: I think? I think it
22 was June. And we probably went for, I'm going to
23 say, another -- I would say sometime into July; I
24 know it was after the 4th of July 'cause I recall
25 doing some work on the 4th of July, as I recall

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2 it.

3 COUNCILMAN KENNEY: If we were --

4 MR. HANKOWSKY: So that probably
5 sometime in July, the teams weren't moving, we
6 weren't moving, and it didn't seem like it was a
7 -- people had kind of run out of ideas on how
8 would you ever got it done.

9 COUNCILMAN KENNEY: At that point in
10 time, would it have not been clear -- and I guess
11 it was clear in my mind and perhaps in yours --
12 that South Philadelphia was the place that it most
13 likely was going to be, despite the valiant
14 efforts of people in Fish -- in Northern Liberties
15 to get the Schmidts site done. And I give them
16 credit; they really did do their best and made an
17 effort.

18 MR. HANKOWSKY: Yep.

19 COUNCILMAN KENNEY: But it was pretty
20 clear by July that South Philadelphia was probably
21 going to be the place; is that a fair assessment?

22 MR. HANKOWSKY: Well --

23 COUNCILMAN KENNEY: I mean, is it a
24 fair assessment? I don't know if it's totally,
25 completely, and absolutely accurate, but is it a

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2 fair assessment that at that point in time that
3 South Philadelphia was going to be the spot for
4 two stadiums?

5 MR. HANKOWSKY: I would probably prefer
6 to say it slightly differently. I would probably
7 prefer to say that at that point, we were at an
8 impasse at 12th and Vine, and it wasn't clear that
9 that site was going to work.

10 COUNCILMAN KENNEY: Okay. If the
11 Phillies' preferred site from Day 1 had always the
12 been the North Lot of Veterans Stadium, correct?

13 MR. HANKOWSKY: Well, I think actually
14 --

15 COUNCILMAN KENNEY: I mean, there
16 was --

17 MR. HANKOWSKY: There was a time when
18 Broad and Spring Garden was a preferred site.

19 COUNCILMAN KENNEY: Okay, well, besides
20 Broad and Spring Garden, their preferred lot was
21 the North Lot of Veterans Stadium.

22 MR. HANKOWSKY: Once they were --
23 again, I just want to be careful because the
24 Phillies have always believed that a Center City
25 ballpark would have been a good idea, they always

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2 believed that there would have been some premium
3 value to it. They were willing to either endure
4 time or cost or something to enjoy the benefit of
5 that premium value. They thought Broad and Spring
6 Garden could have worked; we all know this we
7 didn't get there. We thought that 12th and Vine
8 had some of the same characteristics, and I think
9 the Phillies did too.

10 But when you have to start with the
11 proposing that there was no viable Center City
12 site, then, yeah, I think they would have said,
13 Okay, if there's no viable Center City Site, we
14 might well be in the sports complex versus
15 somewhere else.

16 COUNCILMAN KENNEY: So we're talking
17 about July 2000, August 2000, that July-August
18 2000, when that epiphany became clear to
19 everybody? I mean, I'll say July or August of
20 2000.

21 MR. HANKOWSKY: Okay, you say it.

22 COUNCILMAN KENNEY: Wouldn't it have
23 been possible to have legislation to us the very
24 first day of our return in September of 2000 for
25 two South Philadelphia sites? And I think -- and

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2 I want to -- I want to characterize my question
3 by --

4 MR. HANKOWSKY: You're trying to get me
5 in trouble here, aren't you?

6 COUNCILMAN KENNEY: I want to
7 characterize my question that saying that we're
8 doing this site now within a period of two weeks,
9 so I would have thought anywhere from August till
10 mid-September would have been sufficient time for
11 us to have these bills in front of us for a period
12 of three months' worth of deliberation,
13 neighborhood meetings, nighttime meetings here at
14 Council, an effort to kind of get everybody behind
15 the good reasons why we should be building these
16 stadiums, which, I agree, we should be building --
17 both for the employment, the construction
18 employment and the permanent jobs and the tax
19 ratables and the fact that we wouldn't lose our
20 teams.

21 Wouldn't there have been a three-month
22 period for us to have this legislation before us,
23 to do our due diligence, and to convince the
24 community out there that this is, in fact, a good
25 thing for them?

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2 MR. HANKOWSKY: Councilman, we know
3 each other way too long and way too well. Don't
4 take --

5 COUNCILMAN KENNEY: I will -- and this
6 is -- where I'm going with this question is that I
7 believe there would have been sufficient time in
8 that three-month period to deal with the
9 neighborhood complaints of the Veterans Stadium
10 neighbors as it relates to the potentiality of a
11 baseball facility on the North Lot of Veterans
12 Stadium. You certainly don't have enough time in
13 a period of two weeks or three weeks to convince
14 those people who have suffered 30 years with the
15 Vet that this would be a good thing.

16 But I believe -- and you don't have to
17 answer the question -- that three months would
18 have been sufficient time, even though it's a
19 short period, for us to have talked with them,
20 dealt with them on special service district
21 issues, dealt with them on perhaps some tax
22 incentives of some kind, and convince them that
23 the North Lot was something that they could accept
24 based on the fact -- and you can correct me if I'm
25 wrong -- that the Phillies facility is roughly

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2 two-thirds the side --

3 MR. HANKOWSKY: Yeah.

4 COUNCILMAN KENNEY: -- of Veterans
5 Stadium? So even in the worst-case scenario, they
6 would have had a smaller, less dense lower-rise
7 facility on the North Lot of Veterans Stadium.

8 MR. HANKOWSKY: You can fit the
9 Phillies building inside the Vet.

10 COUNCILMAN KENNEY: Inside the Vet,
11 okay.

12 COUNCIL PRESIDENT VERNA: Excuse me,
13 but in that event, wouldn't we still have had to
14 buy other properties for additional parking?

15 COUNCILMAN KENNEY: That's where I'm
16 kind of leading to.

17 COUNCIL PRESIDENT VERNA: Okay.

18 COUNCILMAN KENNEY: I mean --

19 MR. HANKOWSKY: Shall I answer that,
20 Council President?

21 COUNCIL PRESIDENT VERNA: Would you
22 please.

23 COUNCILMAN KENNEY: Absolutely.

24 MR. HANKOWSKY: Yeah, okay. I think I
25 should.

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2 I think that in any scenario where we
3 were going to place two stadiums in South
4 Philadelphia, understanding that we were making at
5 a minimum a 33-year decision, if not a 50-year
6 decision or 60-year decision, 'cause in real time,
7 to step back and say, What do we need to do
8 complex? I mean, maybe we should have done it
9 when we built the second arena, you know, when we
10 really didn't add any land, we just added a
11 building.

12 So I think, Council President, you're
13 right. I think any thoughtful analysis of four
14 buildings down there, you'd want to add to the
15 parking, you'd want to add to the circulation, and
16 make that place work better. It just would have
17 to happen.

18 COUNCIL PRESIDENT VERNA: Sorry,
19 Councilman.

20 COUNCILMAN KENNEY: So I guess the
21 continuation of my question is that -- and may I
22 say that the Vet goes away in the scenario; in
23 every scenario, the Vet is demolished.

24 MR. HANKOWSKY: Yes.

25 COUNCILMAN KENNEY: And the space for

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2 the Vet is, in fact, parking --

3 MR. HANKOWSKY: Yes.

4 COUNCILMAN KENNEY: -- for those
5 facilities, so we would have had perhaps not the
6 amount of increase that this plan suggests, but if
7 there would have been an increase --

8 MR. HANKOWSKY: Well, it depends on the
9 scenario. A scenario that would have placed a new
10 baseball stadium somewhere on the current Vet lot
11 would not have netted significant new parking
12 because you would have replaced one building for
13 another.

14 COUNCILMAN KENNEY: Would it have
15 netted any new parking?

16 MR. HANKOWSKY: No. Our analysis was
17 that it almost netted none.

18 COUNCILMAN KENNEY: Two-thirds --
19 building two-thirds the size --

20 MR. HANKOWSKY: Well, what happens --
21 it's two-thirds -- remember, it's lower.

22 COUNCILMAN KENNEY: Lower, right.

23 MR. HANKOWSKY: It's less seating.

24 COUNCILMAN KENNEY: It's 17 acres
25 versus 36, right?

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2 MR. HANKOWSKY: Well, but now -- but
3 that's not even -- I'm not -- I mean, I'd be happy
4 to show you. The 36 acres includes the 1,000-car
5 VIP around the Vet. And because the Vet is set up
6 the way it is, the ramping system, which lays on
7 the exterior, creates a bigger box. Depending on
8 how you build the baseball -- you can ramp inside,
9 you get the smaller 15-acre-ish kind of building.
10 If you ramp on the outside, you'd need a bigger
11 footprint.

12 But the other part of it is, I think we
13 all agree -- I mean, if nothing -- if we simply
14 look north of the Vet lot and we look at the First
15 Union parking lots, the First Union parking lot's
16 clearly better than the Vet lot. I mean, they
17 just work better: they have more lanes of
18 circulation, they have aisles, they're divided
19 into smaller lots. That's what you want to do:
20 have small lots of several hundred cars.

21 So when you try to lay it out right on
22 the north, you end up with the same number of
23 spaces.

24 COUNCILMAN KENNEY: Well, on the Jetro
25 site, have you had the time to do the traffic

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2 analysis and traffic study and traffic that would
3 indicate that the Jetro site is going to be any
4 better for traffic flow than the North Lot would
5 be? I can't imagine that in this smaller frame of
6 time, we've had the ability to do that kind of
7 analysis on parking and traffic flow.

8 COUNCILMAN ORTIZ: (Inaudible,
9 off-mic.)

10 COUNCILMAN KENNEY: No, I -- let me --
11 'cause I know I'm running out of time.

12 COUNCILMAN ORTIZ: (Inaudible,
13 off-mic.)

14 COUNCILMAN KENNEY: I guess you're
15 going to do it anyway.

16 COUNCIL PRESIDENT VERNA: Is Councilman
17 Kenney willing to yield to Councilman Ortiz? Is
18 Councilman Kenney willing to yield?

19 COUNCILMAN KENNEY: Reluctantly, yes.
20 (Laughter.)

21 COUNCIL PRESIDENT VERNA: You're being
22 timed.

23 COUNCILMAN ORTIZ: Is it now the
24 placement -- isn't the placement now of the
25 stadiums far less accessible to public

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2 transportation, much more accessible now to car
3 transportation and parking, but less accessible to
4 the SEPTA and public transportation people taking
5 the train to going to the stadium because they're
6 so far away from the train station?

7 MR. HANKOWSKY: I actually don't agree
8 with that, Councilman.

9 COUNCILMAN ORTIZ: Okay.

10 MR. HANKOWSKY: That's like saying that
11 somebody who comes to Suburban Station, you know,
12 won't walk to the PECO building, or somebody that
13 comes to -- no, a half a mile is the distance from
14 City Hall to about the Litts building.

15 I mean, are we saying that people don't
16 walk those distances? It's what you'd walk in a
17 large mall. You walk that at King of Prussia Mall
18 when you park there at the holiday season to come
19 to the store.

20 COUNCILMAN KENNEY: (Inaudible,
21 off-mic.)

22 UNIDENTIFIED SPEAKER: How would you
23 know about that?

24 MR. HANKOWSKY: Well, I'm told about
25 it, I never go there. All right.

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2 COUNCILMAN KENNEY: Thank you very
3 much.

4 What is -- on the Phillies, on the
5 original scenario for the North Lot, what was the
6 closest home to the building -- to the facility?
7 I understand it to be about 500, 490 to 500.

8 MR. HANKOWSKY: I think when the
9 stadium was pushed to Tenth Street --

10 COUNCILMAN KENNEY: Right.

11 MR. HANKOWSKY: East, you got to be
12 about 480, 490 feet.

13 COUNCILMAN KENNEY: Okay. And there
14 was also a very extensive plan, which I understand
15 still exists, for landscaping and berming and
16 insulating the back end of the VSN neighborhood
17 from any facility there.

18 MR. HANKOWSKY: Yeah, 'cause we want
19 to --

20 COUNCILMAN KENNEY: Still don't know.

21 MR. HANKOWSKY: Yes, it still exists
22 because we want to create a buffer between them
23 and the parking areas.

24 COUNCILMAN KENNEY: So the distance
25 between the Jetro, Maggio, 777 site that we're

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2 considering today is about an additional 650 to
3 700 feet.

4 MR. HANKOWSKY: Yeah.

5 COUNCILMAN KENNEY: As the original.

6 MR. HANKOWSKY: Yep.

7 COUNCILMAN KENNEY: Do you believe --
8 well, how many homes are in the Veterans Stadium
9 neighborhood?

10 MR. HANKOWSKY: I think 220.

11 COUNCILMAN KENNEY: 220 homes? I would
12 imagine that about 150,000 maybe, low-end?

13 MR. HANKOWSKY: Probably 150 low-end.
14 I think we've sort of paid attention to some of
15 their -- I think there's been recent sales of over
16 200.

17 COUNCILMAN KENNEY: So if we say
18 \$200,000 for 200 homes, even I'm -- and I'm -- and
19 it's a beautiful neighborhood, there are lovely
20 houses there and the people there have suffered
21 tremendously.

22 MR. HANKOWSKY: Right.

23 COUNCILMAN KENNEY: But just in a
24 really hypothetical situation, it would have been
25 cheaper to buy all of those homes than it would be

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2 to purchase the land that we're being asked to
3 purchase now if the issue was only one of distance
4 from the neighbors.

5 MR. HANKOWSKY: Well, if the issue --
6 if the issue were make the neighbors go away,
7 yeah, I mean --

8 COUNCILMAN KENNEY: No, no, no, that's
9 not the issue.

10 MR. HANKOWSKY: If we could make the
11 neighbors go away --

12 COUNCILMAN KENNEY: The issue is if a
13 facility was placed on the North Lot and neighbors
14 are that unhappy with it and we gave them the
15 opportunity to purchase that home, it would
16 probably -- probably? -- I think it would
17 definitely be cheaper than what we're doing now to
18 purchase four additional properties that we
19 wouldn't have needed under the old scenario.

20 MR. HANKOWSKY: Well, my only
21 cautionary note there, Councilman, is actually
22 reflective of the Council President's question,
23 which is, I'm not sure you would have picked up
24 any significant parking in that; you would have
25 eliminated the homes.

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2 COUNCILMAN KENNEY: Right.

3 MR. HANKOWSKY: The homes don't
4 actually take up much acreage. If you look at
5 them, you actually see they're -- you know,
6 they're row homes; I mean, they don't take up a
7 lot of space.

8 So that if you still wanted to address
9 a more efficient, effective four-building sports
10 complex, I still think you'd be looking at buying
11 some property to add to your parking inventory and
12 make the place work.

13 COUNCILMAN KENNEY: Could you say today
14 here, as you said in a definitive way, that the
15 North Lot of Veterans Stadium, the area of land
16 that is not going to be used for a Phillies site,
17 will remain parking in perpetuity?

18 MR. HANKOWSKY: Um --

19 COUNCILMAN KENNEY: No, not in
20 perpetuity; how about over the next 30 years?

21 MR. HANKOWSKY: The current parking
22 lot?

23 COUNCILMAN KENNEY: The entire -- the
24 North -- I'm sorry, Madam Chair, I'm having
25 trouble over here. The North Lot of Veterans

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2 Stadium and the lot that would be created by the
3 demolition of Veterans Stadium --

4 MR. HANKOWSKY: Yes.

5 COUNCILMAN KENNEY: -- are you saying
6 today that over the next 30 years, those lots will
7 be used for parking only?

8 MR. HANKOWSKY: Not totally, I'm not.

9 COUNCILMAN KENNEY: Can you tell me
10 what they might be used for.

11 MR. HANKOWSKY: Yes.

12 COUNCILMAN KENNEY: Other than
13 parking?

14 MR. HANKOWSKY: Yes, they were going to
15 be used for parking. The only outstanding issue
16 -- and I say it's an outstanding issue 'cause
17 there is not an agreement on it -- has been
18 whether there would be any thought of ancillary
19 development to the sports complex along Pattison
20 Avenue.

21 This is an issue that has been raised
22 of some concern to the affected communities. We
23 haven't said we're doing it. I don't want to sit
24 here and say -- you know, until it's resolved, I
25 don't want to say -- I mean, we'd like to think

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2 about it. It would be limited in --

3 COUNCIL PRESIDENT Verna: Excuse me,
4 excuse me. And while you're thinking about it, we
5 are thinking about putting in a zoning ordinance.

6 MR. HANKOWSKY: Well, if I could
7 actually --

8 COUNCIL PRESIDENT Verna: So that it
9 would go back -- any application would have to
10 come back to Council and be approved by the area
11 residents.

12 COUNCILMAN KENNEY: 'Cause in some
13 ways, it --

14 MR. HANKOWSKY: Could I just add to
15 that?

16 COUNCILMAN KENNEY: Yeah.

17 MR. HANKOWSKY: I mean, 'cause I wanted
18 to make sure my answer was full too, Council
19 President, which was, in fact, even if --

20 COUNCIL PRESIDENT Verna: But I want
21 you to know we're thinking too.

22 MR. HANKOWSKY: No, no, I -- that's
23 fine. But even if we wanted to do that, I just
24 want to make it clear for the record here, we
25 would have to come to this chamber to make it

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2 happen.

3 COUNCILMAN KENNEY: Under what
4 scenario?

5 MR. HANKOWSKY: We're not saying that
6 as part of this bill, you're giving us the right
7 to do it.

8 COUNCILMAN KENNEY: Under what scenario
9 would you have to come back here unless it's
10 amended into this bill?

11 MR. HANKOWSKY: Well, because we -- the
12 only scenario where you might want to consider
13 doing it is a scenario where you would, I'll use
14 the term, "rearrange" the current development
15 rights that Comcast SpectaCore has, and that would
16 require an amendment to the Comcast SpectaCore
17 agreement, which you -- which, in fact, if you go
18 to the development lease, it says we can't move
19 that development -- it's specific in the sentence
20 -- without City Council approval.

21 COUNCILMAN KENNEY: If you didn't want
22 to flip the development rights, you wouldn't have
23 to come back.

24 MR. HANKOWSKY: No.

25 COUNCILMAN KENNEY: Correct.

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2 MR. HANKOWSKY: So that's the one --

3 COUNCILMAN KENNEY: But when was that
4 potentiality made known to the neighbors who so
5 heartily cheered the movement of the stadium
6 across to Tenth Street into the Jetro lot? Were
7 they made clear from the get-go that, in fact,
8 this could be used for something other than
9 parking?

10 MR. HANKOWSKY: I'm trying to think of
11 the sequence of events. When we announced -- when
12 we made the announcement of the site, which was on
13 a Tuesday, I think, I believe we said at that
14 press conference that one of the possibilities,
15 but it was not a certainty, was that you might
16 have some ancillary development because you'd put
17 four buildings in the sports complex.

18 COUNCILMAN KENNEY: I listened to that
19 press conference very closely and never heard
20 that, but let me just --

21 COUNCIL PRESIDENT VERNA: Excuse me.
22 And I attended a community meeting, and I don't
23 believe that was ever said then either.

24 MR. HANKOWSKY: All right.

25 COUNCILMAN KENNEY: But let me ask you

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2 a question about -- just one final question on
3 site selection and ancillary spin-off development.

4 Theoretically, if you were to create
5 two critical masses of building, theoretically, on
6 the North Lot of Veterans Stadium and a football
7 facility on the T-Warehouse site, would you not
8 expect that property around that complex would --

9 (Interruption by sounding of many cell
10 phones in chambers.)

11 COUNCILMAN KENNEY: They're cell
12 phones.

13 That the property around that complex
14 would, in fact, through a private sector
15 initiative, experience development? For example,
16 the value of the Jetro property, I would think, in
17 a two-stadium scenario North Lot and T-Warehouse,
18 may in fact create economic pressure on the owners
19 of the Jetro to say, whoa, wait a minute, this
20 property has increased in value because people may
21 want to develop this site and maybe I'll sell it
22 myself and have some private development.

23 The owner of the Acme warehouse could
24 say, you know, rather than have a refrigerated
25 warehouse, which I'm having trouble filling with

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2 tenants, perhaps I could do some retail or
3 ancillary entertainment development at that site.

4 The theory -- the bottom-line question
5 is, besides this issue much distance from the
6 neighbors, we do not have to invest money in
7 creating economic spin-off private- sector
8 development because the investment we're making is
9 in the two critical masses of stadia, which in
10 fact create that kind of opportunity naturally,
11 not with our help.

12 And the other thing I want to say is
13 that the \$54 million, the \$60 million and possibly
14 more for the acquisition of those properties is
15 our hole. Is it not representative of the hole in
16 this entire deal, the shortfall of this deal? Is
17 it not represented almost exactly by the amount of
18 money we're going to need to acquire four
19 properties that, in another scenario, we never had
20 to acquire?

21 MR. HANKOWSKY: I think that's -- is
22 that a question?

23 COUNCILMAN KENNEY: Yes. Is that a
24 true statement or a false statement?

25 MR. HANKOWSKY: Well, let me just make

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2 a couple comments. And without disputing
3 Council's prerogatives obviously on zoning or any
4 of this, to the degree we want to create a plan --

5 (Interruption by sounding of many cell
6 phones in chambers.)

7 COUNCILMAN KENNEY: These cell phones
8 are insane.

9 MR. HANKOWSKY: -- a plan for the area,
10 I mean, currently, we have zoning in the food
11 center that says you can't, in fact, do this, you
12 know, kind of ancillary development on food center
13 property. And, in fact, you know, it's a very
14 specific zoning overlay that we did, and I -- and
15 it's one of the things I am actually, you know,
16 was thanking Council yesterday. I mean, it was
17 one of the things that we did that was the right
18 thing to do. I mean, we preserved that food
19 center --

20 COUNCILMAN KENNEY: But we're doing
21 that kind of development now.

22 MR. HANKOWSKY: No, my point is, so you
23 need to figure out what's the food center and
24 what's the sports complex. You know, they happen
25 to abut each other. On the one side, you might

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2 want to allow certain development; on the other,
3 you probably can't or else you're going to drive
4 out a whole other couple thousand jobs, you know,
5 which we all know are very active.

6 COUNCILMAN KENNEY: Which jobs? I'm
7 sorry, which jobs?

8 MR. HANKOWSKY: In the food center side
9 of the world; you know, the produce market,
10 seafood. I mean, those are happening places,
11 people make living wages there.

12 And so -- and to the question of does
13 the additional property, quote, equal the need for
14 additional contributions, I mean, you know, you
15 can go to the math at the table and pull out
16 certain numbers that say, well, these add up to
17 53 million so they must be what's, you know, they
18 must be what's causing the problem.

19 COUNCILMAN KENNEY: Could someone argue
20 that --

21 MR. HANKOWSKY: You could say that we
22 should take out the demolition of the Navy
23 Hospital. I could say -- you know, we could
24 create a set of numbers that --

25 COUNCILMAN KENNEY: Well, could someone

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2 argue rationally that that is in fact what
3 happens? I mean, I can't see how you can dispute
4 the fact that we're acquiring four properties that
5 were never in any scenario for South Philadelphia,
6 which creates a number, which happens to be almost
7 exactly the number of the shortfall. I mean, you
8 don't have to answer it, but I think it's clear.

9 Okay, I have one other request before I
10 finish questioning for Mr. Hankowsky. I would
11 like to know today the amount of real estate
12 taxes, use and occupancy taxes, wage tax, and
13 1 percent sales tax that is generated from the
14 current operation of Jetro, 777, Maggio. I know
15 the Acme probably doesn't generate much real
16 estate tax 'cause it's -- there's no one in
17 there. And what T-Warehouse generates in those
18 numbers.

19 And I want to know whether or not that
20 was taken into consideration when we looked at the
21 revenue, increased tax revenue coming to the City
22 that we also go to the other side of the ledger
23 and say no more T-Warehouse.

24 MR. HANKOWSKY: Yes.

25 COUNCILMAN KENNEY: No more Jetro.

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2 MR. HANKOWSKY: Yeah, we did do that,
3 Councilman. What we did in the tables -- in Table
4 2, which is the table of the future world, column
5 7, is called "Foregone Tax Revenues." And that
6 column represents the real estate tax value of the
7 five subject properties and a proportional share
8 of business taxes that come out of those buildings
9 today. And I can get you the backup.

10 COUNCILMAN KENNEY: I would appreciate
11 it.

12 MR. HANKOWSKY: Okay.

13 COUNCILMAN KENNEY: Thank you very
14 much.

15 COUNCIL PRESIDENT VERNA: Thank you.

16 The Chair recognizes Councilwoman
17 Blackwell.

18 COUNCILWOMAN BLACKWELL: Thank you.

19 Mr. Hankowsky, some of the testimony
20 indicates that we'll be talking about site
21 preparation for the Eagles and demolition of the
22 Navy Hospital and construction of the parking lot,
23 indicates additional funds might be needed beyond
24 the bond proceeds -- \$18.5 million and \$8 million
25 respectively. Where will they come from?

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2 MR. HANKOWSKY: Councilwoman, those are
3 the -- those funds -- and there are certain
4 additional funds needed for the Phillies site work
5 that total \$53 million. As I indicated in my
6 testimony, and as I think the Mayor indicated in
7 his testimony, we are working to put in place that
8 funding.

9 We are talking to several sources, both
10 public and private, that could assist us in doing
11 that. We have not concluded those discussions.
12 What is absolutely clear in the transaction,
13 though, is the City will not be filling the need
14 for additional contributions.

15 COUNCILWOMAN BLACKWELL: Okay, thank
16 you.

17 Well, where will additional funds come
18 from if we have to spend over the proposed cost
19 for acquisition of properties? I know one
20 property's still not settled.

21 MR. HANKOWSKY: Right. If we need more
22 money for the properties, it will come from one of
23 two places. It would either come from our
24 currently budgeted \$10 million contingency line
25 item. And if that proved to be inadequate, then

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2 there would be a provision that the Board of View
3 awards over that amount would be on obligation of
4 the City.

5 COUNCILWOMAN BLACKWELL: Okay, thank
6 you. I only have two more questions, Madam
7 President. I'm really short.

8 Mr. Montgomery referenced in the
9 attachment of his Phillies presentation that
10 Council would be presented with a scheduling
11 report in assuming that we would need to see that
12 to address pedestrian and traffic congestion
13 concerns. Is that schedule ready, and has there
14 been a traffic engineering impact report done?

15 MR. HANKOWSKY: We're on our second
16 draft of the scheduling report, and I would hope
17 to complete it shortly and get it to Council. We
18 have a traffic study underway right now, which has
19 not yet been completed. It's a full-blown traffic
20 study.

21 COUNCILWOMAN BLACKWELL: When do you
22 think that might be completed?

23 MR. HANKOWSKY: I think that might be a
24 couple weeks. The full traffic study? That might
25 be a couple weeks away.

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2 COUNCILWOMAN BLACKWELL: Has the
3 Commonwealth guaranteed the grant amounts listed
4 in proposal? And what is the contingency plan if
5 those funds are not enough? Who's liable for this
6 risk, the City or the teams?

7 MR. HANKOWSKY: I'm sorry,
8 Councilwoman, I just didn't hear the beginning the
9 question.

10 COUNCILWOMAN BLACKWELL: Has the
11 Commonwealth guaranteed the grant amounts listed?

12 MR. HANKOWSKY: Oh, I'm sorry, the
13 Commonwealth amounts. The Commonwealth has
14 approved a capital budget that provides for those
15 amounts. We have, in fact, been in contact with
16 the Commonwealth, with the Commonwealth's
17 attorneys who are actually talking to them about
18 the grant agreements that are necessary to do this
19 mechanically.

20 One of the actions you have before you
21 is actually the authorization to submit the
22 application, which has to be done. They did --
23 they funded 75 million to the stadium in
24 Pittsburgh, so they have fulfilled their
25 commitment there. We would have every expectation

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2 they would fulfill their commitment here. We have
3 copies of the agreements from Pittsburgh, and they
4 don't seem to present any reasons why we wouldn't
5 get the grants here.

6 COUNCILWOMAN BLACKWELL: Would we be
7 liable if something happens, or the teams?

8 MR. HANKOWSKY: I think if we don't get
9 the grants, the whole project isn't proceeding.
10 We're not proposing to fill any -- if those grants
11 aren't there, we're not stepping in to fill the
12 need for the State money.

13 COUNCILWOMAN BLACKWELL: Thank you.
14 Thank you, Madam President.

15 MR. MCPHERSON: Councilman DiCicco.

16 COUNCILWOMAN BROWN: I haven't had a
17 round yet.

18 MR. MCPHERSON: Okay.

19 COUNCILMAN ORTIZ: (Inaudible,
20 off-mic.)

21 COUNCILMAN DICICCO: I will yield --
22 since Councilwoman Reynolds Brown hasn't had a
23 turn, I will yield. I won't yield to Ortiz, but I
24 will yield to Brown.

25 (Laughter.)

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2 COUNCILWOMAN BROWN: Thank you,
3 Councilman DiCicco.

4 Good afternoon, gentlemen.

5 MR. HANKOWSKY: Good afternoon,
6 Councilwoman.

7 COUNCILWOMAN BROWN: My few questions
8 are actually a follow-up to questions that have
9 already been raised by President Verna regarding
10 specifically the Children's Fund and those kinds
11 of conditions that may impact the finalizing of
12 the deal.

13 MR. HANKOWSKY: Right.

14 COUNCILWOMAN BROWN: Okay. And I would
15 be remiss not to say thank you to the Mayor and
16 the negotiators for making a commitment and then
17 following through, 'cause I think that's the issue
18 for some of the terms, that the follow-through
19 happens.

20 In Exhibit D of your -- the documents
21 that you sent to us, at the top of the page in
22 italics, and I quote, it reads: "Key terms of
23 this agreement are subject to change due to
24 finalization of the transaction."

25 Given what is in writing with the lease

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2 terms for both the Phillies and the Eagles and
3 specifically as it relates to the Children's Fund,
4 is that in jeopardy?

5 MR. HANKOWSKY: No. I think,
6 Councilwoman, this provision was put in front of
7 the term sheets at the point where they were
8 literally completed -- I mean, quite candidly,
9 within an hour of the announcement -- to make sure
10 that when we went back and had all of the right
11 lawyers read them -- for example, we state local
12 law and tax-exempt, we need bond counsel to read
13 all this. I believe it's fair to say that this
14 provision will come out and should come out when
15 you adopt this, that these will not be subject to
16 change.

17 This was a catchall so that as we had
18 lawyers read this and make sure that nothing did
19 here, you know, was amiss of something, that we
20 would have that provision. But our intent is that
21 these are the provision; there shouldn't be no
22 such caveat when they are approved by Council.

23 COUNCILWOMAN BROWN: It has also been
24 expressed that we know that we have the gap of
25 approximately -- I've 53 in one area and 54 in the

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2 other. And an appeal has already been made for us
3 to acknowledge that but possibly proceed with the
4 adoption of this in spite of that.

5 Are there any other outstanding
6 unresolved matters like the gap that currently
7 exists that may also break -- or potentially break
8 the deal?

9 MR. HANKOWSKY: Well, I want to answer
10 that question, but maybe I'll be given an
11 opportunity to talk about the additional
12 contributions.

13 I mean, one way to look at the
14 additional contribution situation is to analogize
15 to exactly what the State did. The State of
16 Pennsylvania -- and it's actually not that long
17 ago, it was January of 1999 -- enacted legislation
18 that provided for \$85 million for each of these
19 two buildings. I mean, they were actually kind of
20 the first people in. What we're asking Council to
21 consider is authorizing the City contribution,
22 okay? Now, the teams have to put up their
23 contribution, and we have to collectively find the
24 contributions. If that doesn't happen, it doesn't
25 happen. But the State isn't moving its number and

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2 we're not moving our number. I mean, that's kind
3 of where we are.

4 In terms of other things that have to
5 get worked out, I mean, we have to work -- that
6 are significant to the transaction, we -- and I'm
7 trying to think. Well, obviously, we've got the
8 property owners we have to deal with, we've got to
9 put in place a parking arrangement between
10 ourselves and Comcast SpectaCore 'cause we're
11 rearranging that old parking situation from the
12 old deal for a new deal. I mean, there's
13 obviously all kinds of documents, but --

14 COUNCILWOMAN BROWN: But all of those
15 things that are outstanding in no way will impact
16 what currently has been put in writing and would
17 be --

18 (Unintelligible, parties talking over
19 each other.)

20 MR. HANKOWSKY: I'm sorry. No, right.

21 COUNCILWOMAN BROWN: Eagles lease
22 terms. The sports complex services district will
23 enjoy the same cushion of protection as the
24 Children's Fund?

25 MR. HANKOWSKY: Yes.

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2 COUNCILWOMAN BROWN: Very well. Thank
3 you very much.

4 MR. HANKOWSKY: Thank you.

5 COUNCILWOMAN BROWN: Thank you, Madam
6 Chair.

7 COUNCIL PRESIDENT Verna: Thank you.

8 The Chair recognizes Councilman Clarke.

9 COUNCILMAN CLARKE: I was out of the
10 room a couple of times, and I don't know, this
11 question may have been answered. With respects to
12 your calculations as it relates to the usage of
13 both facilities, did you calculate different
14 scenarios, like a hundred percent occupancy,
15 attendance?

16 MR. HANKOWSKY: No.

17 COUNCILMAN CLARKE: Or 80 percent, 60
18 percent as it relates to the numbers?

19 MR. HANKOWSKY: Yeah. We did take a
20 look at that. One of the big variables is the
21 Phillies, the baseball stadium. So the Phillies
22 -- and they'll be, obviously, testifying at some
23 point over the next day or so -- are actually
24 anticipate that they would draw about 3.3 million
25 at the opening of their facility. And what we --

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2 we talk about stabilize, you know, kind of come
3 down and proceed at 2.9? 2.9 million.

4 We actually run our numbers, our tax
5 numbers, we actually start them at 2.9, and then
6 we take 'em down to 2.5. So we've already said it
7 would be great if you do what you say you're going
8 to do, but we're going to base the City's analysis
9 on being conservative.

10 COUNCILMAN CLARKE: So the 2.9 was the
11 Phillies projections?

12 MR. HANKOWSKY: No, we took 400,000 off
13 where they started and where they ended per year
14 of attendance that we discounted, we sort of threw
15 out the window. If it happens, it makes our
16 numbers look better, but we took it out.

17 When Rob spoke about the five-year plan
18 analysis and the impact on the five-year plan, the
19 Finance Department took yet another, I'll use the
20 term, "cut" and took -- you have to help me, I
21 always forget. It took 80 percent of my numbers,
22 not the Phillies numbers, the Arthur Anderson
23 numbers for the Phillies, 90 percent for the
24 Eagles, and 50 percent of the other events to
25 calibrate what would happen in the five-year

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2 plan. So it took even another, you know,
3 worse-case or, you know, more conservative or
4 pessimistic scenario, and said that even if that
5 happens, what happens to our five-year plan? And
6 those are the numbers that Rob presented a little
7 bit earlier.

8 COUNCILMAN CLARKE: So those are the
9 final numbers that we see before us today.

10 MR. HANKOWSKY: That was how we've
11 looked at the five-year plan and then the Arthur
12 Anderson numbers. We took -- we took the Phillies
13 numbers down. The Eagles football numbers are --
14 have been pretty consistent, so we let those be
15 with. We did use the Eagles numbers on other
16 events, which is an increase over historic
17 averages from about 400,000 people to about a
18 million. So about a 600,000 increase.

19 COUNCILMAN CLARKE: Okay, all right.
20 Thank you.

21 MR. HANKOWSKY: Thank you.

22 COUNCILMAN CLARKE: Thank you, Madam
23 Chair.

24 COUNCIL PRESIDENT VERNA: Thank you.

25 The Chair recognizes Councilman

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2 DiCicco.

3 COUNCILMAN DICICCO: Thank you, Madam
4 President.

5 And, Bill, I'm reluctant -- not
6 reluctant, I apologize for not offering you my
7 congratulations and sincere wishes in your next
8 endeavor. I want to thank you for the patience
9 you've had with me over the few years, explaining
10 to me what PIDC's role for the City's future is
11 and TIF financing and all those other things. Our
12 loss, as they say, will be Willard Rouse's gain.
13 But thank you for all of your help.

14 MR. HANKOWSKY: Thank you very much,
15 Councilman.

16 COUNCILMAN DICICCO: There are a number
17 of projects that have been approved by this City
18 Council, and many of them are in my district.
19 Some of those projects have yet to begin, for
20 various reasons; some of them are still looking
21 for additional finance, whatever.

22 MR. HANKOWSKY: Right.

23 COUNCILMAN DICICCO: And there are
24 maybe one or two projects that are dependent on
25 outside funding sources aside from what the City's

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2 contribution is and other government entities have
3 already pledged to the project.

4 My question is, and I'm not asking you
5 to divulge any information that may be still
6 considered confidential or still in the
7 negotiation stages: Do you in your opinion
8 believe -- or have any opinion, I should say, do
9 you have an opinion as to any of the projects that
10 have not yet begun but are still awaiting some
11 contractual agreements between themselves and some
12 other parties that may be affected by similar
13 deals that may be looked at to the stadiums? You
14 and I know what I'm talking about without being
15 too specific.

16 Do you in your opinion feel as though
17 that some of the considerations to fill the
18 \$54 million funding gap at the stadiums may
19 jeopardize another project or projects that are
20 still awaiting final approvals?

21 You're shaking your head, Craig.

22 MR. HANKOWSKY: I've become aware, I
23 guess, in the last -- actually sort of almost the
24 last 24 hours that there may be some inter-
25 relationship between a couple of projects that, I,

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2 quite candidly, between briefings and hearings,
3 haven't had the opportunity to explore in any
4 death, so I can't really characterize -- I'm not
5 sure I have a full sense of how interrelated they
6 are at the moment.

7 COUNCILMAN DICICCO: So from what you
8 know to date, you're not aware of anything that
9 would or could jeopardize any of the other deals
10 that we have?

11 MR. HANKOWSKY: I don't know enough to
12 answer is what I'm saying. I want to be honest,
13 and I just don't know enough -- particularly as
14 you're using the word "jeopardize." To me that
15 would mean I would really need to know more than I
16 know now to characterize that.

17 COUNCILMAN DICICCO: I mean, 'cause I
18 am one -- for the most part, I'm supporting this
19 stadium deal and I've been very patient, as you
20 know, with the 12th and Vine site.

21 MR. HANKOWSKY: Yes.

22 COUNCILMAN DICICCO: And I worked very
23 hard on some other deals to hopefully make those
24 things happen. I don't want to see us be in a
25 position to make stadiums happen that we are now

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2 taking resources from other projects that we have
3 worked very hard on --

4 MR. HANKOWSKY: Right.

5 COUNCILMAN DICICCO: -- to bring to the
6 point of construction.

7 MR. HANKOWSKY: Right.

8 COUNCILMAN DICICCO: To find that all
9 that work has really been -- is literally going
10 down the tubes just to get the stadium deal done.

11 MR. HANKOWSKY: I understand. I -- you
12 and I understand each other totally.

13 COUNCILMAN DICICCO: All right. The
14 other question I had is, and this may have been
15 asked 'cause I got back about around 5 after 1, I
16 returned around 5 after 1. Have you had any
17 opportunity to analyze Professor Rosentraub's
18 report on the stadiums?

19 MR. HANKOWSKY: Well, obviously, I kind
20 of was looking at it this morning while the
21 professor was testifying and -- so I don't want to
22 say I've done an exhaustive analysis, which would
23 be clearly a misstatement. But it does strike me
24 that --

25 COUNCILMAN DICICCO: Would you care

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2 to --

3 MR. HANKOWSKY: I have a few comments,
4 I guess.

5 COUNCILMAN DICICCO: Okay. I'd like to
6 get your side of it.

7 MR. HANKOWSKY: First, it strikes me
8 that there's an aspect to it, which I almost want
9 to embrace and agree to, which is if he believes
10 that these teams are going to make so much money
11 because this is such a great market and this is
12 going to happen so wonderfully, then obviously all
13 of our tax projections about what's going to
14 happen here must be correct. 'Cause the only way
15 they make the money is by selling tickets and
16 creating attendance and paying players and doing
17 the whole stuff, that he seems to think they're
18 going to do. So I guess if PICA or anybody else
19 is concerned about the financial feasibility, you
20 know, maybe they should find some comfort there.

21 I think, just very quickly, that the
22 comparison of an Eagles stadium to Foxborough or
23 to the Washington Red Skins, I think, is really
24 missing a significant issue, which is, those are
25 in the suburbs, they're in the suburbs. These are

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2 stadiums that have huge parking lots, the teams
3 get all of the parking revenue. They're on, you
4 know, kind of rural sites. The City of Washington
5 and the City of Boston don't get revenue from
6 them. That's not what we're talking about here.
7 It is more expensive to do it in an urban area.
8 We're talking about a significant portion of our
9 investment is in site cost, as we were just
10 talking about a moment ago.

11 I also think that it's interesting to
12 talk about a private-sector person's rate of
13 return, but I think the report acknowledges he has
14 no idea how much debt or investment the partners
15 of the Phillies have put in their team and,
16 therefore, what they need to get back.

17 He gives no acknowledgment to the fact
18 of risk. You get more -- I mean, it's like you
19 buy a CD and you get 6 percent 'cause it's pretty
20 sure you're going to get it. If you want to get a
21 stock, you might get a higher rate of return but
22 you're going to take some risk. Well, part of the
23 premise of this entire transaction is, Hey, teams,
24 we're going to write you some checks, and we're
25 done. And you take cost overrun risk on site and

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2 you take cost overrun risk on stadiums and you
3 take risk on operation and maintenance and you do
4 all of the capital for these buildings, and good
5 luck. On a good year, you better do good, 'cause
6 if you ever have a bad year, it's all on them.

7 So the nature of return is clearly
8 always a function of taking risk. And so, it may
9 sound like 20 percent is a lot of return in a good
10 year, but not when you compare it to the potential
11 risks.

12 And by the way, I think that he, in
13 fact, overstates what the teams are going to do
14 and understates their expenses. I mean, in fact,
15 he's just wrong on what it's going to cost the
16 Phillies to do operation and maintenance. There
17 numbers are like -- I mean -- they're going to run
18 it 81 times a year. It's going to clearly cost
19 them more to run their building than it is going
20 to cost the Eagles. So to take the \$89 million
21 and say, Well, let's just say that was the O&M
22 number is just mathematically inaccurate.

23 He -- I think basically, though, he
24 said -- I still couldn't find it, and I guess by
25 the time he left, maybe he was able to find it,

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2 but I didn't catch where he gave credit for the
3 Children's Fund or the service district, the fact
4 that we expanded the parking, credit to what we've
5 done for the School District. I mean, one way to
6 see it is take all of that stuff out of the deal,
7 give all of that money back to the teams, yeah
8 they could put more money into the deal, you
9 know. But that's not what we want. There are
10 certain social objectives, public-policy
11 objectives, we decided we wanted in this
12 transaction, and we're asking the teams to pay for
13 it. I think they're looking to have a few dollars
14 that are available to pay for it.

15 The -- he says the Phillies can't move,
16 he says the Phillies have to stay in the
17 Philadelphia market, 'cause it's this wonderful
18 media market and they'd be crazy to go and there's
19 no comparable market. I totally agree with him, I
20 categorically agree with him. All they have to do
21 is cross the bridge, all they have to do is build
22 a ballpark in Camden and they'll be in the same
23 center of the metropolitan area, they'll enjoy the
24 same media market, they'll do everything, and
25 we'll get no taxes.

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2 The Eagles are in a comparable
3 situation. And by the way, the Eagles do have an
4 option, we all know that. That option's called
5 L.A. I mean, there's at least one city in America
6 that's looking for an NFL franchise that's a
7 better media market than we are.

8 They -- he -- you correctly raise the
9 issue of this characterization that somehow taxes
10 are impacted. And, in fact, Rob now, by talking
11 about the impact on the five-year plan, I mean,
12 we're not doing that, we're not -- you know, we're
13 not raising taxes to pay for the deal. We're
14 having the deal basically pay for itself. But I
15 guess there's a fundamental simple premise, which
16 is, it's kind of interesting to think about, you
17 know, what should they pay and what -- you know,
18 what's their rate of return and all of that.

19 The teams -- we had hard negotiations.
20 You know, this isn't where they started the
21 number; the numbers on the table aren't where they
22 started, they weren't close to there. We got them
23 here. They tell us they can't put any more in. I
24 take them at their word. We made a decision we're
25 not putting any more in; hence why we have a

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2 column called "Additional Contributions."

3 Now, it's easy for us to sit here and
4 change our deal. That's clearly an option this
5 legislative body has. You can ask the teams
6 tomorrow, if you change the deal, are they
7 prepared to proceed with stadiums? And I sit here
8 and tell you that I think the answer's going to be
9 no.

10 COUNCILMAN DICICCO: Thank you.

11 No further questions, Madam President.

12 COUNCIL PRESIDENT Verna: Thank you.

13 The Chair recognizes Councilman Ortiz.

14 COUNCILMAN ORTIZ: Hi, Bill.

15 MR. HANKOWSKY: Councilman, could I
16 just take a break just for a second?

17 COUNCIL PRESIDENT Verna: Yeah, I'm
18 sorry.

19 MR. HANKOWSKY: I just need to.

20 COUNCIL PRESIDENT Verna: Okay, the
21 Council will stand in recess for ten minutes, ten
22 minutes.

23 (Break taken.)

24 - - -

25 (Proceedings resume.)

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2 (Recording equipment failure.)

3 COUNCILMAN ORTIZ: -- came to be, and
4 now we have -- we're buying extra properties which
5 are increasing the cost of building in South
6 Philadelphia. But tell me, we're building two
7 stadiums, and from the conversation that just took
8 place, the ancillary rights, those aspects that my
9 friend Frankie here is very -- always saying that
10 those are one of the things that come from
11 development. The ancillary rights, I think, was
12 one of the projections to take care of that
13 \$54 million hole. And in order for that to -- for
14 those rights to come about, in order not to make
15 just two cathedrals of sports surrounded by 40,000
16 cars --

17 MR. HANKOWSKY: Mm-hmm.

18 COUNCILMAN ORTIZ: -- you mean that
19 there is not going to be any other development in
20 terms of retail, in terms of restaurants, in terms
21 of entertainment in that area?

22 Because if it is -- if there's not,
23 from an economic development point of view, from a
24 job creation point of view, and I know that the
25 neighbors will not be very happy because this has

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2 not been told to them.

3 MR. HANKOWSKY: Mm-hmm.

4 COUNCILMAN ORTIZ: But from an economic
5 and job creation, after the construction of the
6 building, is that all there is?

7 MR. HANKOWSKY: Well, Councilman --

8 COUNCILMAN ORTIZ: That's a song, isn't
9 it? Who wrote that, Peggy Lee? Peggy Lee, Peggy
10 Lee sang it.

11 MR. HANKOWSKY: It is a song. Right,
12 it is a song.

13 As you recall, because we were together
14 in these chambers at the time, when we did the
15 transaction for the First Union building, there
16 was a contemplation that there might be additional
17 development that would get generated. And, in
18 fact, there were parcels that were defined for,
19 quote/unquote, development rights on the 55-acre
20 site where the two arenas are, south of Pattison.
21 And they include -- and they actually talk about
22 -- in the master plan that was adopted, there
23 were actually prescribed things that could happen,
24 and that's kind of all that could happen but -- so
25 there was a kind of compilation of the potential

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2 of, I think, a 300-room hotel, I think a 75,000
3 square foot office building, about 175,000 square
4 feet of what one might go call retail
5 entertainment. And I think, at the time,
6 remember, it would have been in a building between
7 the two arenas. It was sometimes called the Expo
8 Center or the Connector Building.

9 That didn't happen after -- or hasn't
10 happened after that project. And I think part of
11 why it has not happened has been this kind of
12 back-and-forth about what's happening with the
13 Vet, what's happening with the Phillies, what's
14 happening with the Eagles, sort of what I'll call
15 "the uncertainty of the movement of those
16 pieces." And the Phillies are a pretty big piece
17 of it, because whether it's the Phillies numbers
18 of 3.3 million, the Arthur Anderson numbers of
19 2.9 million, the Revenue Department number of, you
20 know, 2.7 million, it's the biggest single
21 generator building of people, a baseball park,
22 because of the number of games, et cetera.

23 And now that should Council favorably
24 consider this legislation and should we know now
25 that for the next years 33 years, we will have

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2 four facilities in the South Philadelphia area, I
3 think your question is very pertinent, because I
4 think you then do create the environment where the
5 potential could exist where somebody might want to
6 invest and do other things, because you've got
7 these, as you call them, the cathedrals of sports
8 on the site.

9 The scenario might be simply that the
10 current Comcast SpectaCore rights are what they
11 are, they stay where they are, and that things
12 could happen this. It might be better to think
13 about a plan that would, I'll use the term,
14 "rearrange" them and put them in a better place
15 from a planning perspective, sort of an
16 operational perspective, kind of more between the
17 stadiums instead of between the arenas. And we
18 clearly contemplate trying to make one of those
19 kinds of scenarios happen.

20 I think you're right. I mean, I think
21 the anticipation is that something would happen.
22 It would be defined, it would be precise, it would
23 be unlimited. It would -- you would know where it
24 was going to happen geographically. And should
25 there be an interest in, I'll use the term,

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2 "moving the current rights," we need to come back
3 here and seek Council's approval to do that, and
4 we would clearly do that. We would -- so --
5 excuse me.

6 And I think you're right, that when
7 people know that these buildings are, you know,
8 coming out of the ground, that's the environment
9 where people will really seriously think about it.

10 COUNCILMAN ORTIZ: We have gone from a
11 proposal that was supposed to be revenue-neutral
12 when Ed -- Mayor Rendell was presenting it to us,
13 to one in which the Mayor says it's no longer
14 revenue-neutral, to one that is reported in the
15 newspapers that now impacts the five-year plan.
16 And depending on when we hear anyone from the
17 Administration speak or from PIDC, it seems like
18 the impact on the five-year plan is changing
19 perhaps more than Gore and Bush's numbers in
20 Seminole County.

21 What is -- what is the supposed impact
22 -- I read somewhere it was going to be
23 \$22 million that was admitted to. And if that is
24 the case, it's probably a little bit bigger and I
25 know that David L., when he was Deputy Director --

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2 Chief of Staff of -- a 22 million impact on the
3 five-year plan would have sent David L. through
4 the roof of this building.

5 COUNCILMAN COHEN: That was then, this
6 is now.

7 COUNCILMAN ORTIZ: And I want to know,
8 I want to know what is the true number, if there
9 is a true number, in terms of the overall impact
10 on the five-year plan.

11 MR. HANKOWSKY: Councilman, I'm going
12 to ask Rob Dubow to respond to that, and I
13 apologize. When we first started this afternoon,
14 and I know all of the Council people haven't yet
15 come back, I actually asked Rob to put that out,
16 so let us get it back out now that everyone is
17 here.

18 MR. DUBOW: Yeah, we've done an
19 analysis of the impact on the five-year plan, and
20 I think copies were distributed.

21 And what we did in doing our analysis
22 is, we took the numbers that were in the plan as
23 our base and compared that to the projected
24 numbers in the deal. But instead of taking the
25 numbers as they appear in the Arthur Anderson

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2 report, we took only 80 percent of their Phillies
3 numbers, 90 percent of their Eagles numbers, and
4 50 percent of their numbers from other events at
5 the Eagles stadium.

6 COUNCILMAN ORTIZ: Excuse me.

7 MR. DUBOW: Yeah.

8 COUNCILMAN ORTIZ: One question before
9 you finish that. How did the Anderson report --
10 where did the Anderson report get its numbers
11 from?

12 MR. HANKOWSKY: The Anderson report is
13 really --

14 COUNCILMAN ORTIZ: I know what it is,
15 but when did it get --

16 MR. HANKOWSKY: Its numbers come from
17 basically two sources, Councilman. One is, Arthur
18 Anderson looks at league averages or experience
19 across the country for various components, you
20 know, what do people -- what do people spend for
21 concessions at a stadium, what's the average
22 amount, and things of that nature. They also got
23 input from the teams in terms of what do they plan
24 to charge for tickets and other things because
25 that pricing is actually set by the team, so it

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2 was a combination of those two factors put
3 together.

4 COUNCILMAN ORTIZ: All right.

5 MR. DUBOW: And in using those
6 discounted revenue figures and adding in the most
7 current debt service run that we've done, we came
8 up with an impact on the plan from '01 to '05 of a
9 negative \$5.8 million.

10 The \$22 million number you saw was a
11 sheet we had done a couple weeks ago, and when we
12 handed to that people, we said, This is
13 preliminary, and we specifically said we were
14 still working on the debt service numbers.

15 And one of the things -- the big is
16 change in terms of debt service is, the original
17 numbers that we ran assumed that we wouldn't earn
18 any interest on the bond proceeds, but since the
19 draw -- the money will be drawn over a period of
20 time, we will draw interest, and that's really
21 what explains the difference between the 22 that
22 you've seen in the paper and the 5.8 that we're
23 projecting.

24 COUNCILMAN ORTIZ: And what impact, if
25 any, on the \$54 million hole that we have that

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2 we're supposed to take on faith and we walk on
3 that and we go through the valley, how is that
4 hypothetically can impact on that five-year plan,
5 because so far, we have seen no evidence that
6 there is any planning as to who's going to fill
7 that, and that's going to be, I think, as Jimmy
8 said, that's going to be our hole to fill.

9 And where is that \$54 million, if
10 anything, going to come from if it is our hole to
11 fill?

12 MR. HANKOWSKY: Well, Councilman, let
13 me make it absolutely clear again: We're not
14 filling that hole, we're not going to come back
15 here, we're not going to take some City resources,
16 change the deal and add City dollars to the deal.

17 COUNCILMAN ORTIZ: The teams are
18 filling that hole.

19 MR. HANKOWSKY: Well, no. What might
20 happen is you don't proceed. I mean, if you
21 literally can't put all the pieces together, you
22 might not proceed.

23 COUNCILMAN ORTIZ: But we are supposed
24 to proceed on faith on December 14th without
25 filling that \$54 million hole.

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2 MR. HANKOWSKY: Right.

3 COUNCILMAN ORTIZ: And not knowing or
4 having any idea.

5 MR. HANKOWSKY: Right. And again,
6 what --

7 COUNCILMAN ORTIZ: And once we approve
8 it, who's to say that we will not have to fill it
9 at that point?

10 MR. HANKOWSKY: Well, I think I could
11 say that to the degree you want to make sure we
12 put language in that says we don't fill it, we
13 won't fill it. We're not filling it.

14 We -- we're basically saying that what
15 we would like City Council to consider, and it
16 obviously is your determination, is agreeing to
17 the transactions in a way that I would, again, I
18 would somewhat analogize to what the State
19 legislature did, which is, they made secret
20 discrete capped financial commitments to -- in
21 fact, they did it for four stadiums in the
22 Commonwealth of Pennsylvania, said, here's what it
23 is, this is what it is. If you can put all of the
24 other pieces together, you can have our money.

25 We're saying to the teams, Here's what

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2 the City might be prepared to do, here's what
3 that's about, it's capped, and we're prepared to
4 put our money in if all of the pieces come
5 together.

6 COUNCIL PRESIDENT VERNA: Councilman,
7 would you yield a moment, please.

8 COUNCILMAN ORTIZ: Yes. Go ahead,
9 Madam.

10 COUNCIL PRESIDENT VERNA: Mr.
11 Hankowsky, can you give us your assurance that the
12 City or PAID will not go to the market and borrow
13 any funds prior to the closing of the \$54 million
14 gap?

15 MR. HANKOWSKY: Council President, the
16 one exception to that that we think might happen
17 because of the just chronological order of things
18 is that we might have to make a commitment to
19 acquire the T-Warehouse property before -- and I
20 can't say we will, I don't want to say we
21 necessarily we would have to do this before we'd
22 know. But the one thing, when I just look at the
23 schedule of what has to happen when, that's the
24 one thing that might have to happen.

25 And in that instance, we would either

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2 attempt to unwind that transaction; in the worst
3 case, buy and run it as a parking lot ourselves
4 and put it back out on the market and resell it or
5 run the warehousing operation. That's only
6 because you almost need to get that property under
7 control in the month of December in order to stay
8 on a schedule for an August 2003 opening. But
9 that's the only thing we would do.

10 COUNCIL PRESIDENT VERNA: Thank you.

11 COUNCILMAN ORTIZ: That leaves the
12 doors open, Ma'am.

13 COUNCIL PRESIDENT VERNA: I'm sorry,
14 what?

15 COUNCILMAN ORTIZ: I think the answer
16 is that the door is sort of ajar in order to fill
17 that.

18 We have -- the only stakeholder here
19 who has any cap on the contribution is the State.
20 I remember way back a year, a year and a half ago,
21 in talking with the Mayor, that it was going to be
22 85, 85, and the teams. We have gone way beyond 85
23 from our side.

24 And I look at these revenue projections
25 that are all hypotheticals. They projected

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2 revenue for drinking in the new revenue. How is
3 that turned into new revenue for the school?
4 Because the drinks are going to be more
5 expensive?

6 MR. HANKOWSKY: No, it's a -- well,
7 it's a function of two things, Councilman. It's a
8 function of, one, the drinks might be more
9 expensive. Number two, that what happens in new
10 facilities is that you have actually people
11 consume more because you have, you know,
12 restaurants, you have club seats, you have a
13 facility --

14 COUNCILMAN ORTIZ: As if we didn't have
15 a problem with drinking fans right now.

16 MR. HANKOWSKY: Well, I'm just -- where
17 people -- so you have what's called the per capita
18 concession number goes up. And then finally it
19 goes up by attendance. So as more people come in
20 because of increased attendance at a Phillies
21 stadium or increased attendance at other events at
22 an Eagles stadium, the combination of those three
23 factors increases that number.

24 COUNCILMAN ORTIZ: What happened to
25 shortfalls in terms of revenue? Let's say that,

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2 and it's a very big possibility. The Major League
3 Union, the Players Association, and the team
4 owners, they have done it before, very recently.
5 They'll come to an agreement, and the Baseball
6 Players Association is one union that really, when
7 it says no contract, no work, they don't work.
8 And they're rich enough to stay out nowadays for a
9 long time. They don't have to go out and pump gas
10 anymore.

11 What happens to the revenue projection
12 if there is a breakdown on -- of that sort? Which
13 is a very good possibility of it happening.

14 MR. HANKOWSKY: The projections will be
15 lower than they're showing. Just like if there
16 had been a storm and the stadium got ruined and
17 you couldn't use it for six months 'cause you had
18 to fix it, the revenue projections will go down.

19 COUNCILMAN ORTIZ: And what happens to
20 us in terms of our obligations. Our obligations
21 remain the same.

22 MR. HANKOWSKY: That's right, just like
23 the teams' payment on their mortgage remain the
24 same.

25 COUNCILMAN ORTIZ: All right.

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2 MR. HANKOWSKY: So we share that risk.
3 Just like the State's payment on its debt service
4 on its contribution remains the same. Everybody's
5 in the same place: everybody has obligations,
6 everybody has to fulfill them.

7 COUNCILMAN ORTIZ: Okay. So we are at
8 risk because the economy goes down, the Phillies
9 have a rotten year, they don't pull in 3 million
10 fans into the seats, they don't drink as much,
11 there are not 3 million fans, the revenue
12 projections go down, and we don't sign Derrick
13 Jeeter or somebody of that sort our. Obligations
14 remain the same.

15 MR. HANKOWSKY: That's right.

16 COUNCILMAN ORTIZ: The teams'
17 obligations, there's no risk involved right there.
18 The enjoy -- I mean, they pay whatever it is they
19 have to pay, but our risks are greater.

20 MR. HANKOWSKY: You can't make that
21 statement. The teams will have debt on the
22 building, the teams have loans, the teams have
23 obligations, the teams have fixed costs, and those
24 remain like our fixed costs remain.

25 And in the same way, as I indicated in

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2 my opening testimony, you're absolutely right, and
3 I said it in my opening testimony, it's on the
4 record. I said there is downside potential in
5 this deal; there is also upside potential. So you
6 can have a year where there's a players' strike
7 and we don't get our revenue projections. You can
8 have another year where Arthur Anderson's wrong,
9 it's not 2.9 million, and the Phillies are right,
10 it's 3.3 million, and you'll make more money than
11 we're telling you you're going to make.

12 So both things could happen.

13 COUNCILMAN ORTIZ: You cited in your
14 statement MBE projections in terms of contracts.

15 MR. HANKOWSKY: Mm-hmm.

16 COUNCILMAN ORTIZ: Those projections
17 are also applied to the construction jobs that are
18 going to be used, implemented during the building
19 of the two stadiums?

20 MR. HANKOWSKY: I actually think that
21 there are -- and I apologize, I'm sort of doing
22 this. . .

23 I think there's actually a projection
24 of 45 -- excuse me. 45 percent of work hours
25 would be related to minority workers, so it's a

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2 slightly different number on the employment than
3 there is on the subcontracting.

4 COUNCILMAN ORTIZ: On all trades?

5 MR. HANKOWSKY: Actually, as I said,
6 I --

7 COUNCILMAN ORTIZ: By trade?

8 MR. HANKOWSKY: What I have is now the
9 numbers. I'm not sure whether it's against every
10 trade, I don't know. I don't want to -- I'm just
11 not totally conversant.

12 COUNCILMAN ORTIZ: Will we have a
13 lease, a finalized lease, by the time that we have
14 to approve these legislation?

15 MR. HANKOWSKY: I don't think the lease
16 would be completed by then, no.

17 COUNCILMAN ORTIZ: Are you going to
18 have to bring the lease for approval to City
19 Council?

20 MR. HANKOWSKY: Our request for Council
21 is that we would no have to do that. That's the
22 way this legislation is designed right now.

23 COUNCILMAN ORTIZ: So we are going to
24 approve the lease --

25 MR. HANKOWSKY: The lease would have to

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2 conform -- I'm sorry. The lease would have to
3 conform to the term sheets and however we want to
4 amend those term sheets in the course of this
5 process.

6 COUNCILMAN ORTIZ: In essence, in this
7 phrase that you have on top of the lease term
8 sheet is very --

9 MR. HANKOWSKY: Well, I mentioned
10 earlier --

11 COUNCILMAN ORTIZ: Is very moveable,
12 okay?

13 MR. HANKOWSKY: I mentioned,
14 Councilman, I think, to another Councilperson, it
15 might have been Councilwoman Reynolds Brown, that
16 we will delete that phrase. We have no intent to
17 change the terms of the terms sheets after you've
18 approved them. And whatever the right words are
19 that says that, those are the words you want to
20 have between you and us.

21 COUNCILMAN ORTIZ: And if anything
22 changes, if any significant change is negotiated,
23 is that lease then going to come back to City
24 Council for a hearing?

25 MR. HANKOWSKY: If I could just say --

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2 COUNCILMAN ORTIZ: Because if you're
3 going to have a lease that is not finalized and --

4 MR. HANKOWSKY: No, could I just say --

5 COUNCILMAN ORTIZ: And we're going to
6 approve it on faith --

7 MR. HANKOWSKY: Right.

8 COUNCILMAN ORTIZ: -- what assurances
9 do we have that you will not be changing some
10 significant terms of the lease and not bring it
11 back to City Council for perusal and approval?

12 MR. HANKOWSKY: I was just making sure
13 I was legally correct here, Councilman.

14 If we would change -- if for some
15 reason, which we don't contemplate doing, by the
16 way, we think we're done. But if for some reason,
17 something would have to get changed in the term
18 sheet, then yeah, we believe we'd bring these
19 terms sheets back to you to reflect that and seek
20 your consent.

21 So we -- we don't have -- we're not
22 seeking a right to take the terms sheet, go away,
23 and then change it; we're seeking the right to
24 have you approve the terms sheet, us have to live
25 by it, and if we're going to change something,

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2 we'll come back.

3 COUNCILMAN ORTIZ: Ma'am, I'll come
4 back for the other.

5 COUNCIL PRESIDENT Verna: Thank you.

6 Mr. Hankowsky, if you don't mind, I'd
7 like to get a question in here and there.

8 MR. HANKOWSKY: Please.

9 COUNCIL PRESIDENT Verna: You gave us
10 the adjusted five-year plan.

11 MR. HANKOWSKY: Yes.

12 COUNCIL PRESIDENT Verna: And can you
13 tell us if they include the City's labor
14 contracts? 'Cause they're -- it's somewhat
15 adjusted and I don't quite understand it.

16 MR. HANKOWSKY: I'm going to ask
17 Mr. Dubow to --

18 COUNCIL PRESIDENT Verna: Do they
19 include the City's labor contracts, PGW's loan,
20 the School District payment et cetera,
21 et cetera, et cetera?

22 MR. DUBOW: Are you talking about the
23 document that we handed out today that showed the
24 5.8 million?

25 COUNCILWOMAN Verna: Whoa, whoa.

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2 You're going to have to slow down. I didn't hear
3 a word you said.

4 MR. DUBOW: Are you talking about the
5 document we handed out before?

6 COUNCIL PRESIDENT Verna: This is what
7 you just --

8 MR. DUBOW: That's just this deal, that
9 5.8 million. That's just this.

10 COUNCIL PRESIDENT Verna: What does
11 that mean to us, then?

12 MR. DUBOW: Excuse me?

13 COUNCIL PRESIDENT Verna: What does
14 that mean to us? It's not the adjusted five-year
15 plan.

16 MR. DUBOW: No, it's just an analysis
17 of what this proposed deal would do to the
18 five-year plan. I mean, we have taken a look at
19 the impact of the various things that have changed
20 since the plan, including the 45 million to the
21 School District, the loan to PGW, the labor
22 agreements, and we've compared that to the
23 increases in revenues that happen in 2000, which
24 increased our base. And that's resulted -- and we
25 look at it in our maintaining a positive fund

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2 balance at the end of '05, and we can get you that
3 sheet that shows us.

4 COUNCIL PRESIDENT Verna: When are you
5 going to have the sheet to us?

6 MR. DUBOW: We can get it to you
7 tomorrow morning.

8 COUNCIL PRESIDENT Verna: That would be
9 fine, and we'd like you to have enough copies for
10 each member of Council so that you could walk us
11 through it.

12 MR. DUBOW: Sure.

13 COUNCIL PRESIDENT Verna: Thank you.
14 We've had some Councilmembers that have been
15 waiting for some time.

16 Councilman Rizzo?

17 COUNCILMAN RIZZO: Thank you, Madam
18 Chair. My question is to PIDC, Bill Hankowsky.

19 It confuses me to -- I don't know
20 understand why, knowing the potential for two new
21 facilities in South Philadelphia, even though the
22 first choice you mentioned was at Broad and Spring
23 Garden, then the Mayor's choice, and then we
24 abandoned both of those, and then the focus was
25 back in South Philadelphia.

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2 I thought one of the missions of PIDC
3 -- and I apologize if this question's been asked
4 because I've been in and out of the chamber a few
5 times during the day. How could we -- I want to
6 talk about the one that got away. How could we
7 not foresee the need for the Acme facility and let
8 someone else buy that facility, knowing that we
9 potentially were going to build stadiums and need
10 parking lots, need all of the things to operate a
11 sports complex.

12 How could we -- I thought PIDC was out
13 there, you know, a bit of speculator, buying up
14 things, knowing that they would have a potential
15 use. How could we allow that to get away?

16 MR. HANKOWSKY: Well, let me respond in
17 a couple of ways. I mean, one is, I would hope we
18 would never characterize PIDC as a bit of a
19 speculator.

20 COUNCILMAN RIZZO: Well --

21 MR. HANKOWSKY: You're correct, PIDC
22 does look at buying property in the City on a
23 periodic basis, but we're totally constrained by
24 available resources. We would not have the
25 resources to buy -- we don't have the resources to

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2 buy that property unless, through an action like
3 we're talking about today, there's an
4 authorization to borrow to do that. That's just
5 one comment.

6 In terms of the property, I mean, we
7 did look at that property at the beginning of the
8 calendar year because at the time, when the site
9 selection work was underway, and it was unclear,
10 you know, where the committee was going to come
11 down, you know, before a decision made a decision
12 was made.

13 At the point where a decision made,
14 that we were going to pursue 12th and Vine and the
15 T-Warehouse site, we ceased our discussions. We
16 had no authorization in a funding sense to go buy
17 it, so -- and Acme, as you know, closed the
18 facility in February of this calendar year.
19 Basically, it was in a position where they were
20 not going to carry it, so they put it on the
21 market, and it got sold, it got put under
22 agreement.

23 COUNCILMAN RIZZO: But, again, that's
24 one of the comments, as you can -- the reason I'm
25 asking the question is, it's constantly being

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2 asked how we allowed that to happen. And you say
3 that you didn't have the wherewithal to make a
4 deal like that.

5 Based on what all was going on, you
6 don't think if you had approached whoever you
7 needed to approach -- the Administration and the
8 Council -- that you couldn't have gotten some
9 approval or gotten the wherewithal to make that
10 deal when you had an opportunity to make a deal?
11 I mean, it doesn't -- based on this big picture, I
12 would think it would have been easy to convince
13 people that this would be a prudent purchase, a
14 prudent investment.

15 MR. HANKOWSKY: We -- we consulted with
16 the City and we didn't pursue it.

17 COUNCILMAN RIZZO: But you dropped it.

18 MR. HANKOWSKY: Right.

19 COUNCILMAN RIZZO: Based on the fact
20 that you were looking at a site that everybody
21 knew wouldn't work.

22 MR. HANKOWSKY: Well, that -- that
23 wasn't where we were -- I mean, I totally respect
24 your position, Councilman; I always would respect
25 your position.

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2 COUNCILMAN RIZZO: Likewise.

3 MR. HANKOWSKY: But that -- that's not
4 where we were.

5 COUNCILMAN RIZZO: Okay, fine.

6 Also, maybe you could explain for the
7 record, everyone looks at the First Union Center
8 complex and constantly compares this transaction
9 with the transaction that occurred at the First
10 Union Center.

11 MR. HANKOWSKY: Mm-hmm.

12 COUNCILMAN RIZZO: Everyone suggests
13 that this was built with private money, that there
14 was no public money involved in this transaction
15 before. I hope you don't mind me asking you to
16 repeat the deal that was done there publicly, even
17 though you --

18 MR. HANKOWSKY: Yeah.

19 COUNCILMAN RIZZO: -- explained it in a
20 briefing. I would really appreciate it because,
21 again, I think that the message really needs to
22 get out there, because you certainly taught me
23 something when you explained the situation at the
24 First Union complex.

25 MR. HANKOWSKY: Right. The First Union

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2 transaction had some analogies to this situation.
3 It was a partnership to the State, the City, and a
4 private party, who controlled sports teams --
5 controlled one at the time, subsequently
6 controlled both of them. We funded the site
7 preparation work with public dollars.

8 COUNCILMAN RIZZO: Could you give some
9 numbers, please.

10 MR. HANKOWSKY: Yeah.

11 COUNCILMAN RIZZO: I mean, even if
12 they're in the ballpark.

13 MR. HANKOWSKY: Yeah, we spent -- ooh,
14 I have a recollection we spent 3 million to knock
15 down -- at the time to knock down what was the
16 old, you know, JFK Stadium. We spent money to
17 also, which, I think was \$1.4 million -- because
18 you might remember, the Eagles practice bubble
19 used to be next to the JFK Stadium, so we had to
20 flip it up to the Vet lot and build those fields
21 up there. I think that was a \$1.4 million
22 project.

23 We -- the State put in a grant of
24 8 million, the City put in a low-interest loan of
25 8 million. The State put in an additional

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2 5 million in three separate loan that totalled
3 5, all of which ran through PIDC in a kind of
4 structuring way. And then most -- probably all of
5 that was significant, you know, in and of itself,
6 because I think the total City dollars were in the
7 neighborhood of 32 million. I don't know if what
8 I said adds up to it, but that's my recollection.
9 And a project cost that about, I think,
10 212 million, from soup to nuts, comparable to the
11 billion number here, you know, just from beginning
12 to end.

13 But then, very significantly, what we
14 did was, we provided a revenue stream, and we
15 provided a revenue stream that consisted of the
16 revenue from the parking on what's called the
17 South Lot, the lots that surround the two arenas
18 on the 55-acre site, which they get 100 percent of
19 for all events, including a football event or a
20 baseball event.

21 And we also provided them with
22 100 percent of the revenue basically from the lot
23 that's around the Vet that excludes the VIP but
24 includes the other, which was 5,755 spaces. And,
25 in fact, if we created more than that number of

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2 spaces, got more than 50 percent of that.

3 The current ballpark numbers for the
4 combination of those parking revenue streams, when
5 you add them up, is in the neighborhood of 5,
6 5.5 million per annum. If you, you know,
7 capitalize that, kind of the old fashioned way,
8 worth about 50 million. If you put in another
9 third, so maybe we put 80, we put 80 into a
10 building. The building itself was like 170?
11 Half?

12 COUNCILMAN RIZZO: So there was
13 significant support.

14 MR. HANKOWSKY: Yeah.

15 COUNCILMAN RIZZO: And, again --

16 MR. HANKOWSKY: And significant
17 private, by the way. I mean, both sides did a
18 lot, as I think they are doing in these
19 transactions.

20 COUNCILMAN RIZZO: But my point, every
21 place I go, every community meeting, it's
22 constantly being thrown up that we're taking care
23 of the fat cats, and that another fat cat built it
24 all himself with no help.

25 MR. HANKOWSKY: Right.

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2 COUNCILMAN RIZZO: But that isn't
3 necessarily the correct facts.

4 MR. HANKOWSKY: That's correct.

5 COUNCILMAN RIZZO: Thank you, Madam
6 Chair.

7 COUNCIL PRESIDENT VERNA: Yes, sir.
8 Are you finished, Councilman?

9 COUNCILMAN RIZZO: Yes. Thank you.

10 COUNCIL PRESIDENT VERNA: Thank you.
11 The Chair recognizes Councilman Cohen.

12 COUNCILMAN COHEN: Thank you, Madam
13 President.

14 First, is it a fact that in the State
15 legislation with respect to the State
16 contributions, that there is a provision that if
17 the revenue estimates do not yield certain amounts
18 of increased revenue to the State --

19 MR. HANKOWSKY: Mm-hmm.

20 COUNCILMAN COHEN: -- as a result of
21 the stadium activity, that the teams will have an
22 obligation to pay to the State in the form of rent
23 some amounts to make up for the deficit in
24 increased revenue? Isn't there such a --

25 MR. HANKOWSKY: There is a provision in

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2 the State legislation, and I think it creates
3 10-year periods. I'd actually have to look it up,
4 Councilman, but my recollection is it's 10-year
5 periods, during which there's a mathematical
6 calculation of the revenues that the Commonwealth
7 will receive and whether it -- and then there's
8 numbers that it has to meet. I'm not sure if it's
9 the debt service or a portion of the value of the
10 grant. Yeah, there is such a provision.

11 I can also tell you that the likelihood
12 of that occurring is almost nil because the way --

13 COUNCILMAN COHEN: In the likelihood of
14 the events occurring.

15 MR. HANKOWSKY: The likelihood -- no.
16 The likelihood, yeah, of the events occurring
17 because they included, I believe -- and I'd have
18 to check. I believe it includes taxes generated
19 by construction, et cetera. The base was set so
20 low that you'd almost need a calamity for there --
21 and it would almost be like they couldn't operate
22 for ten years for there not to be enough taxes to
23 justify that the teams would have to do the
24 payback.

25 COUNCILMAN COHEN: Well, did the City

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2 learn from that provision to perhaps draft a more
3 effective provision or at least some provision to
4 provide for a circumstance? If it's a provision
5 that is not likely to occur, the inclusion of such
6 a provision will certainly not cause any problem
7 because the teams would have the same assurance
8 that you would have. But suppose, you know, that
9 it's not going to be triggered.

10 MR. HANKOWSKY: Right.

11 COUNCILMAN COHEN: But shouldn't there
12 be some form of provision like that to trigger
13 something?

14 MR. HANKOWSKY: Well, Councilman --

15 COUNCILMAN COHEN: Because isn't it a
16 fact that basically all risks involved here is the
17 risk of the City? The bond issues have to be met
18 every year, no matter what, and it's the City that
19 pays the bond, not the teams. Now, why isn't
20 there that kind of a provision?

21 MR. HANKOWSKY: Right.

22 COUNCILMAN COHEN: Or maybe a more
23 effective one. You may well be right in your
24 analysis of the ineffectiveness in the State
25 provision, but it certainly makes a lot of sense,

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2 that kind of a provision, particularly if it will
3 be effective.

4 MR. HANKOWSKY: Right. Councilman, as
5 we said briefly out in the hall a minute ago, we
6 will probably be disagreeing a few times over the
7 next couple of days.

8 COUNCILMAN COHEN: More than that.

9 MR. HANKOWSKY: And I at least want to
10 take one exception to the way you characterized
11 this question. I do not agree that the City is
12 the only party taking risk here. Everybody is
13 taking risk here.

14 COUNCILMAN COHEN: But the City --

15 MR. HANKOWSKY: If I could --

16 COUNCILMAN COHEN: But the City pays
17 the ultimate --

18 MR. HANKOWSKY: No. That, in fact, is
19 what I don't agree with.

20 COUNCILMAN COHEN: Okay.

21 MR. HANKOWSKY: We have crafted a
22 transaction where we have placed very significant
23 risk on the teams. We have placed the risk of any
24 cost overruns related to demolition, related to
25 the site work, related to the cost of the

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2 buildings, related to capital costs to run those
3 buildings, related to the operation and
4 maintenance of those buildings, related to their
5 debt service on their borrowings.

6 And I should point out that in a number
7 of transactions around the country, the public
8 kept some or all of those risks -- pays
9 maintenance costs, had cost overrun exposure. You
10 had some real calamities out there. In
11 Cincinnati, it was very significant. I mean, tens
12 of millions of dollars the public put out because
13 of cost overruns.

14 So we estimated a transaction -- we do
15 have a risk, I'm not disagreeing that we have a
16 risk; I'm only saying that we are not the only
17 risk-taker. In fact, I think we -- the teams'
18 share, if not, have greater risk than we have in
19 the transaction.

20 COUNCILMAN COHEN: But a lot of that
21 will depend on the fine print that you don't want
22 us to look at that tests your judgment. I'm a
23 pretty good lawyer, and I would like the
24 opportunity to see whether what you say, with the
25 best of intentions, is in fact so, because it's my

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2 experience that when risks are undertaken by
3 companies, frequently there are exceptions to
4 those risks listed in the fine print.

5 MR. HANKOWSKY: Mm-hmm.

6 COUNCILMAN COHEN: And they may be
7 necessary exceptions, but there are exceptions.
8 And we ought to have the deal, don't you think, to
9 make a judgment as to the share of the risk
10 between the City and the teams?

11 MR. HANKOWSKY: Well --

12 COUNCILMAN COHEN: Because don't we
13 really take a very big liability in this?

14 MR. HANKOWSKY: Well, again, let me --
15 I haven't fully addressed your first question,
16 which I would also like to.

17 COUNCILMAN COHEN: All right. See,
18 words your are very soothing, but you're not going
19 to be here very much longer.

20 MR. HANKOWSKY: This is true.

21 COUNCILMAN COHEN: And if you come
22 here, you're going to be coming here openly in
23 support of business interests.

24 MR. HANKOWSKY: I probably won't be
25 around. I don't think you'll be seeing much more

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2 of me.

3 COUNCILMAN COHEN: Now you're
4 representing the City in trying to develop
5 partnerships, so we're not be able to pin you
6 down.

7 MR. HANKOWSKY: Right.

8 COUNCILMAN COHEN: Maybe we can pin the
9 Mayor down for, some people say, three years;
10 others say seven years.

11 MR. HANKOWSKY: Right.

12 COUNCILMAN COHEN: But then there will
13 be another mayor who will blame everything that's
14 happened on this mayor.

15 MR. HANKOWSKY: Right. Stuff happens,
16 you know, right.

17 COUNCILMAN COHEN: But I'm just saying,
18 why don't we have that kind of protection?

19 MR. HANKOWSKY: Well, let me -- I do
20 want to get to that -- I do want to be responsive.

21 COUNCILMAN COHEN: Well, what's so
22 difficult about making that kind of language
23 available to us? Why do you want to hold back
24 showing us that language until after we enact the
25 legislation?

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2 MR. HANKOWSKY: Well, you first go with
3 the provision, and then --

4 COUNCILMAN COHEN: Yeah. This is only
5 the beginning.

6 MR. HANKOWSKY: I can tell.

7 In any negotiation, it's kind of easy
8 -- and I don't mean this in any provocative way
9 -- to sort of say, Well, why don't you do this
10 instead of that? Or get this provision in or
11 whatever? And --

12 COUNCILMAN COHEN: I've been through
13 many, many negotiations --

14 MR. HANKOWSKY: Right.

15 COUNCILMAN COHEN: -- over many, many
16 long periods of time.

17 MR. HANKOWSKY: Right. And we had a
18 whole list of things we were trying to accomplish
19 in this transaction. There were a whole list of
20 things that we sought, there were things the teams
21 sought, and we believe we've crafted a good
22 transaction where we've gotten things from the
23 teams that we wanted, and they can run the range
24 from aggressive MBE to --

25 COUNCILMAN COHEN: Was there ever

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2 anything in writing listing those groups of
3 requests or desires or goals?

4 MR. HANKOWSKY: Well, if I could finish
5 -- if I could just complete my --

6 COUNCILMAN COHEN: Well, the reason I
7 can't is you so often manage to veer the question
8 in an entirely different direction.

9 MR. HANKOWSKY: I try to be responsive.

10 COUNCILMAN COHEN: Well, I'm asking, if
11 there is a list, could we have that list so we can
12 be as well informed as you? What were our goals
13 in the negotiations? I don't know what they were.

14 MR. HANKOWSKY: Well, all I'm saying,
15 Councilman --

16 COUNCILMAN COHEN: I don't know any
17 member of Council who knows what those goals were.

18 MR. HANKOWSKY: Right. I don't think
19 it would be productive and I think, therefore, I
20 would respectfully decline, and I know that's not
21 a satisfactory answer, to share sort of the
22 character, you know, of all of the back-and-forth
23 negotiations. The fundamentals are, though, we
24 have a deal that struck, and I'm not sure that we
25 can -- we can gain additional provisions as much

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2 as we might seek them.

3 To your point about seeking to see the
4 final documents to read the fine print, I totally
5 understand what you're saying. I think you know
6 our position today. I've stated previously we are
7 seeking Council approval for a transaction that
8 would function on the basis of both the terms
9 sheets we've submitted. We believe that we will
10 -- hopefully, in cooperation with Council, be
11 amending those to include certain significant
12 elements of the transaction that we all need to
13 know are in place in there, but we simply won't on
14 the schedule we're on be at a point where the full
15 documents will be done against this calendar.

16 COUNCILMAN COHEN: Well, I don't
17 understand why you can't meet tests. This is --
18 what is the great emergency here that would
19 justify a legislative body surrendering all of its
20 powers of oversight and previous sight with
21 respect to new transactions to a mayor? I mean,
22 have we elected a mayor of this city or have we
23 elected a dictator?

24 Because you're asking us to forego all
25 of our rights and to sign legislation turning

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2 every important decision over to the Mayor. And I
3 personally find it an affront to myself as a
4 legislator, and I think it ought to be so
5 considered by all other members, because we were
6 elected precisely to examine each of these
7 transactions and to render a legislative decision
8 and to have a record on which we run if we choose
9 to reelection, and the voters say yes or no to
10 us. But you're asking us to just trust the Mayor.

11 MR. HANKOWSKY: Well --

12 COUNCILMAN COHEN: Well, we can trust
13 the Mayor but you can't trust public funds. We
14 have -- we're like executors. We have duties of
15 due diligence, we have duties to protect public
16 funding. It's not private funding. With respect
17 to private funds that any individual has, he can
18 or she can decide to exercise no due diligence, or
19 exercise a great deal.

20 But these are public funds you're
21 asking to us close our eyes, take the words that
22 are unenforceable, there will be nothing in
23 writing that will give us any kind of guarantee as
24 to anything which we can take in and enforce
25 against the teams in the circumstance where it may

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2 be necessary. All lawyers, all businessmen know
3 the importance of a signed agreement is not when
4 everybody's on good terms. And if everybody's on
5 good terms all the way throughout, it won't matter
6 what the terms of the agreement are; people learn
7 how to work out differences when they're on good
8 terms.

9 But if there are disputes, as for
10 example, when the teams indicate to us that
11 despite ten more years on a lease that everybody
12 had presumed was permanent for 30 years, they say,
13 Well, we're looking at that, maybe it's not so
14 permanent, maybe there's a basis for terminating
15 the lease. That's when the written terms are
16 important and every little word is important.
17 Aren't we entitled to that?

18 You've been dealing with the City
19 Council, you've been representing the
20 Administration in one form or another. Isn't this
21 legislative body entitled to that information?

22 MR. HANKOWSKY: Well, Councilman --

23 COUNCILMAN COHEN: I mean. Maybe we're
24 asking the wrong person; maybe all of these
25 questions should have been addressed to the Mayor

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2 this morning when he testified but, of course, he
3 would have said he doesn't know any of these
4 details and, therefore, he's going to provide
5 everybody in the Administration who has any
6 knowledge of the details to present them. But
7 maybe I'm asking you a question that only the
8 Mayor can answer.

9 MR. HANKOWSKY: Well, clearly, the
10 Administration --

11 COUNCILMAN COHEN: But you haven't made
12 this decision; it's the Mayor's decision that
13 Council ought to be asked to cover its eyes and
14 sign on the dotted line, no matter what the
15 language is above the dotted line.

16 MR. HANKOWSKY: You're right, the
17 Administration has made the to request Council's
18 action to do this transaction on this basis,
19 you're exactly right. I wouldn't characterize it
20 the way you have.

21 I mean, clearly, we've -- you know, the
22 level of Council involvement in various
23 transactions is different in various transactions,
24 and some full documents have been here and others
25 -- you know, we do tax increment financing, which

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2 I know you're also not necessarily comfortable
3 with, Councilman, but we don't bring you project
4 plans but we don't bring you the mortgages and the
5 final loan documents. I mean, you approve a level
6 of funding that the City will do and go no
7 further. And what we're asking is that you
8 consider a level of funding we would do and go no
9 further.

10 COUNCILMAN COHEN: But isn't this the
11 biggest single project we've ever dealt with as
12 far as usage of general fund money? Tell me how
13 wrong I am when I say flatly that it's going to
14 cost the City of Philadelphia net-wise, say, tax
15 increases are very likely, if this deal goes
16 through, because as I see it, a billion dollars
17 minimally, perhaps much more, in the next 30 years
18 is being drained out of our general fund at a time
19 when we have all kinds of needs. The Mayor
20 accurately notes the needs of the School District
21 and the Gas Works. Yesterday morning, it was the
22 library's turn. There are all kinds of needs in
23 the City.

24 And what's going to happen is because
25 of these -- the encumbrance of this tremendously

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2 large sum of money from the general fund, other
3 needs are not going to be met, and some of them
4 are going to have to be met, and when that
5 happens, you know there's going to have to --
6 something is going to have to happen with respect
7 to the tax structure.

8 MR. HANKOWSKY: Councilman --

9 COUNCILMAN COHEN: And that's the
10 reason I raise this issue.

11 MR. HANKOWSKY: Right. But I would
12 again --

13 COUNCILMAN COHEN: Isn't is a billion
14 dollars in public funds that are required to pay
15 off the bond issue that you're asking us to
16 authorize? Let me ask you that very specific
17 question.

18 MR. HANKOWSKY: I think I've got about
19 five lined up, but let me try to do all of them
20 real fast, if I could. Just give me a minute.

21 COUNCILMAN COHEN: Go ahead.

22 MR. HANKOWSKY: I have never mislead
23 you as to what the number; it's in my table. If
24 you go to my Table No. 2 and go to the column that
25 shows all City expenses, there is a line at the

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2 bottom, \$980 million. That is our exposure.

3 We're going to spend \$980 million to pay off the
4 debt and the Eagles operation and maintenance
5 expenses. That is our obligation.

6 COUNCILMAN COHEN: Why do we --

7 MR. HANKOWSKY: If I could finish, if I
8 could finish, let me please.

9 That is our obligation.

10 If you want to take the same kind of
11 number of 30-year who has to spend what in the
12 deal, each of these two teams are going to spend
13 about \$1.4 billion in equivalent nominal dollars
14 over 30 years to handle their obligations for
15 their debt for their operation for the capital for
16 their buildings. So everybody is making
17 significant exposure over 30 years.

18 In addition, Councilman, when you say
19 raid the general fund, we're taking it away from
20 libraries, rental car tax, it was put there to
21 deal with stadiums. The revenues we're saying
22 we're going to spend are coming by fans,
23 80 percent of them non-Philadelphians, spending
24 money here that we're going to tax, take that
25 money, and put it into the project.

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2 If we don't do the project, if you
3 don't do the project, you don't have \$980 million
4 to spend on libraries; you just don't have it at
5 all. In fact, what you have is a world where the
6 general fund is going to be significantly at risk
7 in the next ten years because you're going to be
8 at the Vet and face a series of possibilities, all
9 of which are on the downside, none of which are on
10 the upside.

11 I would say you're -- and this is --
12 and it is a risk, it is a risk. But the risk
13 you're taking is the possibility of doing okay,
14 which is what we're proposing, maybe even better,
15 and there's a downside risk. Don't do it, that's
16 your election. If you don't do it, if you decide
17 public money doesn't fund stadiums --

18 COUNCILMAN COHEN: Today not even
19 talking about --

20 MR. HANKOWSKY: Then you have no
21 upside.

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

24 COUNCILMAN COHEN: We come in here
25 today and the person who appeared as an expert

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2 witness or a consultant appeared and said, Do it
3 but save some money. This is an easy way to save
4 \$180 million for the taxpayers of Philadelphia.

5 MR. HANKOWSKY: Mm-hmm.

6 COUNCILMAN COHEN: And this is how it's
7 been done, and this is much more costly here in
8 Philadelphia than elsewhere, and why ought it be
9 that way? They raised that proposal, and all we
10 here is a legislative body responsible,
11 responsible for taxpayer money, not wanting to
12 hear of ways to save the money.

13 Have you seen -- you said earlier the
14 teams said to you that's all they can pay, or
15 language of that kind.

16 MR. HANKOWSKY: Mm-hmm.

17 COUNCILMAN COHEN: Have you seen their
18 books? You said you'd take their word. I've
19 never heard of such a statement from a business
20 negotiator. Even in union negotiations, generally
21 the union, when the company says, as it almost
22 always says, We can't afford to pay the wage
23 increase you want or the health benefits or
24 whatever else, the union says, Show us. If you
25 show us that you can't afford it, then maybe we'll

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2 listen. We'll have something to go back to our
3 membership on and explain to them that there's no
4 money for it.

5 Have you seen their books? You say
6 you'd take their word. How do we know (inaudible)
7 that you speak about, 'cause they told you? How
8 do you know that they exist?

9 MR. HANKOWSKY: What we did,
10 Councilman, is, we ran an independent analysis of
11 what we thought a team would make with new
12 stadiums in Philadelphia, both in baseball and in
13 football. We looked then at the cost they might
14 have to pay for debt service and looked at where
15 was the line of what -- I'll use term, what can
16 the teams afford to do. We did do that analysis,
17 independent of the teams.

18 COUNCILMAN COHEN: Would you have any
19 documentation on that?

20 MR. HANKOWSKY: Yeah.

21 COUNCILMAN COHEN: We would like to
22 have it, and I would request that you furnish it
23 to the Council President --

24 MR. HANKOWSKY: Sure.

25 COUNCILMAN COHEN: -- the documentation

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2 which convinced you that you could take the word
3 of the teams with respect to what they can
4 afford. Because that would be important to all of
5 us.

6 MR. HANKOWSKY: Okay.

7 COUNCILMAN COHEN: Nobody wants to put
8 the teams out of business. We hope they're going
9 to prosper over these 30 years, but we think they
10 ought to take -- at least I think that they ought
11 to take a much bigger share of this risk because
12 the great gains are going to be their gains.

13 We're going to be very lucky,
14 Mr. Hankowsky if this turns out to be
15 revenue-neutral. It will be considered a miracle
16 as well as a good deal for the City.

17 Tell me, when did the negotiates begin
18 on the Phillies and Eagles contracts and the
19 stadiums? When did the final negotiations --
20 there was a period of 12th and Vine, months in
21 which the City could have spent time and you could
22 have spent time, and then the fiasco about the
23 Acme warehouse that Councilman Rizzo raised would
24 not have occurred because you would have been
25 working on the deal, you could have checked out

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2 everything.

3 Negotiations often take a long time. I
4 admit these are complex negotiations. When you're
5 forced to do it in a brief time to meet a certain
6 deadline, then you've lost most of your
7 negotiating power.

8 Then David L. Cohen -- and I have to
9 turf emphasize the L -- would not have had the
10 time to spend with the teachers' union; he would
11 have been negotiating this contract. Or, on the
12 converse, he might have spent the time with the
13 union contract and not with the Phillies.

14 But all of that time was lost while
15 everybody in the City, except the Mayor and maybe
16 a few people very close to the Mayor and the
17 Chamber of Commerce, kept on talking about how it
18 had to be 12th and Vine and nothing else would
19 do. Everybody else in the City knew that South
20 Philadelphia was going to get the two stadiums.

21 But I'm asking, when did the real
22 negotiations begin? What period of time has it
23 been? I believe that Councilman Ortiz in his
24 question indicated he thought it was last month.
25 I think it was much less time than that. How long

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2 have you negotiated?

3 MR. HANKOWSKY: I'd actually have to
4 check. I think --

5 COUNCILMAN COHEN: What I would like to
6 hear is a kind of day-by-day --

7 MR. HANKOWSKY: It was in October. I'd
8 actually have to just check my calendar. It was
9 in October.

10 COUNCILMAN COHEN: That's a big month,
11 31 days.

12 MR. HANKOWSKY: I know, I know.
13 Because, Councilman --

14 COUNCILMAN COHEN: I'm very concerned.
15 I think the City shot itself in the foot when it
16 permitted all of that time to be wasted away on
17 12th and Vine, on this fantasy that the Mayor had,
18 and everybody all followed in lock step, all of
19 the people close said, Yes, 12th and Vine is
20 mighty important; yes, it's the best place for
21 Center City, everything else. And it's got to be
22 Center City or there's no point in building the
23 stadium. And we all knew that the tale would come
24 to an end and it would be South Philadelphia. I
25 think Councilman Kenney made that statement the

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2 very first day that the Mayor talked about 12th
3 and Vine.

4 I raise this because that was important
5 time, and we would not be confronted with being
6 asked to consider and approve something that we
7 know really nothing about that we're asked to take
8 on your good reputation, on the fact that you
9 speak so nicely and pleasantly, and you can lull
10 us into, Well, this is really going to be good,
11 and this is going to be fine, and the view is
12 optimistic. You know, you're very good at that;
13 you do an excellent job in a professional way, as
14 I said yesterday.

15 But I think we need more than that.
16 This is the biggest single tax revenue. Funds,
17 tax money comes into the City, and this is the
18 biggest drain on that over the next 30 years.
19 Maybe there will be miracles produced, maybe the
20 Phillies will decide to have a team that we can be
21 proud of in Philadelphia. I don't think many
22 people can disagree with the consultant's
23 statement about the fact that the Phillies ball
24 team indisputely -- baseball team has had a
25 terrible record for the last hundred years, and

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2 not only in financial matters, but in the matters
3 of minority employment. We don't want to get into
4 that, but we'd like to see the Phillies be an
5 up-to-date good baseball team. But we'd like them
6 to assume their proper responsibilities.

7 We would like from you-- could we have
8 it -- could we get a kind of an agenda from you as
9 to when the negotiations took place?

10 And I'd like to know who negotiated for
11 the City and in what form and who negotiated for
12 the teams. I would like to know that and I would
13 like to know who the original proposals were. You
14 said you brought the teams over a good distance
15 from where they were. This deal looks to me
16 awfully good; I don't know where they were. Maybe
17 they wanted the City to pay for everything.

18 But I'd like to, know where did the
19 negotiations begin, how did they transpire, and
20 how did they end?

21 And then I don't understand why you
22 can't give us -- why can't we have a final lease?
23 If you can't show us the final lease now, I think
24 it's because -- not because it can't be done, but
25 because there are provisions in that lease that

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2 you do not want made public before there is a
3 decision made by the City Council on that.

4 The Pennsylvania SEC has various
5 broadcasts on TV and radio, and it says, If
6 somebody asks you to act blindly and quickly,
7 that's the time to be suspicious. I'm
8 suspicious. I want to know why it is not
9 possible, with lawyers as experienced as those the
10 City and the teams employ, why they can't bring to
11 us in plenty of time, before our committee action
12 comes up on December 7th, a fully completed lease
13 agreement.

14 And if you can't for, some reason that
15 seems to you sufficient, you can't do it
16 completely, bring us one with all the provisions
17 that you can agree on finally and list those areas
18 where there is disagreement and an explanation as
19 to why you can't agree. I think that's your
20 obligation.

21 Now, we can you go back to the original
22 questions I asked you.

23 MR. HANKOWSKY: I'm not sure I -- no
24 longer remember what they are, Councilman. I'm
25 sorry, I apologize.

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2 COUNCILMAN COHEN: Well, I want to
3 know, why don't we have included a provision like
4 the State provision, that if your optimistic view
5 of revenues that are going to be developed --

6 MR. HANKOWSKY: I'm sorry, okay.

7 COUNCILMAN COHEN: And why should that
8 not be a part of the agreement?

9 MR. HANKOWSKY: It's not a part of this
10 agreement, it's not a part of where ended up in
11 the negotiations. That's why I'm --

12 COUNCILMAN COHEN: Did you ever ask for
13 it?

14 MR. HANKOWSKY: We talked about a
15 number of issues in the negotiations. I just
16 don't want --

17 COUNCILMAN COHEN: Did you ask about
18 this particular provision?

19 MR. HANKOWSKY: In certain ways, we
20 did; in certain ways, we did. In other words, not
21 exactly what the State talked about but in
22 different kinds mechanisms going back and forth.
23 But I will get you something about when we started
24 negotiations and who participated and what the
25 process was.

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2 COUNCILMAN COHEN: And who participated
3 in those negotiations.

4 MR. HANKOWSKY: Right.

5 COUNCILMAN COHEN: On the car rental
6 tax, to take you away from the major figures to
7 get you back to minor, smaller items.

8 MR. HANKOWSKY: I'm sorry?

9 COUNCILMAN COHEN: Studies seem to
10 indicate that 80 percent of car rentals come as a
11 result of people who have automobile accidents and
12 who require a rental during the period of the lack
13 of use of the original car. Some people have
14 insurance policies that is cover it, some don't.

15 It seems to me that with the provision
16 in the law which says that the point of delivery,
17 the tax is applicable only where the point of
18 delivery is within the boundaries of the City of
19 Philadelphia, it seems to me quite easy for a good
20 group of lawyers to figure out how to make that
21 car rental tax inactive. It may not be worthwhile
22 for an individual user, you know, of those
23 services to institute a lawsuit, but it's awfully
24 easy in a class action suit to raise that and to
25 find a way to make this tax ineffective.

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2 Has the City given any thought to
3 that?

4 MR. HANKOWSKY: Well, Councilman, I --
5 I would -- there's one number you said that just
6 doesn't ring right with me. In fact, in the City
7 of Philadelphia, it's something like over
8 80 percent of the revenues we get from the rental
9 car tax are generated actually by the rental car
10 operations at Philadelphia International Airport.
11 That's really a function of the fact that the
12 major generator of rental car tax revenues to us
13 are people visiting the City -- tourists or
14 business people come in and rent a car for, you
15 know, their activities.

16 We now have experience because, you
17 know, you enacted this tax in the spring session.
18 So the City began collecting it as of July 1.
19 We're collecting it at the rate of approximately
20 400,000 a month. So we're beginning to create a
21 track record here. We have the rental car
22 employees under concession agreements at the
23 airport.

24 So that the vast majority of revenue
25 that this tax is based on is, in fact, something

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2 that the City has significant control of in terms
3 of getting it via our controls at the airport.

4 COUNCILMAN COHEN: Madam President?

5 COUNCIL PRESIDENT Verna: Yes, sir.

6 COUNCILMAN COHEN: I have many
7 questions associated with the negotiations, and I
8 would like to hold them till Mr. Hankowsky gives
9 you the information with respect to who were the
10 people who participated in the negotiations in the
11 period. And, therefore, I would like to request
12 that Mr. Hankowsky be available, even though he
13 officially leaves the City after tomorrow.

14 MR. HANKOWSKY: No, no, I'm here
15 through the 22nd, I'm here through this whole
16 press.

17 COUNCILMAN COHEN: That he be available
18 for further questioning with respect to this.

19 MR. HANKOWSKY: I'll be here.

20 COUNCILMAN COHEN: Because it's late,
21 and I would like to have that other information,
22 'cause I think it's important that the people of
23 Philadelphia know about the negotiations,
24 particularly in view of what may have been
25 unfortunate or maybe not, I don't know, but I had

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2 many questions about why is David L. Cohen both
3 negotiating for the schools on behalf of the City
4 in the school situation at the time that he's also
5 counsel for the Phillies. People want to be sure
6 that those who represent the City at all times are
7 only interested in the City's interests, just as
8 those representing the teams should have only been
9 interested, according to all of the oaths we take
10 as lawyers, in the interest of the teams they were
11 representing.

12 May we have that understanding, Madam
13 President, that Mr. Hankowsky will be subject to
14 recall?

15 MR. HANKOWSKY: Oh, yeah.

16 COUNCILWOMAN Verna: And he agrees,
17 that's fine.

18 COUNCILMAN COHEN: Okay. That will
19 conclude my question at this point.

20 COUNCIL PRESIDENT Verna: You will?

21 COUNCILMAN COHEN: Well, subject to
22 recall.

23 COUNCIL PRESIDENT Verna: Oh, okay.
24 That's fine, thank you.

25 COUNCILMAN COHEN: You're very welcome.

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2 COUNCIL PRESIDENT Verna: The Chair at
3 this time recognizes Councilman Kenney.

4 COUNCILMAN KENNEY: Thank you, Madam
5 Chair.

6 Mr. Hankowsky, just a couple of
7 questions on the -- some of the financing issues.
8 The \$90 million contribution to the Eagles stadium
9 operation and maintenance costs, will that cover
10 all of the costs of O&M through the course of the
11 deal, and is that \$90 million on the City's part
12 capped?

13 MR. HANKOWSKY: Yeah. One is, it does
14 not cover all of the operation and maintenance
15 costs. I mean, I think when the Eagles come up,
16 you can ask them what their estimates are, but I
17 think it's 75 percent of the O&M costs.

18 COUNCILMAN KENNEY: Is it capped on our
19 end?

20 MR. HANKOWSKY: Yes, it is capped. In
21 other words -- actually, what we make, Councilman,
22 is a series of very specific payments that are
23 discrete. It's not a formula, it's a number, it's
24 an absolute number each of the 25 years that are
25 involved.

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2 COUNCILMAN KENNEY: Okay. A large
3 portion of the City's contribution is obviously
4 derived from the car rental tax.

5 MR. HANKOWSKY: Yes.

6 COUNCILMAN KENNEY: And we have
7 specific projections over the years as to what
8 that tax should bring in.

9 MR. HANKOWSKY: Yes.

10 COUNCILMAN KENNEY: There's also, I
11 understand, potential plans for expansion or
12 reconfiguration of the airport --

13 MR. HANKOWSKY: Yes.

14 COUNCILMAN KENNEY: -- over the next,
15 perhaps five to seven to ten years.

16 MR. HANKOWSKY: Well, we have two
17 terminals under construction right now.

18 COUNCILMAN KENNEY: Right. But, I
19 mean, even in more extensive reconfiguration.

20 MR. HANKOWSKY: Yes.

21 COUNCILMAN KENNEY: We have a runway
22 problem, we don't have a lot of space down there.

23 MR. HANKOWSKY: Right.

24 COUNCILMAN KENNEY: And we need to
25 acquire more. Is there any possibility that those

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2 plans down the road could potentially cause the
3 relocation of car rental operations outside of the
4 City limits into Tinicum, into Essington and then,
5 therefore, preclude our collection of tax because
6 it's not in Philadelphia County?

7 MR. HANKOWSKY: Um --

8 COUNCILMAN KENNEY: I mean, I
9 understand that the key to this is that these car
10 rental companies stay within the City limits, and
11 I'm not suggesting because we impose this tax that
12 they're flying out of the City tomorrow.

13 MR. HANKOWSKY: Yeah, they're not.

14 COUNCILMAN KENNEY: I understand, but
15 could a need at the airport for space create a
16 more remote situation for the car rental companies
17 or some of them that would affect the revenue
18 stream that we project from the car rental tax?

19 MR. HANKOWSKY: I think Mr. Martin
20 might be able to respond.

21 MR. MARTIN: Councilman, this is an
22 issue that we knew that members of Council were
23 concerned about going back to last year. And the
24 way you phrased your question was -- I think you
25 said "could," and certainly, there's no way of

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2 foreclosing certain of the eventualities over a
3 30-year term. There was a letter --

4 COUNCILMAN KENNEY: I'm more concerned,
5 and I'm sorry to interrupt you. I'm more
6 concerned about probably the next ten years.

7 MR. MARTIN: Okay. Well, within the
8 next ten years, there's a letter that Charlie
9 Isdell, who's the acting Director of Aviation,
10 sent to the Council President that was dated --
11 while it might have been dated yesterday, I think
12 it was delivered today.

13 And the letter makes two points. One
14 is that Mr. Isdell confirms on behalf of the,
15 quote: We presently have six rental car companies
16 on airport in Philadelphia County whose agreements
17 extend until January 31, 2009. And those six
18 companies, when you go look at the companies,
19 they're the major companies that you would be
20 familiar with. And they constitute in excess of
21 99 percent of the car rental business down there
22 at the airport.

23 Mr. Isdell also confirms to the Council
24 President, quote: Let me confirm to you and the
25 other members of City Council that as acting

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2 Director of Aviation, I will take no action or
3 enter into any contract or agreement which will
4 have the effect of reducing the income stream to
5 the City from this tax, close quote.

6 So I think that it's an issue which the
7 City as the -- through its Department of Aviation,
8 can take significant steps to control in being
9 aware of the issue and can plan in such a way that
10 the eventuality could be avoided.

11 COUNCILMAN KENNEY: And I understand
12 that the contingents -- for the most part, you
13 feel comfortable that this won't happen, but I do
14 understand the enormous pressure on the airport
15 itself to not only expand but to reconfigure. I
16 mean, one of the problems, I understand, is the
17 way in which the runways are laid out now is that
18 we can't get -- part of our backlog problem with
19 flights taking off and landing is if we had, for
20 example, a spoked-style runway system, we could do
21 maybe five or six runways as opposed to what we
22 have now.

23 MR. MARTIN: Right.

24 COUNCILMAN KENNEY: And the airport,
25 obviously, is a major economic engine for the City

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2 and for the region. In the event that that
3 pressure causes a reconfiguration of the airport
4 layout over the next three, five, seven years, do
5 we have some concern that we may be displacing
6 some of these companies?

7 'Cause as you know, down there, you
8 don't have to move too far to get out of the City.
9 I mean, I think half of the -- most of airport's
10 -- some of it or half of the airport's not even
11 in the City now, technically.

12 MR. MARTIN: A third of the airport is
13 in Delaware County.

14 COUNCILMAN KENNEY: Right. So because
15 of the constricted size, if we have to relocate
16 business like Hertz, like Avis, like Alamo, can we
17 potentially put them in a position where we could
18 be putting them out of the City?

19 MR. MARTIN: I think that it could be
20 addressed based upon where their desks are in the
21 airport, where people take keys, and hang the fine
22 point of delivery of the vehicle and how you
23 structure your contractual agreements with the car
24 rental companies.

25 COUNCILMAN KENNEY: Any shortfall in

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2 that particular revenue stream that the City would
3 eat out of the general fund?

4 MR. HANKOWSKY: If that would happen?

5 COUNCILMAN KENNEY: If it happened.

6 MR. HANKOWSKY: Yeah. I mean -- by the
7 way, I just want to point out, there's another
8 situation -- and you're very right, Councilman. I
9 mean, we actually have very good historic data on
10 car rentals because, in fact, the airport gets a
11 cut of it as a concession. So we actually have
12 data.

13 The data has shown years when there's
14 been 8, 12 percent growth in those revenues. We
15 didn't run our numbers that way; we ran them at
16 5 percent through 2005, and then 2.5, which is the
17 five-year plan. So we think we're conservative
18 here in these revenues, that this in fact would
19 allow us to use more of this tax, less of our
20 other taxes to pay down this debt.

21 COUNCILMAN KENNEY: Okay, let me turn
22 for a moment to the issue of the demolition of the
23 Vet.

24 The time frame for the Vet demolition
25 should begin when -- hopefully begin when? How

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2 long will it take? What would be the proposed
3 method for its demolition? And what contingent
4 plans are there for neighborhood protection,
5 disruption as a result of the debris, all of that
6 kind of stuff. How do you see it playing out?

7 MR. HANKOWSKY: If the projects proceed
8 on the schedules that they're proposing, you could
9 have a situation where, I guess, it would be
10 September or October of 2003, the Eagles have
11 already moved into their new stadium, the Phillies
12 have completed their last season at the Vet. So
13 that you could be contemplating a demolition of
14 the Vet -- this would assume the Phillies are
15 comfortable that they're opening in April 2004,
16 you know, '04, and, therefore, we can get rid of
17 the -- you know, they're still on schedule
18 themselves. Where you could be doing demolition
19 as early as the fourth quarter '03 and, I guess,
20 as late as second quarter '04, you know, just if
21 you wanted to keep it there to make sure like, you
22 know, they weren't going to miss a date or
23 something on opening day or something like that.

24 We -- there have been a series of
25 conversations with community leaders, including

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2 last evening, that have dealt with some of these
3 questions. The City's going to have an engineer
4 look at the question of whether -- what demolition
5 technique makes sense. We understand that
6 implosion might be of concern. Actually, we also
7 should look and just decide whether implosion is
8 simpler and faster instead of having a crane there
9 for months, doing this (indicating). But we'll
10 have an engineer look at that, not -- so there's
11 no decision to implode it.

12 We have also talked about some set of
13 mechanisms that -- I'm not a lawyer -- on whether
14 it's some kind of wraparound insurance policy for
15 the neighbors or whatever, such that, you know, if
16 it happens, then you look and there's cracks, that
17 there's a way to say oh, you know, your --
18 compensation's available to deal with those kinds
19 of issues.

20 COUNCILMAN KENNEY: Okay.

21 MR. MARTIN: At the meeting that
22 Mr. Hankowsky refers to last night, the Mayor was
23 very clear in his discussion with the community
24 leaders that he would instruct the City attorneys
25 to ensure that, both through insurance policies

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2 and through appropriate indemnifications, that
3 there was appropriate protection given to
4 neighboring residents, both as a result of
5 demolition of the existing facilities and also
6 resulting from the construction of the new
7 facilities.

8 COUNCILMAN KENNEY: 'Cause I'm aware
9 there are alleged complaints about fireworks. I'm
10 sure Mr. Montgomery has heard about fireworks for
11 quite some time, but this is a much bigger
12 firework than just the 4th of July baseball game.

13 MR. HANKOWSKY: Right, right.

14 COUNCILMAN KENNEY: The issue -- you
15 had said earlier in your testimony that the square
16 footage of the proposed development that Comcast
17 could or may envision office complex, retail,
18 those types of things, would be about -- could you
19 estimate square footage?

20 MR. HANKOWSKY: Well, what I was
21 actually giving you is the current rights they
22 have under their current agreement.

23 COUNCILMAN KENNEY: Right, since '96.

24 MR. HANKOWSKY: That's right, that's
25 right. And those numbers -- if you give me a

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2 split second, I actually have them somewhere.

3 They currently have rights to --
4 actually, I was low. They have a right to a
5 300-room hotel, 200,000 square feet of office, and
6 375,000 square feet of retail entertainment.

7 COUNCILMAN KENNEY: In the event that,
8 as the Council President indicated, a zoning
9 overlay or some other type of zoning protection
10 vis-a-vis the potentiality of switching the
11 development site locations from its current
12 development site to the North Lot, is there any
13 estimation or analysis as to how many parking
14 spaces could potentially be lost due to the
15 development of such a large facility on the North
16 Lot of -- or North Lot of Pattison Avenue,
17 whichever --

18 MR. HANKOWSKY: Right.

19 COUNCILMAN KENNEY: In the current Vet
20 complex, what would be the percentage loss of
21 parking? Because it's going to be touted that
22 we're increasing the parking by a 40 percent
23 number.

24 MR. HANKOWSKY: Right.

25 COUNCILMAN KENNEY: Does that create a

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2 decrease in parking? Obviously, it would, but how
3 much?

4 MR. HANKOWSKY: Right. Councilman, as
5 I hope I indicated earlier, you know, we don't
6 have any definitive agreement that says we are
7 moving these development parcels. I just wanted
8 to be on record that it's something that people
9 have thought about.

10 The current development with Comcast
11 SpectraCore, in fact, says that if they use these
12 rights, they must replace the parking that the
13 development eats up, you know. And probably the
14 way you do it is with simple one-level decks, you
15 know, that you often see you see, and you'll see
16 it in some malls and offices. So that if you were
17 eating up 300 spaces for a hotel, you create a
18 one-level deck, pick up -- you know, cover 300
19 spaces, you have 600 spaces, and you're whole.

20 So there's actually a requirement now
21 to make up for any lost spaces so that we stay --
22 spaces stay the same number of spaces. And at
23 least I would -- I would suggest we keep such a
24 provision in.

25 COUNCILMAN KENNEY: Are you talking

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2 about structured parking?

3 MR. HANKOWSKY: I'm talking more about
4 kind of the one level -- I'm not talking about big
5 garages.

6 COUNCILMAN KENNEY: For example, the
7 current development right areas for Comcast
8 SpectaCore.

9 MR. HANKOWSKY: Yeah.

10 COUNCILMAN KENNEY: Is the space
11 between First Union and the Spectrum.

12 MR. HANKOWSKY: Yes.

13 COUNCILMAN KENNEY: And basically the
14 southeast portion of the corner of Broad and
15 Pattison; is that correct? Southeast of Broad and
16 Pattison?

17 MR. HANKOWSKY: Southeast of Broad and
18 -- it's actually both sides along Pattison, both
19 sides of the Spectrum.

20 COUNCILMAN KENNEY: Now that's parking
21 now primarily.

22 MR. HANKOWSKY: Yeah, it's parking now,
23 and they could put -- their current development
24 zone is either side of the Spectrum, the area
25 between the two buildings --

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2 COUNCILMAN KENNEY: Right.

3 MR. HANKOWSKY: What we, I think, call
4 the H Lot.

5 COUNCILMAN KENNEY: Correct.

6 MR. HANKOWSKY: And there's a parcel to
7 the rear of First Union -- it's actually where
8 they-- it's actually like where the trailers were
9 for the RNC, back there.

10 COUNCILMAN KENNEY: But that's all
11 parking now.

12 MR. HANKOWSKY: It's all parking now,
13 and the current development parcel agreement that
14 gives them those development rights say that if
15 you exercise them and displace parking, you must
16 replace it, you know, in like number.

17 COUNCILMAN KENNEY: And that would
18 imply in your mind, although we don't have --

19 MR. HANKOWSKY: I think it would be a
20 good provision to have in a subsequent agreement,
21 yes.

22 COUNCILMAN KENNEY: Okay, but --

23 MR. HANKOWSKY: For exactly the reason
24 you're implying.

25 COUNCILMAN KENNEY: But you couldn't at

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2 this point in time determine what kind of
3 footprint that would -- that development would --
4 it would be too hard to understand whether the
5 hotel is tall or spread out.

6 MR. HANKOWSKY: Oh, no, I think it
7 would be looking at more tall. Hotels,
8 Councilman, tend to want to have about a minimum
9 of -- you'd like to have a minimum of 60 rooms a
10 floor. It actually deals with maintenance and
11 operation of hotels. So a five-story hotel at 60
12 rooms a floor.

13 The office, you'd probably want a plate
14 a size, you know, of, say, 25,000 a floor. So
15 maybe if you had 100,000, it's a four- or
16 five-story building, you know, it's kind of
17 low-rise.

18 The retail, we've actually looked at
19 again a first floor, you know, maybe do like a
20 hundred. So maybe it's two up.

21 COUNCILMAN KENNEY: Has there been any
22 discussions as to the type of retail and/or
23 entertainment venues that would be appropriate for
24 Comcast interest, if in fact they were going to be
25 -- I mean, is it restaurant, is it retail like a

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2 mall?

3 MR. HANKOWSKY: No, no, no.

4 COUNCILMAN KENNEY: Is it ESPN Zone.

5 MR. HANKOWSKY: No, it is not retail
6 like a mall. People are very -- people really
7 think this would be -- this is not a situation --
8 because of the number of events and the fact that
9 at certain points, you know, if it was the Gap,
10 well, there wouldn't be parking spaces. It's an
11 Eagles game, so on a Sunday, you couldn't go there
12 and go to the Gap.

13 And in fact, that actually drives this
14 because weekends, fall and winter, the sports
15 complex is very busy. Weekends fall and winter
16 are the number one -- I mean, they represent --
17 25 to 33 percent of a retailer's trade are those
18 weekends leading up to the holidays. So if you
19 can't get there -- so it's not traditional
20 retails. It's not Target, it's not K-Mart, it's
21 none of that.

22 People have thought, you know, is --
23 ESPN Zone is an example. I mean, it's a sports
24 arena in it a restaurant facility. You know,
25 there's a terrific one in Boston. There are some

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2 products like -- I think it's called Bass Brothers
3 where you actually can go in and test fishing gear
4 do -- you know, so it's kind of got a sports team,
5 it's retail. You would assume the people going to
6 a sport complex would, you know, have those kinds
7 of interests. And, therefore, even before an
8 event, they might want to go in there and --

9 COUNCILMAN KENNEY: Is it safe to say
10 it would be primarily entertainment, I mean, with
11 a retail component?

12 MR. HANKOWSKY: Yeah. It's not
13 Marshall's, it's none of that.

14 COUNCILMAN KENNEY: Right.

15 MR. HANKOWSKY: You know, maybe there's
16 a Modell, you know, with jerseys and -- you know,
17 because you're in the complex and you could buy --
18 you want to buy jerseys.

19 COUNCILMAN KENNEY: But the key to this
20 kind of development is keeping people after the
21 game and attracting them early before the game.

22 MR. HANKOWSKY: Yeah, I mean, that's
23 really as much the market because you really can't
24 be thinking of this thing as a stand-alone,
25 because for a whole bunch of time, you can't get

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2 to it, you know, 'cause events are going on.

3 COUNCILMAN KENNEY: What is the reason
4 why Comcast would want to flip those rights from
5 its current opportunities to develop now with the
6 two new facilities creating that critical mass
7 that they need? Why would they need to move it
8 from the H Lot and from parking lot that they have
9 the ability to do so now?

10 MR. HANKOWSKY: I think the simple
11 question is whether there's a better
12 configuration. Given you now the new
13 configuration for the sports complex, you don't
14 have the Vet at the Broad and Pattison corner, you
15 now have baseball, you know, at Tenth and
16 Pattison, you have football at 11th and Pattison.
17 And whether a better configuration would work --
18 and it needs to work for the complex, it's not
19 just so that the traffic flow works and all of
20 that. And I don't want to sit here today and tell
21 you that we've thought through all through that
22 and, therefore, I'm exactly saying, Oh, it's going
23 right there, because no one has made that --

24 COUNCILMAN KENNEY: Is this potential
25 retail entertainment development and the potential

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2 flip of development rights in any way potentially
3 part of the way to plug the hole that currently
4 exists in the financing bill?

5 MR. HANKOWSKY: I'd rather -- I'd
6 rather defer any questions with regard to specific
7 negotiations on additional contributions, just out
8 of respect for the discussions we're having.

9 COUNCILMAN KENNEY: All right.

10 COUNCILMAN KENNEY: But we understand
11 that we have no capacity to make a commitment like
12 that without Council's consent.

13 COUNCILMAN KENNEY: But that's not
14 written anywhere, at this point.

15 MR. HANKOWSKY: See, I think it is
16 because I think it's in the SpectaCore agreement
17 that we can't move where their development rights
18 are.

19 COUNCILMAN KENNEY: There's also an
20 agreement, a SpectaCore agreement that says you
21 can't have three concurrent events that go
22 beyond --

23 MR. HANKOWSKY: 84 --

24 COUNCILMAN KENNEY: -- 84,000.

25 MR. HANKOWSKY: Right.

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2 COUNCILMAN KENNEY: And that happens
3 quite frequently.

4 MR. HANKOWSKY: Yeah, but this
5 provision is different, Councilman. I mean, I
6 respect the --

7 COUNCILMAN KENNEY: Part of the problem
8 in dealing with the community has been -- it's
9 been my experience that --

10 MR. HANKOWSKY: I can show you in the
11 development lease, it is explicit that if you move
12 the development parcels, you need City Council
13 consent.

14 COUNCILMAN KENNEY: I mean, part of the
15 problem in dealing with the community issues and
16 part of the, I guess, the suspicion and bad
17 experience that the neighbors have had there,
18 'cause I was involved in this issue back in '96
19 before I came here on this First Union Center is
20 that it seems that whatever is agreed to really at
21 some point in time, as time goes on, is
22 unenforced. And that unless things are kind of
23 specifically written down and then have a
24 mechanism, a penalty mechanism for not adhering to
25 those provisions, it really is kind of a toothless

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2 tiger.

3 MR. HANKOWSKY: I understand,
4 Councilman.

5 COUNCILMAN KENNEY: What?

6 MR. HANKOWSKY: I was saying I
7 understand but --

8 COUNCILMAN KENNEY: Okay. Can you --
9 but what? Do you have something else to add. You
10 started to say "but."

11 MR. HANKOWSKY: No.

12 COUNCILMAN KENNEY: Okay, I'm sorry.

13 Can you talk about the estimated
14 purchase prices just in a ballpark of the four or
15 five parcels that we're talking about acquiring?

16 MR. HANKOWSKY: I would rather not --

17 COUNCILMAN KENNEY: We set a
18 \$95 million overall number for it.

19 MR. HANKOWSKY: Right.

20 COUNCILMAN KENNEY: So, I mean, I guess
21 it's -- is it divided evenly, is one worth more
22 than the other or -- all right, I won't --

23 MR. HANKOWSKY: Councilman, I really do
24 appreciate that that is something that at some
25 point, Council, absolutely has to understand.

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2 COUNCILMAN KENNEY: Well, we're being
3 asked to authorize the acquisition of them --

4 MR. HANKOWSKY: Right.

5 COUNCILMAN KENNEY: -- without really
6 knowing whether it's minus T-Warehouse, whether
7 it's 45 or 54 or 60 maybe, or maybe because a
8 Board of View decisions or lawsuits becomes 70.
9 It's a pretty wide --

10 MR. HANKOWSKY: Right.

11 COUNCILMAN KENNEY: It's a pretty wide
12 range in number.

13 MR. HANKOWSKY: Right. I understand
14 that, but I think -- I mean, I actually probably
15 -- I think I'm probably under the advice counsel
16 that given what you have in front of you are
17 protective condemnation ordinances and given that
18 if we can't reach amicable agreement, we will get
19 -- we have appraisal work, we will file Board of
20 View at a certain number.

21 We may -- from a budget perspective, we
22 may be looking at this, you know, a little
23 differently, but we don't want to set our price if
24 we're in an adversarial situation inadvertently
25 with one of these parties.

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2 COUNCILMAN KENNEY: I mean, wasn't the
3 selection of the site prior to the institution of
4 the negotiations somewhat a strategic error in
5 getting the best value for that land? I mean, it
6 would seem to me that once the owner of that
7 property knows that the City is salivating over
8 those sites for a development of a baseball
9 facility, that the price in their mind is
10 certainly going to be more than it was if it were
11 -- if you had approached them to buy it under
12 different circumstances.

13 I mean, in some ways, when you
14 announced the site, did you not inflate the
15 price?

16 MR. HANKOWSKY: Well, I think we face
17 that problem every time we take a significant
18 public action. I mean, we -- you know, we condemn
19 four blocks of Center City behind the Reading
20 Terminal to do the Convention Center, we condemned
21 several blocks for the Gallery Tunnel. I mean,
22 it's an unfortunate consequence of the public
23 sector's action, which is, we have to sit here in
24 the public and tell people we're coming, you know,
25 blow the horn, toot the whistle, and sound an

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2 alarm.

3 You know, occasionally, we've been
4 capable, you know, once we were --

5 COUNCILMAN KENNEY: Sneaking up on
6 them.

7 MR. HANKOWSKY: At the Reading Head
8 House, we were -- we have occasionally been
9 creative enough to do something, but in this
10 situation, given this undertaking, I understand
11 your comment, but we kind of are where we are.

12 COUNCILMAN KENNEY: You may have
13 answered this question and I may not have been in
14 the room when you answered it, but can you either
15 dispel or confirm the information that we have
16 that the City had the opportunity to purchase, or
17 was asked about the purchase of the Acme warehouse
18 when Albertson's officially initially decided to
19 move and consolidate their operation in Lancaster
20 during the last administration?

21 MR. HANKOWSKY: Mm-hmm.

22 COUNCILMAN KENNEY: And then,
23 allegedly, during this administration, once there
24 was an offer for the building, that the Albertson
25 people came back again and said, you know, we have

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2 an offer, we wanted you to buy it for, do you have
3 any interest yet, or still, or at all? And was
4 told no. And then the option was consummated with
5 the potential new owner.

6 Do you have any knowledge of those
7 calls, contacts, and why we wouldn't purchase a
8 facility that, for example, is 300,000 square feet
9 of refrigerated warehouse space that's one of the
10 requirements -- one of the problems that we had
11 with our port operations during our fruit season
12 when we have this overflow, we need refrigerated
13 warehouse and we can't find it anywhere doing
14 dockside, that it's close enough to dockside to
15 maybe be of some help? Is there any truth to the
16 scenario and is there any reason why we didn't buy
17 it?

18 MR. HANKOWSKY: Right. I actually did
19 respond to somewhat analogous questions that were
20 raised by Councilman Rizzo, but I'm happy to --

21 COUNCILMAN KENNEY: I'm sorry.

22 MR. HANKOWSKY: No, no, that's okay.
23 I'm happy to cover this ground again.

24 When Acme positioned itself to vacate
25 the building, which was, I believe, February of

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2 this calendar year, in part, because PIDC, you
3 know, is sort of the active steward of the food
4 center, I mean, we sort of pay attention to that
5 stuff, we would have paid attention to it, stadium
6 or no stadium. I mean, we know a building's empty
7 and what's happening.

8 COUNCILMAN KENNEY: Right.

9 MR. HANKOWSKY: So we talked to Acme,
10 what's going on, got some understanding from them.
11 They asked, Do you want it? We said, Well, we
12 don't know, we're in a process right now of
13 looking at stadium sites. Could you do us a favor
14 and not put it on the market? because we might we
15 might have an interest. And they were, to be
16 candid, and I think I should say this because they
17 were a good corporate citizen, so they carried it.
18 You know, in other words, they paid for the
19 security guard and the insurance and the taxes for
20 a couple of months on our request.

21 But we then got to the point where a
22 decision was made to proceed with the 12th and
23 Vine T-Warehouse scenario. At that point,
24 Albertson, you know, we can't keep this off the
25 market forever. Do you want it? And we said no,

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2 a siting decision's been made, go ahead and put it
3 on the market.

4 They put it on the market. My best
5 recollection is there was sort of one round of
6 proposals. They kind of did it at -- they sort of
7 marketed it themselves, they didn't use a broker.
8 And they had, I think, one round of proposals.
9 And part of that was because I know we got one
10 call -- because, again, there's special food
11 center zoning, so we got a call from one user, who
12 was potentially going to be in need of variance,
13 and would we support or fight the variance, and we
14 said we probably would fight that variance, 'cause
15 at that point, we thought we were -- it's a food
16 center, so we said no, we don't want to convert it
17 to some non-food center use.

18 They were unsuccessful in that round of
19 getting any proposals that met their price. They
20 had set a price.

21 COUNCILMAN KENNEY: What was the
22 price?

23 MR. HANKOWSKY: Out of respect for them
24 and how good they've been about it, I don't know
25 if those are really public. I'm happy to find out

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2 if they are, and I'll share them with you.

3 COUNCILMAN KENNEY: Okay.

4 MR. HANKOWSKY: They're higher than
5 what happened.

6 COUNCILMAN KENNEY: They're higher than
7 what is alleged to be the current purchase price?

8 MR. HANKOWSKY: Yes, yes, yes.

9 They then -- so basically, they didn't
10 get any proposals that were satisfactory to them,
11 they then sort of thought about it, they then were
12 going to put it back on the market again at a
13 different price, lower. I lose track of time.
14 And maybe that was the August time frame.

15 They advised us that they were going to
16 do that and said, you know, we're just letting you
17 know, you know, you've asked us about it before,
18 so we're letting you know if you want to -- they
19 didn't say, Do you -- they said, You're welcome to
20 submit a proposal. And we said, Well, we won't be
21 submitting a proposal so -- and that's what
22 happened.

23 COUNCILMAN KENNEY: That's all for
24 now. Thank you, Madam Chair.

25 COUNCILWOMAN BLACKWELL: Thank you.

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2 Councilwoman Tasco.

3 COUNCILWOMAN TASCO: Thank you.

4 I just have a couple.

5 MR. HANKOWSKY: Okay.

6 COUNCILWOMAN TASCO: How will the
7 stadiums be heated?

8 MR. HANKOWSKY: I don't have a clue off
9 the top of my head. Can you ask the teams
10 tomorrow? Do you mind waiting?

11 COUNCILWOMAN TASCO: Yeah, I can ask
12 the teams.

13 MR. HANKOWSKY: They'll be ready to
14 tell you tomorrow.

15 COUNCILWOMAN TASCO: Well, I hope it's
16 gas, given the situation we're in.

17 MR. HANKOWSKY: I have no idea.

18 COUNCILWOMAN TASCO: Okay, well, I'll
19 ask that question tomorrow. Maybe you all will
20 know tomorrow.

21 On this operating and maintenance
22 expenses, the other day, you said the City would
23 bear 75 percent of the cost?

24 MR. HANKOWSKY: The City pays a
25 specific schedule for a 25-year period that's,

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2 during that 25-year period, roughly 75 percent.

3 And in the remaining five years, we pay nothing

4 and they pay a hundred percent.

5 COUNCILWOMAN TASC0: Okay. Why do we
6 do that?

7 MR. HANKOWSKY: Because we didn't want
8 to pay any more money.

9 COUNCILWOMAN TASC0: No, I mean, why
10 did you even -- why are we even paying operating
11 expenses?

12 MR. HANKOWSKY: Well, we did that in
13 lieu of making a capital contribution to the
14 stadium. This is the NFL loan, the use of the NFL
15 loan, and it can only be matched by private money.
16 And so, it was to the benefit of the transaction
17 to maximize the private-sector funding, you know,
18 on the capital side and have our contribution be
19 on the operating side.

20 COUNCILWOMAN TASC0: Okay. Now, if
21 we're going to give them \$10 million from the
22 capital -- from the bond proceeds --

23 MR. HANKOWSKY: Right.

24 COUNCILWOMAN TASC0: -- for capital
25 maintenance reserve, and they're getting a new

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2 stadium, and most likely, that money will go into
3 an interest-bearing account, have you projected
4 how much that may generate in interest for
5 investment return?

6 MR. HANKOWSKY: Yeah, I have it off the
7 top of my head, but I think -- and, again, you
8 might want to ask the Eagles tomorrow. I think
9 they were already -- I can't remember -- the
10 reason I'm stopping is I can't remember which
11 stadium it is. I think it projected about a
12 million and a half a year in capital expenditures
13 just to kind of keep it going, even almost from
14 the beginning. So -- and if those numbers are
15 roughly right, so it maybe represent -- I mean, we
16 could do a calculation for you and tell you sort
17 of what it would mean, but it probably represents
18 -- if you did something that, maybe it covers a
19 million and a half, maybe it covers nine, ten
20 years of potential capital needs or something like
21 that, you know, if you think about the
22 interest-bearing aspect.

23 COUNCILWOMAN TASC0: But if we're
24 getting a new stadium, they shouldn't have any
25 capital needs in maybe the first five years. How

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2 much do you think might be generated from
3 investing \$10 million for five years?

4 MR. HANKOWSKY: No, I think -- again,
5 you should ask David. But, in fact, there are
6 capital requirements --

7 COUNCILWOMAN TASC0: Okay.

8 MR. HANKOWSKY: -- after Year 1 at some
9 level.

10 COUNCILWOMAN TASC0: I'll ask them
11 tomorrow.

12 MR. HANKOWSKY: Okay, thank you.

13 COUNCILWOMAN TASC0: Thank you.

14 Thank you.

15 COUNCIL PRESIDENT VERNA: Are there any
16 other questions from members of the committee?

17 (No further questions.)

18 COUNCILWOMAN VERNA: Do we have anyone
19 else to testify on these bills? Pardon me?

20 MR. HANKOWSKY: Do you wish us to stay
21 or we'll be back tomorrow, obviously, Madam
22 President.

23 COUNCIL PRESIDENT VERNA: We're going
24 to recess until 9:30 tomorrow morning.

25 MR. HANKOWSKY: Okay, thank you very

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2 much.

3 COUNCIL PRESIDENT Verna: You will have
4 -- and I'm sure, Mr. Dubow, you're going to have
5 the five-year plan here with you.

6 MR. HANKOWSKY: Yeah.

7 MR. DUBOW: Yeah.

8 COUNCIL PRESIDENT Verna: And we'll
9 walk through that and we have other witnesses.

10 MR. HANKOWSKY: Yes, ma'am.

11 COUNCIL PRESIDENT Verna: Pardon me?

12 MR. HANKOWSKY: Thank you.

13 COUNCIL PRESIDENT Verna: Thank you all
14 very much.

15 (Adjourned at 6:00 p.m.)

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C E R T I F I C A T E

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We HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Thursday, November 30, 2000, were
reported fully and accurately by us, and that this
is a correct transcript of same.

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RE: COUNCIL COMMITTEE OF THE WHOLE
STADIUM BILLS

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LISA C. BRADLEY
Registered Professional Reporter

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JOSEPHINE CARDILLO,
Registered Professional Reporter

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