COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE OF RULES

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, March 31, 2005
1:20 p.m.

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BILL 050058 - An ordinance to amend the Philadelphia Zoning Maps by changing the zoning designations of certain areas of land located within an area bounded by the Delaware River...

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA, Chair
COUNCILMAN DARRELL CLARKE, Vice Chair
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DAVID COHEN
COUNCILMAN JACK KELLY
COUNCILWOMAN DONNA REED MILLER

- - -

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COUNCIL PRESIDENT VERNA: Good afternoon, everybody. This is a public hearing of the Committee on Rules regarding Bill No. 050058. I would ask Mr. McPherson to please read the title of the bill.

MR. MCPHERSON: An ordinance to amend the Philadelphia Zoning Maps by changing the zoning designations of certain areas of land located within an area bounded by the Delaware River, lands belonging to the Pennsylvania Railroad Company, Terminal Avenue, lands belonging to the Baltimore and Ohio-Pennsylvania Railroad, 26th Street, lines of the Consolidated Rail Corporation, lands belonging to the Pier Hayes Terminal and the Schuylkill River, this land also being known as the Philadelphia Naval Base.

COUNCIL PRESIDENT VERNA: Thank you very much.

I would like the record to reflect to my immediate left is

Councilman Clarke, who is the vice chair of the committee. And we also have Councilwoman Brown. To my immediate, right Councilman Kelly and to his immediate right is Councilwoman Miller.

Before we proceed with the testimony, I did receive a letter from the commanding officer of the Department of the Navy, and I would like Mr. McPherson to please make that a part of the record and ask that he read the letter.

MR. MCPHERSON: "Dear Council President Verna, this letter is in response to the referenced public notice and provides comments on Bill No. 050058. This bill proposes to amend the Philadelphia zoning maps by changing the zoning designations of certain areas of land comprising what is known as the Philadelphia Naval Base.

"The bill is now before the Committee on Rules of City Council with a hearing to be held by the committee on

this bill on March 31, 2005.

"Bill No. 050058 changes the zoning designation of portions of the Naval Base to allow residential housing to occur, specifically in the C-3 commercial district zoning designation.

"Please be advised that the Naval Base property was conveyed to the Philadelphia Authority For Industrial Development subject to certain notice, covenants, conditions and restrictions embodied in the quit claim deeds. Those deeds include covenants that specifically preclude permanent residential units on the Navy Base. The covenants were and continue to be necessary to ensure the continued protection of human health and the environment as well as Navy interest at the site.

"The Navy is also concerned about the impacts of residential housing on its industrial operations at the Naval Base and is conducting a study to assess these impacts. This study has been

coordinated with the Philadelphia Industrial Development Corporation and is to be completed this summer. The Navy will use the results of the impact study to determine whether any modification of the residential housing deed restrictions should be considered.

"As this bill moves forward on the agenda, the Navy respectfully requests the committee's consideration of the above comments and the fact that the Navy intends to enforce the conditions and restrictions contained in the quit claim deeds.

"Please contact CRD Antonio Corsalis for additional information concerning this matter. Sincerely, C.F. Donney.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Grady, I believe you are going to testify. Please identify yourself for the record and -- oh, who is going to testify? I see we have a copy

of testimony from Mr. Grady.

MR. GRADY: Sure.

Good afternoon, Council President Verna and members of the committee. My name is John Grady, and I'm here to represent the Philadelphia Industrial Development Corporation. I'm joined by my colleagues Paul Deegan and Alma Plummer and we are here to testify in support of Bill No. 050058.

This bill proposes to rezone the Philadelphia Navy Yard by replacing some of the G-2, general industrial, and least restricted industrial areas in the central and eastern portions of the property with a mixture of G-2, general industrial, L-2, limited industrial, and C-3, commercial zoning.

This rezoning translates our recently completed master plan for the future development of the Navy Yard into a specific zoning plan. The master plan, which was released at a public event last September and is available on our Web

site, reconciles the traditional industrial activity still located on the property with the opportunity for office development in new and renovated buildings as well as the attraction of high-tech science-related companies critical to the City's future economic development.

Starting at the western end of the property -- and I think Paul will point these out on the maps and I think you all have smaller versions of these maps at your places -- starting at the western end of the property, which we call the shipyard, the master plan provides for the retention of heavy industrial uses such as shipbuilding, ship dismantling, and the Navy's propeller foundry.

This area remains zoned partly G-2, general industrial, and partly least restricted industrial. In addition to the Kaverna Shipyard and the Navy, companies such as Metro Machine, Rhoads

Metal Industries and Mother's Work contribute to the manufacturing environment of this end of the yard.

In the central portion of the yard along Broad Street we're developing a business campus environment through the renovation of the historic Navy buildings for companies such as the Vatetta Group, Urban Outfitters, and BarthCo International. This historic core will be rezoned to C-3 commercial to accommodate the mixture of office and convenience retail uses we are now encouraging in this area.

This area also contains a very large and vital Navy electrical research function conducted for the most part in attractive historic structures by civilian engineers and administrators.

The Navy's continued presence and growth at the yard is important to our development plans. They employ approximately 2,500 well-paid professionals and their research

facilities are a magnate to private defense contractors and universities. We meet regularly with the Navy to discuss the impact of our master plan on their facilities.

Adjacent to the historic core on the east side of Broad Street we have designated a 70-acre area as a corporate center for the development of new office buildings by a partnership of Liberty Property Trust and Centera. The first new building, an 80,000 square foot speculative office building, is now under construction. This area will also be rezoned to C-3 commercial.

Moving further to the east is a research park of new construction for health and pharmaceutical laboratory, research and testing facilities. This area will be zoned L-2, limited industrial, to provide the office park environment attractive to such customers such as our first move-in, Aftech Laboratories Services, a pharmaceutical

testing company based in Minnesota. They currently occupy a 75,000 square foot building. They have been at the Navy Yard for about a year and in the last year they have hired about 140 people, well-paid, well-trained professionals, and we think that that becomes a great model for future development of theses kinds of research facilities.

Finally, the eastern end of the yard, the former airfield, will be rezoned partly C-3 commercial and partly G-2, general industrial, to accommodate potential new residential construction around the marina to the east of the historic core and large-scale warehouse distribution and port-related industrial activity on the extreme eastern end of the property.

I do want to point out that residential development is now prohibited by a Navy dead restriction imposed at the time of the transfer of title from the Navy to PAID. As Mr. McPherson read in

the letter, the Navy controls the decision as to whether or not residential development will be permitted there. This rezoning does not allow for residential development. It only permits in the event that the Navy allows for removal of the restriction that it would become a permitted use at that time.

The Navy remains concerned about the impact of residential uses next to their research and testing facilities and we are in continual discussion with the Navy about this and other issues that may impact their operations.

We expect the development of the Navy Yard in accordance with the master plan and the rezoning being considered today will create over 20,000 new jobs and generate over $2 billion in private investment.

I would ask that the committee consider this bill favorably and that the Rules of Council be suspended to permit first reading at the next regularly

scheduled meeting of Council.

Thank you for the opportunity to testify today and I would be happy to answer any questions you may have regarding this ordinance.

COUNCIL PRESIDENT VERNA: Thank you. On Page 3 of your testimony you say "adjacent to the historic core on the east side of Broad Street we have designated a 70-acre area as a corporate center for the development of new office buildings by a partnership of Liberty Property Trust and Centera. The first new building is now under construction."

How large is that building? Who will be occupying it? Do we have anybody that is going to be occupying it and how many jobs will we realize as a result of that.

MR. GRADY: It is a four-story building. It is approximately 80,000 square feet of office space. Once it is fully leased, there would be approximately 300 people that would work

in that building. Liberty Property Trust and Centera started construction of that building toward the end of last year without any tenants. They have commenced a speculative construction based on the belief that once they get under construction that this site offers the promise that will be required to attract tenants. So they are now in an active phase of marketing the property to potential tenants.

They have reported to us that they have a roster of about two dozen companies that they are talking to. Their prime targets for the building are suburban type users who are currently located in the region who want to have good access to the highway system, to the airport, and to the regional labor force particularly for a work force that is imported from New Jersey.

The Navy Yard offers all of those natural advantages to a company in a location that compares favorably to a

location that would otherwise be in the suburbs. I don't believe that Liberty or Centera has announced any tenants at this point, but I can tell you that the type of firms they are talking to are professional service firms, firms ranging anywhere from 3,000 square feet to 20,000 square feet of use, so this will be a multitenanted building with a number of different businesses in it.

COUNCIL PRESIDENT VERNA: The chair recognizes Councilman Kelly.

COUNCILMAN KELLY: John, I just have a followup question.

On most of those tenants that are going to be going into that new facility, new building, are they coming from Philadelphia, or will they be coming from the outside of Philadelphia.

MR. GRADY: Again, I think Liberty hasn't signed any leases, so we don't have an definitive answer.

COUNCILMAN KELLY: In other words, where is their recruitment going

to focus on? Is it going to be all over? Is it going to be --

MR. GRADY: Their recruitment is going to be throughout the entire region. So I think they focus very much on the five and seven county regional area including Philadelphia, Montgomery, Bucks, southern New Jersey.

COUNCILMAN KELLY: I'm just concerned about the glut right now of unused office space in Center City, and I don't want to see any further deterioration.

MR. GRADY: I think that's a fair concern and I think in our role promoting citywide economic development we share the same concern. I think what we have found with the Navy Yard is that they are typically viewed in the marketplace by users as a suburban location. It offers parking for employees. It offers newer construction buildings that maybe you can't find in the downtown, but it is also removed from

all of the amenities of downtown. So for your traditional downtown central business district tenant who requires excellent mass transit, whose work force is dependent on mass transit and who wants to be in an environment that is, quite frankly, surrounded by amenities, the Navy Yard does not have much appeal to that type of user.

Where we have seen folks look at coming to the Navy Yard from downtown -- Urban Outfitters might be a good example -- they are typically growing companies who feel like they can't meet their growth capacity in a traditional high-rise office building, but they want to have the ability to expand horizontally. And, again, those are companies that would typically look to expand in the suburbs.

COUNCILMAN KELLY: How many employees would you say they would be taking?

MR. GRADY: In this new

building I would expect at full capacity it would be about 300. Between 300 and 350 employees would be accommodated in this building.

COUNCILMAN KELLY: And eventually I'm sure what you are going to be doing is putting in support companies and whatnot for those employees?

MR. GRADY: Right; developing an amenity program to support employees. Food and beverage options, a bank, a dry cleaners, those kinds of things will come over time as the population base begins to grow and can be supported, that's correct.

COUNCILMAN KELLY: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Good afternoon.

MR. GRADY: Good afternoon.

COUNCILMAN CLARKE: Following to some degree on the earlier questions,

this is a KOZ zone, right, Keystone Opportunity Zone?

MR. GRADY: Much of the Navy Yard is part of the Keystone Opportunity Improvement Zone, that's right.

COUNCILMAN CLARKE: The concern raised by --

COUNCIL PRESIDENT VERNA: Excuse me. I think you ought to be a little more specific as to what areas are under the KOZ or KOIZ -- I know we have been changing it -- and the areas where the proposed residential could be, are they in the KOZ or KOIZ? I thought we had deleted that at one time.

MR. GRADY: To the first question, currently KOZ or KOIZ designation is, if Paul will point to it, the shipyard area west of Broad Street is largely KOZ, the central portion of the site and the historic core and the corporate center is largely KOIZ and the research park is largely KOIZ. Those are largely the undeveloped portions of that

part of the property.

The areas we identify on this map as the marina district and the east end are not part of the KOIZ program.

COUNCILMAN CLARKE: That was actually part of my next question, when you referenced the residential portion.

MR. GRADY: So the area where we would potentially in the future see a more dense residential development is not currently designated as any type of a KOZ.

We do have a concept that in the historic core there might be three or four buildings that we would convert to apartments. Those buildings I believe are not in the KOZ program. If any of them happen to be, we would make it a condition that they would have to be exempted from the program before we would allow that type of development to occur.

COUNCILMAN CLARKE: Getting back to the earlier conversations with respect to the potential of essentially

moving jobs from the central business core to that location, when the City of Philadelphia attempted to have two sites designated as KOIZs, there was a caveat in there that you could not move certain businesses from one location to the other. Do we have a similar language in this, or is it the old KOZ where you can essentially move from place to place?

MR. GRADY: This property was designated as a KOIZ in the first round of KOIZ designation, which was two years ago?

COUNCILMAN CLARKE: It was the same as Sears.

MR. GRADY: It was the same as the Sears Center, exactly. There are requirements in that legislation that in order for a company that is moving from one location in the Commonwealth to another location, that they have to meet a test in terms of increasing their employment or they have to make a capital investment in order to qualify for those

benefits.

COUNCILMAN CLARKE: Is this the old KOIZ?

MR. GRADY: I believe that is the original KOIZ formula, that's right.

COUNCILMAN CLARKE: What were the new ones, the ones we attempted to do with the Comcast building?

MR. GRADY: As I recall -- and I might be wrong. You folks --

COUNCILMAN CLARKE: I thought that was actually the new one.

MR. GRADY: I think there was a concern about moving people in Center City from building to building and there was a question about -- for a partnership whether or not the net profits component of the tax would be paid.

COUNCILMAN CLARKE: Correct.

MR. GRADY: As far as I know, that legislation did not get changed so the law remains as it was.

COUNCILMAN CLARKE: So we still have the requirement for a certain level

of capital investment --

MR. GRADY: Capital investment or job creation.

COUNCILMAN CLARKE: -- and that will increase the job creation.

MR. GRADY: That's right.

COUNCILMAN CLARKE: All right. But under the threshold of that requirement, that company still gets credit for those jobs, credit, the credits associated with KOZs?

MR. GRADY: That's my understanding.

COUNCILMAN CLARKE: The access to this particular facility, is that included in the proposed $125 million fund infrastructure improvement, as we talked about the water department refinancing?

MR. GRADY: We have not made any specific requests or planned on any specific appropriations from that proposed fund. We have developed a series of infrastructure improvements for

this site that we think need to be made over a number of years including improving the utilities and improving the roads and improving access, and we are actually pursuing funding through the state right now for a large percentage of that first phase.

If the funding were available and if the Navy Yard qualified, we would be happy to make an application and utilize those funds, but we are not necessarily aware of exactly what that program will be and we haven't made any specific plans to do that.

COUNCILMAN CLARKE: When it is referenced, the Navy Yard is one of the primary parts of that discussion. Is that the infrastructure --

MR. GRADY: I think we could make use of the funds if they were available, but because they are not currently available we haven't made any plans. None of our plans at this point are contingent on it. We would be happy

to take the money if it was made available I guess is what I'm saying.

COUNCILMAN CLARKE: We are going to get it from someplace else. I'm sure that would be our option of choice.

MR. GRADY: We have spent a considerable amount of our efforts focusing on infrastructure at the Navy Yard, and over the last five years since we have acquired the property we have invested probably $30 million of public money from state, federal and some local city capital money in the infrastructure to this property. And we think that that money has leveraged about a hundred million dollars worth of private investment during that time period.

We would obviously hope if there were public dollars available to invest, we would be happy to compete or propose for those dollars, but we just haven't -- what I wanted to say is none of our plans are contingent on that because we are not really aware of when

those dollars will become available, if at all.

COUNCILMAN CLARKE: But you are familiar with the proposal?

MR. GRADY: I am familiar with the proposal that there would be money made available to support infrastructure investment as part of the redevelopment of the Schuylkill and Delaware River fronts.

COUNCILMAN CLARKE: But you don't seem to be as optimistic as some people that are making a proposal.

MR. GRADY: I don't think it is my place to be optimistic or not quite frankly. I think that certainly we support the objective. We think it is a positive economic development opportunity, but obviously it is up to Council and the administration to determine spending for the City and what funds would be available. We would be a user of that program quite frankly.

COUNCILMAN CLARKE: You would

deal with the hand that is dealt you, right?

MR. GRADY: That's fair.

COUNCILMAN CLARKE: Okay. All right. Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President.

Good afternoon.

MR. GRADY: Good afternoon.

COUNCILWOMAN MILLER: I have questions too regarding the employment and work force development.

Would any of the -- is there an economic opportunity plan that includes diversity and inclusion on any of these projects, or how do you really work that in and who monitors it?

MR. GRADY: PIDC in the development of the Navy Yard, there are several different opportunities to implement economic opportunity plans. The first is in our role of managing the

property, when we purchase services for landscaping or road maintenance or building maintenance, we have goals that we have set in conjunction with the Minority Business Enterprise Council to achieve participation by woman in minority-owned businesses in those purchases.

A second area is as we go out and we develop major projects, the development of the corporate center that I mentioned with Liberty Property Trust and Centera as the developers, they have developed an economic opportunity plan that guides their construction and investment in that project, and, as we make public funding available for projects like that, we require that they prepare a plan and we work with the Minority Business Enterprise Council to implement those plans.

COUNCILWOMAN MILLER: What about operational? Once it is built -- I mean certainly I understand that I think

what you maybe addressed -- what you did address actually was the construction phase, but what about recruitment? If we say we are going to have -- this building will house 300 employees, is there some plan? Does anyone talk to these businesses about not just keeping Philadelphians working but also the inclusion of a diverse --

MR. GRADY: Right. As it gets down to the individual businesses that ultimately move into these buildings as they are built, we generally work with the Philadelphia Work Force Development Corporation with every new company that moves into the property to make available to them the recruiting and training functions that the Work Force Development Corporation has to offer.

COUNCILWOMAN MILLER: So that will happen than as this gets developed.

MR. GRADY: That happens now.

COUNCILWOMAN MILLER: Right.

One of the reasons why I'm

raising this, I remember when Kaverna came here to Philadelphia, and I just don't think that they have ever met any real goals. If they have, I'm not aware of them. They made a lot of promises.

MR. GRADY: Kaverna, I think, both through the construction of their new facility and in the operation of the facility as it has occurred over the last several years, constantly tracks their minority in women participation. The latest numbers that I have is that during the construction of that project 40 percent of the construction dollars were awarded to minority and women-owned companies. They track their employment on an annual basis as it relates to women and minorities, and we would be happy to get the latest report and make that available to you. We would be happy to do that.

COUNCILWOMAN MILLER: I would like to get that information certainly.

COUNCIL PRESIDENT VERNA: The

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Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good afternoon.

MR. GRADY: Good afternoon.

COUNCILWOMAN BROWN: In a followup question to Councilwoman Donna Reed Miller's inquiries, you stated that you are involved in a relationship, partnership with the Work Force Development Corporation. So what does that mean? Does that mean -- what does that mean? Define that for me.

MR. GRADY: Typically when PIDC provides financing to companies throughout the city, when we -- as part of the financing we provide them with a notification about the services of the Work Force Development Corporation and essentially make a referral from the financing company to the Work Force Development Corporation.

We also involve the Work Force Development Corporation on a weekly basis

in our meetings with tenants and internally among our staff as we, new tenants and new clients -- and this is for PIDC on a citywide basis. This is not just at the Navy Yard. We coordinate with the Work Force Development Corporation to identify new opportunities and new clients for them.

COUNCILWOMAN BROWN: Okay. So you say you make the referral. Am I hearing also that there is a connect made with Work Force Development so that they too are aware of your efforts?

MR. GRADY: That's right.

COUNCILWOMAN BROWN: And then there is a cross partnership there?

MR. GRADY: That's right. Just from an operational point of view, PIDC on a weekly basis, all of our client relationship managers who are out in the marketplace dealing with clients, we have a meeting every Monday morning. The Work Force Development Corporation comes to that meeting. We discuss who our new

clients are and we make sure they have constant contact with the latest information that we have.

COUNCILWOMAN BROWN: Are goals established as such?

MR. GRADY: Typically goals for hiring a work force are not established as part of that program.

COUNCILWOMAN BROWN: Thank you for your testimony.

MR. GRADY: Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman Miller.

COUNCILWOMAN MILLER: Who is it that you are dealing with over at Work Force Development?

MR. GRADY: Dee Kaplan is our primary contact.

COUNCILWOMAN MILLER: Dee Kaplan. Thank you.

MR. GRADY: Sure.

COUNCIL PRESIDENT VERNA: Mr. Grady, if my memory serves me, many, many moons ago I think we had a TIF for the

Navy Yard?

MR. GRADY: That's right.

COUNCIL PRESIDENT VERNA: Is that still in existence?

MR. GRADY: I think as a matter of law --

COUNCIL PRESIDENT VERNA: Shouldn't we be clearing the books?

MR. GRADY: There was a TIF district that was established in 1997 I believe. I came to work at PIDC in 1998 and I know it was before I came to work here, so I think it was 1997 where the Navy Yard was established as a TIF district.

There is only one project that we have funded through the TIF district and that was the Kaverna Shipyard project, and I think it would probably be appropriate at this point to make the necessary adjustments so that the Kaverna project remains a TIF district, the TIF funding goes to fund the improvements that were made there, and we could

release the TIF district from the balance of the site.

COUNCIL PRESIDENT VERNA: I think that's something that we should do.

MR. GRADY: Okay.

COUNCIL PRESIDENT VERNA: Also, when you talk about the -- and, as I said, it may sound rather silly to be asking this question, but I think the record has to be made very clear.

With the 8,000 square foot building that's being constructed at the present time, that's in a KOZ or a KOIZ?

MR. GRADY: It is in a KOIZ, that's right.

COUNCIL PRESIDENT VERNA: Needless to say, they will not be getting a ten-year abatement; is that true?

MR. GRADY: That's right. The two benefits are not -- you can't combine the two benefits. They can't run concurrently. They are mutually exclusive. Because there is more than ten years that remains on that benefit,

they are mutually exclusive.

COUNCIL PRESIDENT VERNA: But I thought that should be made part of the record.

MR. GRADY: That's right.

COUNCIL PRESIDENT VERNA: Also, with all of the construction going on and the future plans, my only concern is that Broad Street apparently is the only entrance and exit. Is there any consideration being made to opening 26th Street and when will that occur?

MR. GRADY: Broad Street, you are right, is the main access point in and out of the Navy Yard. 26th Street from the Platt Bridge down into the Navy Yard has existed as a road. We have opened it on occasion and, quite frankly, this spring, because of some of the construction activity, we are going to open that Monday through Friday during normal business hours to try to relieve some of the stress I guess that occurs on the Broad Street entrance. We are hoping

to sort of evaluate the impact that that has and to determine if that has a positive benefit.

One of the things that hopefully will help with that is that there is a lift bridge, if Paul could point out, that crosses over the Navy's reserve basin. That has been closed for the last 18 months while the Navy has been doing some repair to it.

COUNCIL PRESIDENT VERNA: I'm sorry. What is a lift bridge?

MR. GRADY: It's a bridge that crosses over the river at that point and it lifts up so the Navy can move its ships in and out.

COUNCIL PRESIDENT VERNA: Okay. I know what it is now.

MR. GRADY: It will be replaced this spring and we will allow traffic -- particularly the industrial traffic that comes to Kaverna will have a much easier exit and entrance out 26th Street than having to come all the way through and

creating stress at Broad Street.

COUNCIL PRESIDENT VERNA: Paul, could you go to the immediate right of that, all the way to the right where you have the pink?

If, in fact, and again simply for the record, if in fact something is going to be erected there, can we talk about how traffic will be dealt with?

MR. GRADY: Our master plan concluded that in order to develop that portion of the property it would be required to extend Delaware Avenue from its current -- currently Delaware Avenue ends at Pattison. It essentially bends into Pattison Avenue and heads towards the sports complex.

We believe that Delaware Avenue would have to be extended down through the port district and connect into the eastern end of the Navy Yard at that point. That's the only way that we would be able to add that additional traffic burden and still manage it in an

efficient way.

We believe that the extension of that road, if it can be accomplished at grade -- and the City Streets Department has been looking at the engineering of this for a number of years now -- could be a project that could be between 5 and $10 million depending on the routing of the road and the size of the road and the like, but we do believe if that portion of the property is developed, it will require independent access from Delaware Avenue to be serviced efficiently.

COUNCIL PRESIDENT VERNA: And if it is on grade, that would cost anywhere between 5 and $10 million?

MR. GRADY: That's right.

COUNCIL PRESIDENT VERNA: Who would pay for it?

MR. GRADY: A number of years ago the City secured a federal grant to allow for the extension of that road, which I believe was in the amount of $4

million, and we would look to identify the other funding. And if a large project were to be developed at the foot of that site, we would look for the project to have to fund a portion of the cost.

COUNCIL PRESIDENT VERNA: And how long do you think it would take to address that issue about the road construction?

MR. GRADY: I think the only issue that really would need to be addressed in order for construction to proceed would be to agree on the proper alignment of the road as it proceeds through the port district so that the different railroad interests and the different port interests could agree on the proper alignment of the street.

The actual construction of the road, there may be some minor property acquisition that would have to occur, but if everyone was supportive of the road we don't think that would be a difficult --

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COUNCIL PRESIDENT VERNA: To the best of your knowledge, does the Streets Department feel as though this is doable?

MR. GRADY: Yes, I do believe the Streets Department believes it's achievable, it's a feasible extension of the road, and that it would greatly enhance traffic in the port area in general as well as for the Navy Yard.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President.

Just to complete my questions along the line that I was asking previously about work force diversity, how does the Mayor's new economic -- how does the Mayor's executive order fit into your economic opportunity plan?

MR. GRADY: As I understand the executive order, it is, I think, entirely

consistent with what we have been trying to do at the Navy Yard, which is coordinating particularly larger development projects with the Minority Business Enterprise Council prior to soliciting proposals for development, sitting down with the Council, agreeing on proper goals for that project and including those goals in any solicitations and then reviewing the responses to the solicitations with the Council.

I think that's the way we have conducted business for the last several years and I think we have had a good relationship with the Minority Business Enterprise Council in that regard.

COUNCILWOMAN MILLER: What I would like to do, Council President Verna, is to ask PIDC to forward to the Chair an ongoing report of the activities and the outcomes as it relates to work force inclusion diversity and all of those recruitment issues that you work

with PWDC. And I hope I'm saying it right because I still just call it PIC.

MR. GRADY: I think that's right.

COUNCILWOMAN MILLER: I'm not really good with new names of old organizations. And they should probably -- I know that Mr. Rye, the diversity affairs director here in City Council, I know that is something that I know that he works on, so perhaps those reports will finally end up on his desk.

MR. GRADY: We will be happy to forward those.

COUNCILWOMAN MILLER: And the reason I'm on this line is because all we here when we come to Council is all of these projects that are bringing all these new jobs into Philadelphia, which is great and wonderful; however, then unemployment rolls keep climbing as it relates to minorities. So I want to see really if these economic development opportunities are really helping us

stabilize neighborhoods by keeping people working or giving people opportunities to work, and that's information I would like.

MR. GRADY: We appreciate that. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kelly.

COUNCILMAN KELLY: Mr. Grady, I want to go back to the very beginning of this hearing where Mr. McPherson read a letter to the Council President regarding the residential development.

They seem to be very emphatic against any residential development at this point and I know in your testimony on Page 4 you said that you're in continued discussions with the Navy regarding this residential development and other issues.

I don't want to put you on the spot right now, but I just want to get a

feeling from you of do you think that you could ever convince the Navy that some residential development could be done or completed on this facility?

MR. GRADY: I think we are hopeful that we can do that. Obviously it is a decision that needs to be made really entirely by the Navy. And, quite frankly, I think the Navy has been a very upfront partner with us on this issue.

From the time that we took ownership, we knew there was a deed restriction prohibiting this use. The Navy's main concern is an understandable one, which is they have ongoing operations on this site that have different issues related to security that are in some ways industrial in nature and I think that they want to be convinced that if there is any residential uses around them that it won't inhibit their opportunity to continue to operate their businesses. And I think that is a very legitimate issue. I think it is an issue

that we share as we develop the rest of the Navy Yard, and in going through a master planning process we invited the Navy to participate so that they could make their concerns known to us. They did that. They participated in the process, and we continue to have discussions.

I think, as they maybe have mentioned in the letter that was read into the record, they're actually conducting an analysis now on what impact residential development would have, if any, on their operations at the Navy Yard, so they have taken the affirmative step to try to study this issue more, to try to learn more about it, and to try to see if some of their concerns can be addressed.

I think the concept that we have put in front of the Navy is really a two-phased approach to any residential development. The first would be a relatively limited number of apartments

that would be developed in existing buildings in a location that can be separated from the Navy's activities.

We feel that could be a good way to sort of test the waters to make the Navy feel comfortable whether this is an activity that can work or not without starting a process of having actual homeownership and neighborhoods developing but to begin to start test on a test basis.

Any future activity on a larger scale would be subject to probably a future discussion, but we think that is a good way to start the discussion. And the Navy has entertained the request. As I said, they are undertaking this study, and I think they are proceeding in good faith to try and understand the impact it might have.

COUNCILMAN KELLY: The impact -- I think it would impact traffic immensely if you put a large development in there. And I think the accessibility,

there again, I think you would have three main routes if you develop it --

MR. GRADY: Right, correct.

COUNCILMAN KELLY: -- the way you would like to.

MR. GRADY: The interesting thing about traffic is the residential traffic is a little bit of a benefit in the sense that it tends to be alternate to the office traffic. So when office workers are coming in in the morning, typically the residential traffic is going out. So it actually provides a nice balance. It would certainly increase the volume of traffic, but we think those can be managed through the use of the three different entrance and exit points.

COUNCILMAN KELLY: Councilwoman Miller just mentioned, do you have existing housing on the site right now?

MR. GRADY: There is no permanent housing on site now. There are houses that were once occupied by Navy

sailors and employees and families. Those are no longer occupied as permanent housing. And this deed restriction from the Navy prohibits permanent housing. We have corporate temporary hotel type facilities there for people, but they are on a transient type basis.

COUNCILWOMAN MILLER: Does the Navy still have people living on that site?

MR. GRADY: They do not. The Navy's employment, there are about 2,500 Navy employees and I think there are two uniformed military personnel and the rest are all civilians and none of them live on the site.

COUNCIL PRESIDENT VERNA: I would like the record to reflect that Councilman Cohen joined us some time ago.

Mr. Chapman, before I recognize you, with all of the employees that we presently have at the Navy Yard, has anyone come up with a proposal for a restaurant or a little diner or something

so that people don't have to go out of the complex in order to have lunch or dinner?

MR. GRADY: We currently have a number of different breakfast and lunch options for people on site.

COUNCIL PRESIDENT VERNA: It is not the cart that is outside of the entrance of Broad Street, is it?

MR. GRADY: No; that got demolished when we had to build a new access road, but there the Nix, which is a Reading Terminal business from South Philadelphia, that has a breakfast and lunch stand that really caters to the industrial shipyard traffic. It is not a sit-down restaurant, but it's a take-out operation.

We have Sauter's Luncheonette, which is about an 80-seat breakfast and lunch diner-type operation.

COUNCIL PRESIDENT VERNA: I haven't seen that.

MR. GRADY: It is down in the

shipyard area.

With the development of the Urban Outfitters complex and moving their headquarters, they are looking at having a restaurant facility that would be open to the public. The Vatetta firm has a lunch operation in their cafeteria that they opened to other people at the base.

So we are starting to see that activity pick up. We are evaluating right now the reuse. There is an historic building at the main entrance to the property at the gatehouse that we are evaluating right now, whether there is potential for that right now as a restaurant.

The difficult thing, quite frankly, with restaurants is that most restaurants need to have a dinner business in order to be viable.

COUNCIL PRESIDENT VERNA: I think if they had a restaurant that was located near the water, I think that would really draw a lot of people.

MR. GRADY: That's one of the things we are trying to look at, whether you can draw a population from outside. Certainly the sports complex generates a lot of traffic and whether there is an opportunity to take advantage of that traffic with some additional food and beverages is something we are constantly studying.

COUNCIL PRESIDENT VERNA: Are there any other questions or comments of Mr. Grady?

Seeing none, Mr. Chapman.

MR. CHAPMAN: Good afternoon, Madam President and Members of the Rules Committee. My name is Thomas Chapman. I'm the director of development planning for the City Planning Commission, and I'm here today to testify on Bill No. 050058.

This bill was introduced by Councilwoman Blackwell on behalf of Council President Verna on February 5 of this year.

I'm afraid there is not too

much that I can add to Mr. Grady's testimony, but I will mention that this bill is an ordinance that rezones the 1200 acres of the Philadelphia Naval Base and will change the existing zoning designations, as was noted by Mr. Grady.

This bill is one of the initial steps in the implementation of the Philadelphia Navy Yard master plan of redevelopment for the Naval Base. This master plan envisions a mixed-use waterfront community that includes industrial development, offices, retail, waterfront amenities, executive conferencing, research and development facilities, improved mass transit, excellent public spaces, and the possibility of residential development in the future. And this rezoning supports that vision for the future.

The Planning Commission at its meeting on March 10, 2005 considered this bill and recommended that it be approved. Thank you.

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COUNCIL PRESIDENT VERNA: Thank you.

Mr. Grady, you could probably tell me. How is the Cruise Terminal coming along? How many cruise lines do we have that will be going out of Philadelphia?

MR. GRADY: My understanding is for the upcoming season, which starts in April -- tomorrow is April -- it starts this month, they are expecting to have 90,000 passengers utilize the cruise ship terminal. I believe last year they had about 60,000, so they are expecting a significant increase this year.

COUNCIL PRESIDENT VERNA: How many cruise lines do we have?

MR. GRADY: I believe there are three different cruise lines that use the facility. The primary route is from Philadelphia to Bermuda, but they do a number of other cruises both domestically within the United States and they do some other cruise options.

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I believe that there are going to be somewhere in the neighborhood of 40 different cruises, 40 to 50 cruises leaving from Philadelphia this year.

COUNCIL PRESIDENT VERNA: So they start in April and are going to October?

MR. GRADY: Until about September or October. I think as the weather get colder -- Bermuda is less attractive in the fall.

COUNCIL PRESIDENT VERNA: Exactly.

Any other questions or comments from members of the committee?

Seeing none, is there anyone in the audience that would like to testify on this bill?

Seeing none, we will conclude our public hearing. We will now go into our public meeting, and the Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

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I move that Bill No. 050058 be reported out of this committee with favorable recommendation and request for suspension of the rules to allow reading at the next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 050058 be reported out of committee with a favorable recommendation; also, a recommendation that the rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor will indicate by saying aye.

MEMBERS: Aye.

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it. The motion carries.

Thank you all very much.

(The hearing adjourned at 2:05 p.m.)

CERTIFICATE

I HEREBY CERTIFY that the proceedings of the Committee on Rules are contained fully and accurately in the stenographic notes taken by me on Thursday, March 31, 2005, and that this is a true and correct transcript of same.

_____

Cynthia A. Whyte, RPR

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