

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 PUBLIC HEARING AND PUBLIC MEETING
4 BEFORE THE COMMITTEE
5 ON PUBLIC PROPERTY AND PUBLIC WORKS

6 - - -
7 Room 400, City Hall
8 Philadelphia, Pennsylvania
9 Tuesday, May 12, 1998
10 9:30 a.m.
11 - - -

12 BILL NO. 970743 - Authorizing the Commissioner of
13 Public Property to execute and deliver to the
14 Philadelphia Authority for Industrial Development
15 ("PAID"), without consideration, a deed conveying
16 fee simple title to a certain tract of City-owned
17 land, with the buildings and improvements thereon,
18 situated on the northeast side of 70th Street,
19 south of Lindbergh Boulevard, under and subject to
20 the terms and conditions of the Philadelphia
21 Industrial and Commercial Development Agreement
22 between the City, PAID, and the Philadelphia
23 Industrial Development Corporation.

24 BILL NO. 980225 - authorizing the Commissioner of
25 Public Property, on behalf of the City of
Philadelphia, to enter into a sublease agreement
with the Philadelphia Municipal Authority for use
by the City and affiliated agencies of office
space located at 100 South Broad Street,
Philadelphia, Pennsylvania, under and subject to
certain terms and conditions.

PRESENT: COUNCILWOMAN AUGUSTA A. CLARK, Chair
COUNCILWOMAN ANNA C. VERNA
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK RIZZO

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I N D E X

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Department of Public Property

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Partner, P&A Associates

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Smith Mack & Company

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2 P R O C E E D I N G S

3 COUNCILWOMAN CLARK: Good morning,
4 ladies and gentlemen. The Committee on Public
5 Property and Public Works is now convened, a
6 quorum of committee members being present.

7 Would the record please reflect that
8 present at the table are Councilman Rizzo,
9 Councilwoman Anna Verna, Councilman Michael
10 Nutter, Councilman James Kenney, and myself, the
11 Chair, Councilwoman Augusta Clark.

12 Would the clerk please read the first
13 bill before us.

14 THE CLERK: Bill No. 970743, an
15 ordinance authorizing the Commissioner of Public
16 Property to execute and deliver to the
17 Philadelphia Authority for Industrial Development
18 ("PAID"), without consideration, a deed conveying
19 fee simple title to a certain tract of City-owned
20 land, with the buildings and improvements thereon,
21 situated on the northeast side of 70th Street,
22 south of Lindbergh Boulevard, under and subject to
23 the terms and conditions of the Philadelphia
24 Industrial and Commercial Development Agreement
25 between the City, PAID, and the Philadelphia

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2 Industrial Development Corporation.

3 COUNCILWOMAN CLARK: Thank you very
4 much.

5 (Paul Deegan comes forward.)

6 COUNCILWOMAN CLARK: Good morning.

7 MR. DEEGAN: Good morning. Paul
8 Deegan, Philadelphia Authority for Industrial
9 Development, and I'm here to testify in support of
10 Bill No. 970743.

11 This bill is for the City to convey a
12 15,000-square-foot parcel of land on South 70th
13 Street to PAID. And when it's conveyed to PAID,
14 it will be sold to P&A Associates, the owner of
15 the adjacent industrial property, which is the
16 former side of a warehouse. P&A intends to
17 develop a portion of the existing property with
18 CVS Pharmacy, and the City-owned property will be
19 needed for parking and access.

20 The City acquired the property in the
21 1970s as part of the Airport High-Speed Line, and
22 the Department of Public Property has declared the
23 land to be excess to the City's needs and
24 available for sale.

25 The sales price will be \$97,500 based

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2 on two independent real estate appraisals obtained
3 by PIDC. And the net proceeds from the sale will
4 be deposited in the City's General Fund.

5 I should point out that the owners of
6 the side of the warehouse, the previous owners.
7 Already had an easement over this property, so it
8 has been used for access to the main property for
9 many years, but the new development requires that
10 the easement be owned in fee by the landlord. And
11 that's why we're here today.

12 I ask that the committee consider bill
13 favorably and that the rules of Council be
14 suspended so as to permit first reading at the
15 next regularly scheduled meeting of Council.

16 Thank you for the opportunity to
17 testify. I'll be happy to answer any questions
18 you may have. And Mr. Peter Shaw and Mr. Allen
19 Kasnoff (ph.) of P&A Associates are present in the
20 chambers if you have any questions of the
21 developer.

22 COUNCILWOMAN CLARK: Thank you.

23 MR. DEEGAN: Thank you.

24 COUNCILWOMAN CLARK: Good morning,
25 Commissioner.

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2 COMMISSIONER PEREZ: Good morning,
3 Councilwoman Clark and members of the Public
4 Property Committee. I'm Andres Perez, Jr.,
5 Commissioner of the Department of Public Property.
6 I'm here to just offer testimony in support of the
7 passage of the bill and the suspension of the
8 rules, with a favorable consideration.

9 COUNCILWOMAN CLARK: Thank you very
10 much. Are there questions by members of the
11 committee?

12 (No questions.)

13 COUNCILWOMAN CLARK: Mr. Deegan, were
14 there any other potential purchasers for the
15 land? And if so, why were they not chosen?

16 MR. DEEGAN: We weren't aware of any
17 other interest in the property. As I said, the
18 property has been used as part of the larger side
19 of the warehouse property for many years. And if
20 you go down there and look at it, it's
21 indistinguishable from the rest of the property.

22 The property owners already have an
23 easement for vehicular access over the property,
24 so they had been using it for many years. It's
25 kind of a strip of land along 70th Street right

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2 before you go over the railroad towards Essington
3 Avenue.

4 And there wouldn't be any -- because of
5 its size, 15 thousand square feet, and its
6 configuration and its location on this property, I
7 don't think there would be any other reasonable
8 use other than for the adjacent property owner.

9 COUNCILWOMAN CLARK: Are there any
10 actual or potential environmental liability
11 exposures or claims associated with the property?
12 And if so, what remediation has or will occur?

13 MR. DEEGAN: I'm not aware of any
14 environmental problems. I expect that the buyer
15 will perform their own environmental study.

16 And I really doubt that there would be
17 since the property essentially has been used for
18 years for parking and vehicular access to the
19 warehouse.

20 COUNCILWOMAN CLARK: We're all
21 interested in the creation of jobs, Mr. Deegan.
22 How many new jobs have been created with the
23 opening of the CVS Pharmacy? And are there any
24 other economic development projects under
25 consideration for this property?

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2 MR. DEEGAN: I think maybe the
3 developer could better address the number of jobs
4 and what his plans are.

5 He is developing the commercial use at
6 this end of the site, but the rest of the property
7 will also be used for warehouse and
8 distribution-type type uses, so if I could yield
9 the microphone.

10 COUNCILWOMAN CLARK: Thank you. Good
11 morning, sir.

12 MR. SHAW: Good morning. My name is
13 Peter Shaw. I'm a partner in P&A Associates. And
14 one of our partnership associates -- 6900
15 Lindbergh Boulevard -- is developing this
16 property. There will be 24 new jobs as a result
17 of this CVS Pharmacy.

18 It may be of note -- interesting for
19 Council to note that the Eastwick Area PAC has
20 unanimously endorsed this project because they
21 believe that probably most of the employees in the
22 CVS are going to come from the neighborhood, and
23 there is a fair amount of unemployment in the
24 naked.

25 And you may or may not know, but we

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2 bought this Silo property two years ago, and now
3 it's completely full. That 250,000 square feet of
4 warehouses and the CVS store. And it has added
5 considerably to the employment in this
6 neighborhood.

7 So I think everybody feels it's sort of
8 a win-win proposition.

9 COUNCILWOMAN CLARK: Okay. Thank you
10 very much.

11 Are there any other questions by any
12 other members of the committee? Councilwoman
13 Verna, it's your bill.

14 COUNCILWOMAN VERNA: No. I can tell
15 you that I did hear from the Eastwick PAC, and
16 they are in favor of this bill.

17 COUNCILWOMAN CLARK: Okay. Thank you
18 very much.

19 Are there other persons present in the
20 room who wish to be heard in favor of or against
21 this bill? If so, please indicate.

22 (No response.)

23 COUNCILWOMAN CLARK: Assuming the
24 Chair, the record will show that the call was
25 given, and no one indicated willingness to speak.

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2 All minds are clear with respect to the
3 committee members?

4 The record should also reflect that we
5 have been joined at the table by Councilmember
6 Donna Miller.

7 Thank you, gentlemen.

8 MR. DEEGAN: Thank you.

9 COUNCILWOMAN CLARK: The clerk will now
10 read the second bill before the committee.

11 THE CLERK: Bill No. 980225, an
12 ordinance authorizing the Commissioner of Public
13 Property, on behalf of the City of Philadelphia,
14 to enter into a sublease agreement with the
15 Philadelphia Municipal Authority for use by the
16 City and affiliated agencies of office space
17 located at 100 South Broad Street, Philadelphia,
18 Pennsylvania, under and subject to certain terms
19 and conditions.

20 COUNCILWOMAN CLARK: Thank you.

21 Good morning. Please introduce
22 yourself to the record, spell your name for
23 benefit of the stenographer, and proceed with your
24 testimony.

25 COMMISSIONER PEREZ: Good morning,

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2 Councilwoman Clark. My name is Andres Perez,
3 A-N-D-R-E-S, P-E-R-E-Z, Commissioner of the
4 Department of Public Property.

5 Present with me is Mr. Albert Phelan
6 from the Law Department, principal negotiator of
7 the lease document.

8 I'm here today to testify in support of
9 Bill No. 980225 that was introduced on April 8,
10 1988 -- 98 authorizing the Commissioner of Public
11 Property, on behalf of the City, to enter into
12 sublease agreement with the Philadelphia Municipal
13 Authority for use by the City and affiliated
14 agencies of office space located at 100 South
15 Broad Street, Philadelphia, Pennsylvania, under
16 and subject to certain terms and conditions. The
17 building is also known as the "Land Title
18 Building."

19 This is a sublease of a lease between a
20 limited partnership and the Philadelphia Municipal
21 Authority for the third, fourth, fifth and a
22 portion of the sixth floors of the building
23 located at 100 South Broad Street.

24 I request that the rules be suspended
25 so the ordinance may be passed upon the first

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2 reading of Council. I respectfully ask that
3 Council approve of Bill No. 980225.

4 And I'm happy to answer any questions
5 you may.

6 COUNCILWOMAN CLARK: Thank you very
7 much.

8 Councilman Rizzo has indicated a need
9 to speak.

10 COUNCILMAN RIZZO: Thank you, Madame
11 Chair.

12 Commissioner, just to go back over some
13 of our earlier conversation during the budget
14 process. When you had the committee that was
15 considering office consolidation you, moved
16 forward and purchased One Parkway.

17 At that time, it sounded as though
18 there wasn't going to be any additional rental
19 space required. The purpose of buying One Parkway
20 is to get out of all these leases and to move the
21 folks into the One Parkway building.

22 Could you identify the departments that
23 are going to move into the Land Title Building and
24 why you now need that space when, apparently, One
25 Parkway was supposed to be the resolution to all

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2 of this leasing problem?

3 COMMISSIONER PEREZ: Councilman, the
4 departments that are scheduled to go into 100
5 South Broad Street is the City's Fleet Management
6 Agency; the Tax Review Board; the Targeted
7 Assistance Program of the Managing Director's
8 Office; the Mayor's Commission on Aging, the
9 Sheriff's Office; and Women Against Abuse, which
10 is affiliated -- for many years, has been
11 physically co-located with the Sheriff's Office;
12 the Regional Film Office. And some of the space
13 will be common conference space, some small amount
14 of space, for the various City agencies in the
15 building.

16 To the second part of your question,
17 the precedent studies that led up to what we're
18 referring to as the "Center City space
19 consolidation" go back to 1988, the most recent
20 being Council's study commissioned to examine the
21 issue once again, I believe in 1992.

22 In both instances, recommendations were
23 made, all of which we've substantially completed.
24 But one observation and one recommendation was
25 that don't assume that the big deal, the big

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2 building we buy or the large space we offer, we
3 rent will take care of 100 percent of the problem.

4 COUNCILWOMAN CLARK: Right.

5 COMMISSIONER PEREZ: That there will
6 also be a 10 to 15 percent, if not higher, flux in
7 space needs, which can't be locked and shouldn't
8 be locked into 20-, 30-year leases.

9 So the recommendation to the
10 Administration and to the Department was,
11 regardless of what we do, we are going to have
12 small amounts of space and changing space
13 requirements that do not lend themselves to being
14 locked in for 20-year terms.

15 The other aspect to it actually
16 resulted from the site selection process that we
17 went through. We did get through a -- rather to a
18 short list of buildings, and the two best choices
19 were a building which had a 150,000 more square
20 feet than we needed, or One Parkway, which was
21 about 75 to 100,000 square feet short of the
22 entire load.

23 Also, we were very mindful of timing
24 and the long-term view. We were at a point where
25 we had to make a choice. The decision was made to

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2 take the smaller building. It was also considered
3 to be more economical on a square-foot basis, but
4 it was smaller. We would fill it up and we would
5 still need 75,000 to 100,000 square feet to
6 accommodate agencies that didn't need to be
7 co-located with any of our other clusters of
8 space.

9 This is the net -- the net result is
10 that we've got two clusters, one going into 100
11 South Broad Street and one going into 990 Spring
12 Garden, which will be, hopefully, presented to
13 Council very shortly.

14 COUNCILMAN RIZZO: My final question to
15 you, Commissioner, is the concern for the use of
16 City Hall, this building.

17 And, again, during the budget process,
18 I asked the question, Do we have a master plan, we
19 have a plan for exactly how we plan to occupy this
20 building?

21 It's very difficult to explain to the
22 taxpayers of this city that we have this massive
23 building here and it is so, in many people's
24 opinion, underutilized. I understand that this is
25 a building that's very difficult to utilize for

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2 office space, but I would hope that in the future
3 that there is some plan to utilize this building
4 with all of this empty space in it.

5 COMMISSIONER PEREZ: We do expect -- we
6 do expect that the building will be substantially
7 occupied. We will still have some upper-elevation
8 floor spaces which -- which are not -- not very
9 useful, maybe even for dead storage. But modern
10 code for dead storage would require millions of
11 dollars of improvements.

12 But the office areas of the building,
13 we do expect, should be substantially occupied.
14 And the courts have been in a process for several
15 years now of moving from -- continuing to move
16 from their rented spaces into available spaces in
17 the building.

18 The repair of the building. The plan
19 or the approach to the repair of the building has
20 dramatically shifted from the fix-everything-a-
21 quadrant-at-a-time approach over ten to fifteen
22 years to focussing on key elements that are
23 degrading quicker than we had anticipated; most
24 notably, the roof. In the past two years, we've
25 had tremendous problems with water seepage in

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2 various portions of the building.

3 And the plan is really redirected to
4 getting the building's main elements as promptly
5 as possible and no longer oriented toward the
6 general redesign and renovation of all spaces in
7 the building.

8 COUNCILMAN RIZZO: Thank you,
9 Commissioner. Thank you, Madame Chair.

10 COUNCILWOMAN CLARK: Commissioner, just
11 before I recognize Mr. Kenny, just to tack onto
12 your last comment, the plan for this building. Is
13 there a plan to paint the rusty exterior just
14 before the William Penn improvements?

15 COMMISSIONER PEREZ: Yes. We referred
16 to that -- you probably have seen it in the
17 capital plan references as the cresting, City Hall
18 cresting. That iron work is engineered into the
19 roof.

20 The roof and the iron work and
21 associated supports are fairly well integrated to
22 the point where if we touch one, we must deal with
23 the other. And so the water problem is going to
24 force us to attack the roof and the associated
25 cresting in the parts of roof which have

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2 higher-priority requirements.

3 COUNCILWOMAN CLARK: Do you have an
4 idea of a date when you're going to get started on
5 the cresting?

6 COMMISSIONER PEREZ: No. As a matter
7 of fact, we've had to send a (unintelligible) team
8 back to the drawing boards when the latest
9 problems developed. We do hope in the next few
10 weeks to have an approximate schedule worked out
11 and some new calculations on cost.

12 COUNCILWOMAN CLARK: Thank you.

13 This seems a diversion from Land Title
14 Building, but it was a good opportunity to discuss
15 something that's happening with this building
16 presently.

17 Mr. Kenney.

18 COUNCILMAN KENNEY: Thank you, Madame
19 Chairwoman.

20 Commissioner, during the course of
21 selecting 100 South Broad, and in your testimony,
22 also the 900 block of Spring Garden Street.

23 COMMISSIONER PEREZ: 990 Spring Garden.

24 COUNCILMAN KENNEY: 990 Spring Garden
25 Street. What search process or evaluation process

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2 about South Broad Street?

3 COMMISSIONER PEREZ: South Broad --
4 well, the last group of agencies that we refer to
5 as "the space orphans" that didn't fit into One
6 Parkway.

7 We had done several due diligence
8 examinations on a short list of buildings that
9 started from, I believe, about 40 locations,
10 narrowed down to several buildings.

11 COUNCILMAN KENNEY: And what's the term
12 -- what's the length of the term?

13 COMMISSIONER PEREZ: This is ten years;
14 the first year at \$14 a square foot, and the tenth
15 year goes to 15.75 a square foot.

16 COUNCILMAN KENNEY: In the Land Title
17 Building today, what percentage of it is
18 occupied?

19 COMMISSIONER PEREZ: I don't know
20 myself.

21 UNIDENTIFIED SPEAKER: I don't know.
22 Maybe I can ask the real estate --

23 COUNCILMAN KENNEY: Well, it's not
24 something that I need to know today, I'm sorry. I
25 was just curious as to what the percentage of

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2 occupation is now. And with us going in there,
3 will we fill this building, will we still have
4 floors unoccupied?

5 COMMISSIONER PEREZ: There is still
6 some space in the building.

7 (Tom Kramer comes forward.)

8 COUNCILWOMAN CLARK: Good morning.

9 MR. KRAMER: Good morning.

10 COUNCILWOMAN CLARK: Please introduce
11 for the record, spell your last name for the
12 stenographer, and then proceed.

13 MR. KRAMER: My name is Tom Kramer,
14 spelled K-R-A-M-E-R, with Smith Mack & Company.
15 We are the real estate brokers for the property.

16 To answer your question, the building
17 right now is 40 percent occupied approximately.
18 When the City comes in, we'll go to approximately
19 72 percent.

20 We have leases out and some other deals
21 which would take us to about 75. So we'll still
22 have some -- some space.

23 COUNCILMAN NUTTER: I didn't understand
24 the last part of what you said.

25 COUNCILMAN KENNEY: Could you just

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2 repeat --

3 MR. KRAMER: Sure. The property right
4 now is 40 percent occupied. If the City completes
5 a deal with the property, it would be 70 percent
6 occupied. The City would take approximately about
7 30 percent more.

8 We have leases out on another deal
9 separate from the City, which would then take us
10 to 75.

11 COUNCILMAN KENNEY: Okay, thank you
12 very much.

13 MR. KRAMER: Okay, thank you.

14 COUNCILMAN NUTTER: Hold on, sir.

15 COUNCILWOMAN CLARK: Wait a minute.

16 The Chair recognizes Councilwoman
17 Miller.

18 COUNCILWOMAN MILLER: Thank you, Madame
19 Chair.

20 This question is for anyone. How much
21 is the fair-market square-foot rental fee for that
22 kind of space? 'Cause I can't -- I don't -- when
23 you say in years 1, 2, 3, it's \$14 per square
24 foot, I don't know whether that's a deal because I
25 don't know the average fair-market price.

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2 COMMISSIONER PEREZ: Speaking for the
3 -- speaking for the City and the negotiation
4 team, we do consider it a very fair deal. I
5 believe it came in less than our five-year rent
6 plan projection. It includes renovation of the
7 space for up to \$20 a square foot.

8 The one thing that we haven't abandoned
9 in the smaller leases was the other part of the
10 initiative, which was to deliver improved space to
11 the workers in any rent deal that we did.

12 And in fact, to partially go back to
13 Councilman Kenney's question about available
14 space, there's all kinds of available space,
15 there's all kinds of offers. We could have rented
16 space for 8 or \$9 a square foot as is, where is,
17 all renovation at our expense.

18 So that's the range of the problem.

19 COUNCILWOMAN MILLER: Thank you.

20 COUNCILWOMAN CLARK: Mr. Nutter and
21 then you Mr. Rizzo.

22 COUNCILMAN NUTTER: Thank you, Madame
23 Chair.

24 Commissioner, let me go back and just
25 make sure I heard your testimony correctly.

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2 (Addressing Mr. Kramer.) Sir. I think
3 you want to hold on for a second.

4 MR. KRAMER: Okay.

5 COUNCILMAN NUTTER: I believe in your
6 testimony, you indicated that in the first year
7 the square foot cost was \$14 a square foot?

8 COMMISSIONER PEREZ: Yes.

9 COUNCILMAN NUTTER: And did you say
10 that at the end of the term, it was \$15.70, did
11 you say that?

12 COMMISSIONER PEREZ: 15.75.

13 COUNCILMAN NUTTER: 15.75, okay.

14 Mr. Kramer, you indicated that with the
15 City and other leases, the building will go to 75
16 percent occupancy?

17 MR. KRAMER: Approximately.

18 COUNCILMAN NUTTER: Okay. And that
19 remaining 25 percent, how many square feet is
20 that?

21 MR. KRAMER: We would have about -- I'm
22 going to say, what, about -- I want to give you a
23 good answer on that.

24 COUNCILMAN NUTTER: It can be close.

25 MR. KRAMER: 50,000 feet.

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2 COUNCILMAN NUTTER: That's 50,000
3 square feet?

4 MR. KRAMER: Maybe a little more, maybe
5 65, actually.

6 COUNCILMAN NUTTER: All right. So
7 we'll say it's 50 to 60.

8 MR. KRAMER: We'll say 50 to 60.

9 COUNCILMAN NUTTER: Okay.
10 Commissioner, I hadn't planned to raise this
11 issue, but you made reference to it so I have to
12 ask you about it.

13 The 990 Spring Garden proposal which
14 was here and, I think, then left, and now your
15 testimony was that it may be coming back. What's
16 the square footage requirement for those
17 departments?

18 COMMISSIONER PEREZ: That's
19 approximately 62 or 63,000 feet. It's about
20 20,000 per floor, and we're taking three floors.

21 COUNCILMAN NUTTER: And does that still
22 include the proposed relocation of the various
23 police department units?

24 COMMISSIONER PEREZ: There's been some
25 changes.

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2 COUNCILMAN NUTTER: I believe there
3 have.

4 COMMISSIONER PEREZ: Yeah. The
5 Internal Affairs group -- reorganized Internal
6 Affairs Group, which is a much larger operation,
7 we still have to find an appropriate location for
8 them.

9 COUNCILMAN NUTTER: Were they included
10 in the 60,000 or 62,000 --

11 COMMISSIONER PEREZ: No.

12 COUNCILMAN NUTTER: -- original square
13 foot proposal?

14 COMMISSIONER PEREZ: No.

15 COUNCILMAN NUTTER: So now Internal
16 Affairs is being taken out of the 990 Spring
17 Garden deal?

18 COMMISSIONER PEREZ: Yes.

19 COUNCILMAN NUTTER: And absent them,
20 are you saying that you're still at 62,000?

21 COMMISSIONER PEREZ: Yes.

22 COUNCILMAN NUTTER: Or were you
23 originally at 62 with some --

24 COMMISSIONER PEREZ: No. We were
25 negotiating for two floors, and then as the

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2 programs -- the space analysis -- the programs
3 were progressing, we needed another floor, at
4 least a portion of another floor.

5 We've ended up with a space plan that
6 uses three complete floors in 990, not including
7 Internal Affairs.

8 COUNCILMAN NUTTER: Why wouldn't -- I
9 mean, since the square footage seems to almost
10 match up perfectly, why wouldn't we take those
11 departments and relocate them to 100 South Broad,
12 closer at least to the general Center City
13 population?

14 Although I know the theory is that
15 these people don't need to be in Center City, why
16 don't we put them all together, down at 100 South
17 Broad?

18 COMMISSIONER PEREZ: One reason for it
19 is cost. We're talking about 10.50 or 10.75 a
20 square foot on Spring Garden versus 14 for Center
21 City. They are also units with high parking
22 demand.

23 COUNCILMAN NUTTER: Right. Well, Mr.
24 Kramer might be a little more interested in what
25 would essentially take him up to, I think, about

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2 100 percent, maybe 101 percent, occupancy.

3 I mean, have you had any discussions
4 about filling out the rest of the space and what
5 that might do on the square footage cost?

6 COMMISSIONER PEREZ: No.

7 COUNCILMAN NUTTER: Okay. Could I
8 encourage you to do so.

9 COMMISSIONER PEREZ: It's always an
10 option for us. Neither of these leases have I put
11 a signature on.

12 COUNCILMAN NUTTER: Right.

13 COMMISSIONER PEREZ: And there's always
14 the possibility at the 11th hour that things don't
15 work out. Although, obviously, we're here because
16 we've come to terms on this location.

17 COUNCILMAN NUTTER: I understand. I'm
18 just asking you to take a look at the other
19 components.

20 Lastly --

21 COUNCILWOMAN CLARK: Excuse me.

22 COUNCILMAN NUTTER: Sure.

23 COUNCILWOMAN CLARK: You were about to
24 say that some of the units that you were just
25 discussing have a high parking responsibility.

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2 Would that be one of the things that might
3 influence your decision either to locate here or
4 to locate in places where parking would be more
5 accessible?

6 COMMISSIONER PEREZ: It's an
7 influencing factor.

8 A unit that needs Center City parking
9 is going to cost us -- for City vehicles, it's
10 going to cost us about 130, 140 dollars a month
11 per vehicle.

12 COUNCILWOMAN CLARK: Mm-hmm.

13 COMMISSIONER PEREZ: For example, I
14 understand the Internal Affairs Unit believes they
15 need parking for 280 vehicles.

16 COUNCILWOMAN CLARK: 280?

17 COMMISSIONER PEREZ: 280 vehicles.

18 COUNCILWOMAN CLARK: At \$130 a month?

19 COMMISSIONER PEREZ: Yes.

20 COUNCILWOMAN CLARK: Per vehicle?

21 COMMISSIONER PEREZ: Yes. And it is a
22 driving factor. It's not the ultimate factor, but
23 lower price base in some of these industrial
24 buildings away from Center City, they've tended
25 over the years to have their own parking areas and

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2 also available street parking. That takes the
3 pressure off the deal.

4 COUNCILWOMAN CLARK: Mr. Rizzo.

5 COUNCILMAN RIZZO: Mr. Kramer --

6 COUNCILMAN NUTTER: Madame Chair --

7 COUNCILWOMAN CLARK: I'm sorry, I'm
8 sorry.

9 COUNCILMAN RIZZO: I'm sorry.

10 COUNCILWOMAN CLARK: Mr. Nutter wasn't
11 through, and I apologize for stepping on your --

12 COUNCILMAN NUTTER: No problem. I'm
13 not hurt.

14 Lastly, Commissioner, in the first part
15 of your testimony, did I hear you make reference
16 to this was a deal between a limited partnership
17 and the Philadelphia Municipal Authority? Did I
18 hear you say that?

19 COMMISSIONER PEREZ: This is a -- yes.
20 We are -- we are entering -- the Department will
21 enter into a sublease with the Philadelphia
22 Municipal Authority, who will have the lease with
23 the partnership.

24 COUNCILMAN NUTTER: The partnership
25 being the owners of the building?

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2 COMMISSIONER PEREZ: Yes.

3 COUNCILMAN NUTTER: Okay. That's the
4 part I didn't understand.

5 COMMISSIONER PEREZ: Yes.

6 COUNCILMAN NUTTER: Who actually owns
7 this building?

8 MR. KRAMER: The building's a
9 partnership between a group who is based out of
10 New York and Europe and a local gentleman named
11 Alex Schwartz who's probably the one that the City
12 has had the most contact with.

13 And they own a considerable amount of
14 real estate. Notably in Philadelphia, I guess, is
15 1420 Walnut Street, the Fairmount Apartments.
16 They own quite a few buildings in New York -- the
17 McGraw-Hill Building right off of Times Square,
18 which is a landmark art-deco-type property.

19 COUNCILMAN NUTTER: Okay, thank you.

20 COUNCILMAN RIZZO: I guess I'm next so
21 I'll just start. Thank you.

22 Mr. Kramer, you indicated that 60
23 percent of the building is unoccupied.

24 MR. KRAMER: At the current time.

25 COUNCILMAN RIZZO: The space that the

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2 City's taking, is it entirely vacant space? Is it
3 all -- is the City's new space just the space
4 that's unoccupied presently?

5 MR. KRAMER: Yes.

6 COUNCILMAN RIZZO: So there's no one
7 now leaving the building because the City requires
8 -- because they like this particular area? Are
9 there any relocations within the building, are we
10 losing -- or are you losing any tenants because of
11 this deal?

12 MR. KRAMER: No, we're not losing any
13 tenants.

14 COUNCILMAN RIZZO: So the City's moving
15 into totally unoccupied space presently?

16 MR. KRAMER: That's correct.

17 COUNCILMAN RIZZO: Thank you.

18 And, Commissioner, I think you should
19 start looking at some of the other departments,
20 the Health Department and others, that have those
21 requirements to park.

22 I see on South Broad Street all the
23 time the line of City vehicles going into the
24 parking areas. And I believe I asked the question
25 once about how much does that cost us, and no one

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2 seemed to know.

3 Is there a way to determine how much we
4 pay to park City vehicles and how many we park on
5 a monthly basis?

6 COMMISSIONER PEREZ: I can provide you
7 the details. And, of course, not surprisingly, it
8 ranges from very inexpensive blocks several lots
9 away to the premium spaces in Center City.

10 COUNCILMAN RIZZO: So they'd be obvious
11 departments in the future to do what you're doing
12 on Spring Garden Street, to find buildings that
13 have off-street parking.

14 COMMISSIONER PEREZ: Right. If and
15 when the opportunity presents itself such as
16 renewal of a lease. That's an opportunity to look
17 at another building and do something different
18 with it.

19 And the reason most often used by
20 departments for space changes really has to do
21 mostly with hiring. They tend to grow out of
22 their spaces as hiring increases. And, also,
23 grant-funded programs tend to change space
24 requirements for short periods of time.

25 COUNCILMAN RIZZO: My last question

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2 is: Is that the parking lot that is under the
3 plaza at MSB, is that owned by the City of
4 Philadelphia?

5 COMMISSIONER PEREZ: The underground
6 parking lot is owned by the City of Philadelphia,
7 by the Department of Public Property. It is under
8 agreement to the Parking Authority, which has a
9 management agreement with the Parkway Corporation.

10 COUNCILMAN RIZZO: Commissioner, I
11 understand there's some consideration that that
12 parking lot, since we're paying, you mentioned,
13 \$130 a month to park a City vehicle, that that
14 parking lot be taken back by the Department of
15 Public Property and utilized to park the hundreds
16 of City vehicles that congest this area in Center
17 City.

18 Can you tell me today, is there some
19 consideration when that lease expires to take back
20 that parking lot and utilize it to park the City
21 vehicles and get out of some of these parking
22 leases that you currently have?

23 COMMISSIONER PEREZ: If those
24 considerations are underway, I'm not a party. The
25 Department is not involved.

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2 I am aware that the operations
3 agreement, the management agreement between the
4 Parking Authority and Parkway Corporation is
5 expected to terminate, I believe, in 1999.

6 COUNCILMAN RIZZO: Commissioner, just
7 to finalize this, it's amazing to me that the City
8 of Philadelphia could own a parking lot, and
9 unless there's some creative deal where we are
10 making more money than we're spending that we own
11 a parking lot and then we pay other parking lots
12 to park our vehicles.

13 I can't imagine that we couldn't have
14 cut some creative deal that we've got X-number of
15 spaces in a block that we already own during the
16 leasing and negotiation process.

17 COMMISSIONER PEREZ: That certainly
18 would be our preferred outcome, thinking about it
19 in 1998, but when that particular deal was struck,
20 my understanding is that all we got was a
21 guarantee of access to 100 or so spaces, but not a
22 guaranteed fixed cost or no cost.

23 COUNCILMAN RIZZO: So, hopefully, we'll
24 look at that a little harder when it comes up for
25 renegotiations or whatever.

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2 COMMISSIONER PEREZ: I'm hoping so.

3 COUNCILMAN RIZZO: Thank you. Thank
4 you, Commissioner. Thank you, Madame Chair.

5 COUNCILWOMAN CLARK: My thanks to the
6 committee.

7 Are there other persons in the room who
8 wish to be heard to speak in favor of or against
9 this bill?

10 (No response.)

11 COUNCILWOMAN CLARK: The call is out.
12 There being no persons present, is there a request
13 for suspension of the rules?

14 COMMISSIONER PEREZ: Yes.

15 COUNCILWOMAN CLARK: Thank you.

16 Okay, ladies and gentlemen, I'll
17 entertain that motion.

18 COUNCILMAN KENNEY: Madame Chair, I
19 move that Bill No. 970743 be reported out of this
20 committee with a favorable recommendation, and an
21 additional request made for the rules suspension
22 to allow for first reading at our next Council
23 session.

24 (Duly seconded.)

25 COUNCILWOMAN CLARK: All in favor?

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2 All opposes?

3 Bill No. 970743 will be reported out of
4 this committee with a favorable recommendation,
5 and with the recommendation that the rules of
6 Council be suspended so as to permit first reading
7 at the next meeting of Council.

8 All in favor, aye?

9 Opposes?

10 The bill has passed.

11 I'll take a motion on Bill No. 980225.

12 COUNCILMAN KENNEY: Madame Chair, I
13 move that Bill No. 980225 be reported out of this
14 committee with a favorable recommendation, and a
15 request be made for suspension of rules to allow
16 for first reading at our next Council session.

17 (Duly seconded.)

18 COUNCILWOMAN CLARK: All in favor?

19 Opposes?

20 Bill No. 980225 has been reported out
21 of committee with a favorable recommendation, and
22 with the recommendation that the rules of Council
23 be suspended.

24 There being no further business before
25 this committee, I'll accept a motion to adjourn.

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2 COUNCILMAN KENNEY: So moved.

3 COUNCILWOMAN CLARK: So ordered. Thank
4 you very, very much.

5 (Adjourned at 10:17 a.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Tuesday, May 12, 1998, were
reported and accurately by me, and that this is a
correct transcript of same.

RE: COUNCIL COMMITTEE PUBLIC PROPERTY
BILL NO.'S 980225 and 970743

JOSEPHINE CARDILLO, RPR