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

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, May 26, 1999
10:26 a.m.

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BILL 990249 - Creating the Whitaker Tax Increment Financing District. . .

BILL 990253 - Creating the St. James Court Tax Increment Financing District. . .

(Full text of both ordinances contained herein.)

PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair
COUNCILWOMAN AUGUSTA A. CLARK
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COUNCILMAN DAVID COHEN
COUNCILWOMAN JOAN L. KRAJEWSKI
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P R O C E E D I N G S

COUNCIL PRESIDENT VERNA: Good morning. This is the public hearing of the Committee of the Whole. I would ask the clerk to please read the title of Bill No.'s 990249 and 990253.

MR. MCPHERSON: Bill No. 990249, creating a Whitaker Tax Increment Financing District and approving the project plan of the Philadelphia Authority for Industrial Development for the redevelopment of the Whittaker Tax Increment Financing District being the area generally bounded by Cheltenham Avenue on the north, Somerdale Avenue on the east, the right-of-way Conrail's former Frankford Branch on the south, and Whitaker Avenue on the west; and making certain findings and declarations, all in accordance with the Tax Increment Financing Act.

Bill No. 990253, amending an ordinance approved December 30, 1998 (Bill No. 980719), which created the St. James Court Tax Increment Financing District by approving the amended project plan for the redevelopment of the district submitted to City Council by the Philadelphia

Authority for Industrial Development, and making certain findings and declarations, all in accordance with the Tax Increment Financing Act.

COUNCIL PRESIDENT VERNA: Good morning, Mr. Fina. Please identify yourself for the record and proceed with your testimony.

MR. FINA: Good morning, President Verna and members of City Council. My name is Robert Fina. I am a Senior Vice President of the Philadelphia Industrial Development Corporation, and now I am appearing on behalf of the Philadelphia Authority for Industrial Development ("PAID").

I have additional copies of my testimony if any Councilmember did not bring that with them. I did try to transmit that in advance.

COUNCIL PRESIDENT VERNA: Does everyone have a copy?

COUNCILMAN COHEN: I do not.

COUNCIL PRESIDENT VERNA: Okay.

MR. FINA: I am here today to testify in support of Bill No. 990249, creating the Whittaker Tax Increment Financing District; and Bill No. 990253, amending the St. James Court Tax

Increment Financing District.

The St. James TIF was previously approved by Council on 12/10/98 and signed by the Mayor on 12/30/98. Today's hearing is required by the Pennsylvania Tax Increment Financing District Act to create or amend a TIF District. Should the committee approve these bills, the Act requires that Council wait at least three weeks for final approval, which means that Council cannot approve the bill until its meeting of June 17, 1999.

Since introduction of these bills, PIDC has met with City Council, has met with Council staffs and representatives of the School District to review the proposed and amended project plans. On Monday, May 10, 1999, the School District agreed by resolution to participate in the districts should they be amended or created by Council.

Creation of the Whittaker TIF will allow Cardone Industries, a remanufacturer of auto parts, to expand its business within the City's borders by retrofitting its existing 1.4-million-square-foot building for manufacturing uses, and adding over 600,000 square feet in new construction over the next eight years. Completion of the retrofit alone is expected to add approximately 400 jobs and $700,000 in new annual taxes.

Over the term of the District, PAID projects that creation of the TIF will result in an additional $29 million in tax revenues to the City, $1.5 million in net revenues to the School District.

Since introduction of the bill, 990249, the Whittaker TIF, several changes have been made to the project plan based on PAID's conversations with City Council, the Administration, and the School District.

In specific:

The value of the tax increments were prorated such that 100 percent of the authorized tax increments will inure to the TIF fund in the first four years; and thereafter, tax increments will be reduced to the extent that Cardone fails to meet or create at least 500 new jobs over and above the existing citywide employment, calculated on a full-time equivalent basis. Presently, Cardone's citywide employment, as of this morning, is 4,262 jobs.

Proviso language contained in the project plan was clarified to indicate that amendment to the project plan will not be required prior to settlement of financing so long as changes to the scope or the project costs are less than 15 percent, and such changes in costs are not funded by City or City-related funds which all but prohibit any kind of City involvement in the project. No amendment shall be required for changes after settlement of financing.

City sales taxes and City sales tax increments, which were projected to be zero in the initial project plan, were eliminated altogether in this revised plan. And in effect, if they would inure or would accrue, they would inure to the benefit of the City.

The project plan has been amended and restated to reflect these changes and is on file with the clerk of City Council for review by the public.

I'd like to talk about the St. James Court amendment now and then answer any questions on either.

Amendment to the St. James Court TIF is required to accommodate several changes in the project's scope and financial structure. Use and occupancy taxes previously dedicated to the TIF fund are dedicated to fund the TIF project cost will inure to the benefit of the School District under this amendment and will not inure to the benefit of the TIF fund.

The originally planned 328-unit, 332-parking space apartment complex is now projected to include 270 units and 285 parking spaces, albeit the units are larger.

Private financing in the amount of $21.4 million will be provided to fund project cost increases from 62.1 million to 83.5 million.

The amendment authorizes changes of the developer to St. James Walnut Street Associates and further authorizes future transfer of any portion of its interest in the project to a new private entity.

The increased project costs are expected to generate a 30 percent increase in real estate and use and occupancy taxes to the School District and to the City. Over 20 years, PAID projects the City revenues will increase by 2.4 million, the TIF fund will increase by 2.5 million, and the School District revenues will increase by 3.3 million by this amendment.

In closing, I wish to assure City Council that PIDC will assist the Mayor in employing with the employment reporting requirements as stipulated in Bill No. 990181, should it be approved. I ask again for your approval of Bill No. 990249 and 990253, and remind Council that the TIF Act requires a three-week wait before Council's final approval.

And I'll be happy to answer any questions that Council may have, and I am joined today by my colleague Sam Rhoads of PIDC.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Fina, on Page 2 of the project plan, it indicates that $28.5 million in tax increments will be used to fund project costs for a minimum build-out and $30 million for the maximum build-out.

Why the difference since the TIF notes in both scenarios is $8 million?

MR. FINA: That's a good question,

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Madam President. We've capped, somewhat at your question and somewhat at the School District's, the amount of the TIF to reflect a note that the maximum participation in TIF would occur to the project.

If the developer decides to expand further and increase to the maximum possible, now you knowing what that maximum is, it does not necessitate and will not be permitted to increase the TIF note financing. Although there will be more taxes generated, we do not do that calculation to show the net positive benefit to the City.

COUNCIL PRESIDENT VERNA: What is the breakdown by funding source -- State, City, etc. of the additional public funding? I do know that at the briefing that we had, you stated that $1 million would come from economic stimulus. What is the maximum amount of funds that the City will provide, and why isn't that stated in the project plan?

MR. FINA: One reason when we were formulating the project plan, we were not sure exactly where the public dollars were, where they would be generated from, other than between the State and the City. We were very cautious to maximize the public dollars because many times, members of City Council had asked that rather than using TIF revenue, that some would inure to the benefit of the School District without maximizing all public sources.

Our expectation at the time we wrote the plan was that 6 million would be derived from State programs, whether they be debt or grant; and $1 million would be Economic Stimulus Program funding.

I can at this point state that the maximum Economic Stimulus Program funding for this project will be $1 million. We've reached that conclusion as of today, or earlier this week.

COUNCIL PRESIDENT VERNA: If in the future that should change and we'd need $2 million, would you come back to City Council?

MR. FINA: By this project plan, we are required to because if there are increases in costs other than -- they could be funded by City or City-related funds -- excuse me. They cannot be funded by City or City-related funds.

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Ergo, if there are increases in costs within 15 percent, they must be nine City-funded sources. So we would have to come back to do that. And if they are over 15 percent and not funded by City, we must come back. So we would be back, to answer your question.

COUNCIL PRESIDENT VERNA: Thank you.

Your testimony indicates that any funds in the TIF account reverts back to the City and the School District when the TIF note is paid off. What happens to the interest these funds have earned?

MR. FINA: The interest where the dollars sit for a portion of a year in the TIF fund, they would remain with the TIF fund until the completion of the term of the TIF, and then return to the City.

COUNCIL PRESIDENT VERNA: So that that would sit there for twenty years.

MR. FINA: That would sit there on the Whittaker for 20 years, on the St. James Court for 12 years if they were available. And that means the only way they would be available is if the business is doing so well and the taxes are being

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generated and not needed for the TIF fund and that there's a surplus in effect in the TIF fund.

COUNCIL PRESIDENT VERNA: You indicate on Page 7, Section G, that the tax increment will be reduced if the number of new jobs in the District goes below 500. What is the formula that you will use to reduce the tax increment by? And tell us what happens to any accumulated funds in the existing TIF account.

MR. FINA: The formula generally is that, as of today, as I mentioned, there are 4,262 jobs. And within 4 years, the developer must create 500 new jobs citywide. Anytime after that or from that point on, if the developer has not created those 500 jobs, we would divide through the TIF portion -- the 100 percent of the TIF by the 500. And anything less than 500 or 1/500th of the TIF for every job that's lost would be reduced from the TIF fund and returned to the City for that year and any subsequent years that the jobs were not at 500 net citywide above the 4200 that I mentioned.

COUNCIL PRESIDENT VERNA: I'd like to refer to the St. James Court TIF. The proposed amendments of that TIF will increase the private dollars that are being committed to this project and the public commitment is staying the same, is it not?

MR. FINA: Yes, it is. The TIF, on face value, the note is staying the same. We believe the interest rate on the TIF note, in discussing this with lenders, will increase some, and that will be covered by the additional TIF fund revenue. But there are still more tax revenues to the City and the School District now by the amendment than what was originally proposed.

COUNCIL PRESIDENT VERNA: Thank you.

MR. FINA: You're quite welcome.

COUNCIL PRESIDENT VERNA: Does anyone have any questions? Do any members of the committee have any questions?

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: First for the record, I find it confusing to be talking about St. James and Whittaker at the same time, so forgive me if I get them mixed up as we go along.

Let's talks first about St. James.

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That's largely a residential property; is that what it's intended to be?

MR. FINA: Yes.

COUNCILMAN COHEN: And what kind of apartments will it be, cost-wise?

MR. FINA: They will be luxury apartments, Councilman.

COUNCILMAN COHEN: They will luxury apartments.

MR. FINA: Yes.

COUNCILMAN COHEN: What's the rental range going to be?

MR. FINA: Right now, it's being discussed. Somewhere between $1,000 per month and $4,000 per month, depending on the size of the apartment and the market and the final debt structure when they close the private financing.

COUNCILMAN COHEN: Well, if I were to make an economic analysis from the tenant's point of view, does the tenant in any way, and if he does or she does, do tenants in any way benefit from this? What is the benefit to the tenant? Or is this a project in which the only benefits will accrue to the developer?

MR. FINA: Councilman, it's always very difficult to answer that type of question because there are benefits for either.

If I would take a mathematical formula and say that the TIF revenue over the 12 years, the maximum amount is 20.8 million and I divided that by the 270 apartments and then that equaled $77,351 per apartment, then further divided that on a yearly basis for the 12 years, that means each apartment would have $6,445. And then you could divide that further each month, and it would equal a $500 subsidy to that apartment, 'cause I think that was a question that you had raised previously to us before. That's what the dollar amount per apartment is for the TIF.

However, two developers have previously tried to develop this particular property with a TIF, and they had failed 'cause they could not get a return on their equity that supported the risk for investing in this project with an economic return. Without the TIF, this project would not be developed by the developer. And, therefore, you might also say the benefit of the TIF goes to the developer to respond to a return on his equity and to compensate him for the risk of such an expensive project of $83 million.

COUNCILMAN COHEN: Well, let me go back first to the tenant 'cause I want to visualize what this project really is.

If this tenant were to go to a purely private enterprise operation, meaning, you know, the real tough private enterprise who don't want government to do anything for anybody. If they went to that, what kind of apartment could they get for the same amount of dollars that they're spending here?

MR. FINA: I'm not a housing expert but I would say that that tenant would be somewhere in Bucks County, Montgomery County, or Delaware County because new construction on luxury apartments is not occurring in the city of Philadelphia now.

COUNCILMAN COHEN: Would you repeat that? This kind of --

MR. FINA: New construction of luxury apartments is not being created in Philadelphia by the private market at this time.

COUNCILMAN COHEN: Well, is there an

existing market for luxury apartments in Philadelphia?

MR. FINA: I would say that is probably 100 percent occupied, whatever the --

COUNCILMAN COHEN: But there is an existing market, right? There are existing apartments?

MR. FINA: Yes.

COUNCILMAN COHEN: And occasionally, they become available.

MR. FINA: I'm not an expert on that, Councilman, but I would say yes.

COUNCILMAN COHEN: All I'm asking for is, if such a --

COUNCIL PRESIDENT VERNA: Excuse me, Councilman Cohen, there's a point of order.

COUNCILMAN KENNEY: Madam President, I really don't believe that Mr. Fina is qualified to answer questions to the extent that the Councilmember is asking relative to real estate occupancy rates and luxury occupancy rates. Perhaps if we want to bring in an expert to answer those questions then --

COUNCILMAN COHEN: Then I would like to

have --

COUNCILMAN KENNEY: I just -- I just -- let me finish my point.

I mean, to put Mr. Fina in this position, I don't think is appropriate. He's here to testify on what PIDC wants us to do, which I think he's done quite well. If there's another line that we're going in, then maybe, you know -- I don't really know where it is, but maybe we need somebody else to answer these questions 'cause I don't think it's fair to him.

COUNCILMAN COHEN: I have no objection to Council obtaining experts on this area because I think it's fundamental, before we take any action, that we understand what we're doing.

And I take Councilman Kenney's point of order to be an effort to prevent the facts from coming out about this development. I'm trying to find out what the development is all about. If this witness is not competent to answer the questions that I deem as relevant, then I'm going to request that no action be taken on this bill until there are experts who Councilman Kenney deems are qualified to testify on these various subjects.

COUNCILMAN KENNEY: Point of order, Madam Chair.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you very much.

I would not like the Councilmember to characterize my point of other as anything other than making a point that Mr. Fina is trying to struggle with the questions that Councilmember Cohen is asking.

I have no problem with moving forward with this. We've been briefed totally on this issue over the last couple days and prior to that. So, I mean, if Councilmember Cohen needs more information, that's up to him, but for this particular Councilmember, I'm ready to move forward with this. If Councilmember Cohen has some other line of questioning in some other --

COUNCILMAN COHEN: No, no, I believe that this witness is competent to answer, but if he cannot answer, it indicates that the project is not clear in the minds of the City officials who are dealing with the project.

COUNCILMAN KENNEY: That's not accurate, Madam Chair. What he's not able to answer is the occupancy rate level -- the vacancy rate level --

COUNCILMAN COHEN: No, I think he can answer these questions. I think your line is --

COUNCILMAN KENNEY: The question that the Councilmember asked Mr. Fina was --

COUNCILMAN COHEN: Is he still on the Point of order, Madam Chair?

I object to Councilman Kenney trying to limit the questions on this development.

COUNCILMAN KENNEY: You asked the man what the --

COUNCILMAN COHEN: The witness is very competent. He's been executive vice president for many years; he does not need Councilman Kenney to protect him --

COUNCIL PRESIDENT VERNA: Mr. Fina --

COUNCILMAN KENNEY: You asked him if the --

(Unintelligible, parties talking over each other.)

COUNCIL PRESIDENT VERNA: Please, gentlemen.

Mr. Fina, can you answer the question?

MR. FINA: I can tell you again, Councilman, that the vacancy rate of luxury apartments in the city of Philadelphia is very low. I can have that statistic for you within the next week or so to find out from Cushman & Wakefield or someone who tracks that particular statistic.

COUNCILMAN COHEN: Well, I would like to have that information. I don't know how I'm going to be able to act on a bill if I can't get information.

It would seem to me -- I want to know the nature of this development. I cannot understand and I'm asking questions so maybe I will be able to understand how it could be in the interest of the City to subsidize wealthy people's occupancy. And I want to know what the justification is.

COUNCILMAN KENNEY: Madam Chair --

COUNCILMAN COHEN: Councilman Kenney, I have a right to ask my question. I kept quiet when you were defining your question.

COUNCILMAN KENNEY: You're just making untrue statements.

COUNCILMAN COHEN: Now I'm defining my interests.

COUNCILMAN KENNEY: It's not a question; it's an untrue statement.

COUNCILMAN COHEN: Well, to me, it's a question. To you, it may be a statement.

COUNCIL PRESIDENT VERNA: Mr. Fina, when did you say you could have the information available to members of Council?

MR. FINA: I would have that information within 24 hours.

COUNCILMAN COHEN: When was that again?

MR. FINA: I would have that information within 24 hours, but all that would do is give you a figure that supports my statement that the vacancy rate of luxury apartments is very low, it's in the --

COUNCILMAN COHEN: Therefore, it would seem --

MR. FINA: It's in --

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COUNCILMAN COHEN: Mr. Fina --

MR. FINA: I'm sorry.

COUNCILMAN COHEN: It would seems to me when you say that it indicates there is a need for luxury apartments, right?

MR. FINA: That's correct, sir.

COUNCILMAN COHEN: All right. Then would it seem to me that the ordinary principles of private enterprise ought to apply. You make a determination as to whether or not there is sufficient private funding in order to make a project stand. I can't understand why if there's a need for these apartments --

MR. FINA: Councilman, that philosophic argument you're raising deals with every economic subsidy program, every economic incentive program that the city of Philadelphia and every city that's competing for jobs, housing, and residents in the United States -- in fact, even in Europe, they're copying our programs to replicate and to create incentives.

So what you're saying, the reason the private enterprise system doesn't work in certain urban areas is because there are problems with

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those urban areas that do not exist in non-urban areas, in the suburbs. And what we do is, we use our economic development programs to make it an even playing field, to balance the differences between the two. That's our -- all our programs do that, Councilman.

COUNCIL PRESIDENT VERNA: Excuse me, Mr. Fina.

MR. FINA: Yes, ma'am.

COUNCIL PRESIDENT VERNA: We have already approved the TIF on this, have we not?

MR. FINA: That is correct.

COUNCIL PRESIDENT VERNA: And what we're doing today is amending that so that the developer could add an additional -- a little over $21 million to the project.

MR. FINA: That is correct, Madam President. It is $21 million of totally private funding.

COUNCILMAN COHEN: Madam President, I am unaware of the fact that once this Council acts, forever that subject is verboten, that it means that we have acted forever.

I am raising questions about this

project and stating that I have serious questions as to whether the project should continue. The fact that we made a decision once may merely indicate we made a mistake on one occasion. And I'm, therefore, when the subject comes up again, I am asking to -- I am seeking to raise questions.

I think this is a, from what I understand as of now, it seems to me that at a time when our neighborhoods need so much infusion of economic strength, that this is a very poor use of government funding.

COUNCILMAN KENNEY: Point of order, Madam Chair.

COUNCIL PRESIDENT VERNA: Councilman Kenney?

COUNCILMAN KENNEY: Isn't it true, Madam Chair, that in this particular amendment request, there is no additional money being put into this project from a TIF standpoint?

COUNCIL PRESIDENT VERNA: Exactly.

COUNCILMAN KENNEY: It's simply the amount of money that's being additionally added by the developer --

COUNCIL PRESIDENT VERNA: $21 million.

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COUNCILMAN KENNEY: It's $21 million in private money, and no additional tax dollars.

So, Councilmember, I believe, unless he voted no on the first TIF, supported the $8 million towards the TIF that's --

COUNCIL PRESIDENT VERNA: And I believe we approved the TIF for St. James Court on December 30, 1998.

COUNCILMAN KENNEY: I believe it was approved unanimously.

COUNCILMAN COHEN: Well, I'm reraising the question. I want to know whether this -- apparently, this project is not prepared to move forward unless there is an amendment. Therefore, there is a question.

Suppose this amendment does not go forward, what happens to the development?

MR. FINA: Councilman, a couple things. One is -- to answer that directly, the developer would have to make a decision to go back to what you already approved, and as a matter of right, continue that previous project. That seems unlikely in the fact that they now see they need to add $21 million.

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What they might do is reduce the need of private dollars down to the 15 percent level that you've authorized and try to do a less luxury apartment and go to the marketplace there. I'm not sure what the developer would do.

But I will say this: that the $7 million that we're proposing isn't available to us to put into another project and only is created by the fact that new incremental taxes at this location, at this precise location, are available from the fact that there's new development that raises the value of the property there. Property taxes only are increased on this project, and therefore, we take a portion of these taxes and we fund the improvements to make certain that it gets billed.

We don't have $7 million, it's not a $7 million grant from another -- from a City Council-approved treasury. We don't have $7 million. We're only taking $7 million of taxes that could inure to the City if this project is built. And if it is not built, we will not have those taxes or the other taxes.

COUNCILMAN COHEN: I know but there's

nothing to be said, there's nothing to establish the fact that something won't be built in the normal course of private investment.

COUNCILMAN KENNEY: The building's been vacant for 15 years.

COUNCILMAN COHEN: You present it as this is once forever, like you present DisneyQuest. If DisneyQuest doesn't take this space down in Center City, you -- I mean, by "you," I don't mean you personally. The City acts as if nobody's going to want this space.

COUNCILMAN KENNEY: Councilman --

COUNCILMAN COHEN: I believe this space is prime space. If this development does not go through --

COUNCIL PRESIDENT VERNA: Mr. Fina, how long has this building been vacant?

COUNCILMAN COHEN: -- there will be other developments.

MR. FINA: This building has been vacant approximately 15 to 20 years in some form or another, 15 to 20 years, and it's now an eyesore and it is a blighting influence on the neighborhood at this point because there has been no --

COUNCIL PRESIDENT VERNA: And would you say that we have a line of people waiting to invest over $76 million to rehab some of these old properties?

MR. FINA: Absolutely not.

COUNCIL PRESIDENT VERNA: And would you also say that the City and School District would be the beneficiary in that we would be generating more money?

MR. FINA: Yes.

COUNCIL PRESIDENT VERNA: And that we would not have to wait 12 years?

COUNCILMAN COHEN: That's always the pie in the sky that we hear about from every developer.

COUNCIL PRESIDENT VERNA: We would not have to wait 12 years for the increase?

MR. FINA: That is correct, Madam President.

COUNCIL PRESIDENT VERNA: And when would we see the increase occurring?

MR. FINA: It would start within 2 years from now, possibly even 18 months. We would not have to wait any longer or gamble that there would be private investment, 'cause it hasn't happened for 15 to 20 years so far.

COUNCILMAN COHEN: Madam President, I would suggest that these tax revenues are as ephemeral as the jobs we're always told will be created by these developments. And when we go hunting to try to find whether these jobs have been created, we never find them.

I suggest that these tax revenues into the future are --

COUNCIL PRESIDENT VERNA: But the City has insulated itself in this TIF in that if the gentleman does not hire X-amount of people within a certain period of time -- or is that on the other one? That's the other one.

MR. FINA: That's part of the Whittaker.

But there is net new employment here. There is net 25 new permanent jobs associated with this project. There are hundreds of construction jobs associated with this project moving forward now, this summer, as opposed to delay caused by any reason.

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COUNCILMAN COHEN: But -- but --

MR. FINA: And I do believe that city commerce does attract luxury apartments, and they believe it is in the single digits, the vacancy. I was just given that information so that may suffice. They have that on annual basis, the City Commerce Department.

So, Councilman --

COUNCILMAN COHEN: I think there may well be a need for luxury apartments in Center City because I think Philadelphia, contrary to the indication from your earlier statement, that Philadelphia Center City is a very attractive place to live in. And I understand from a lot of different sources that there's great demand for apartments, not only luxury apartments, but all level of apartments in the Center City area.

For that reason, I just don't understand why we have to get involved with additional government aid for people's whose income is as high as the people --

COUNCILMAN KENNEY: Point of order.

COUNCIL PRESIDENT VERNA: There's point of order, Councilman Cohen.

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COUNCILMAN KENNEY: There is no additional government aid in this amendment, and if you keep on --

COUNCILMAN COHEN: I do not appreciate being interrupted in the middle of a sentence Councilman-at-large Kenney. I think I have a right to make my statements heard. And I resent your always rising because, obviously, you feel there is no justification for this development, and you're trying to prevent any public analysis.

COUNCILMAN KENNEY: Point of order.

Councilmember Cohen stated clearly that there was additional public aid being requested for this project; that is not in fact true.

COUNCILMAN COHEN: I didn't say there was any additional public aid; I said there is public aid to this project. Are you trying to deny that the original project is receiving tax dollars?

COUNCILMAN KENNEY: It's not.

COUNCILMAN COHEN: Well, that's what I'm talking. I'm raising now whether or not we ought to amend, because it's my opinion that if we do not amend, this project will fail. And if this project fails, I think that there will be other ventures that come forth that will produce the same kind of revenue, maybe more revenue, without the use of public-assistance dollars, which ought to be used for the neighborhoods in Philadelphia and for lower-income citizens.

COUNCILMAN KENNEY: Just like the last 15 years.

COUNCILMAN COHEN: I'm just getting fed up with the continuous efforts to pour money into the pockets of rich people and to prevent poor people from getting what they need.

COUNCILMAN KENNEY: That's a lovely speech.

COUNCILMAN COHEN: And it's about time we leveled the playing field.

COUNCILMAN KENNEY: That's a lovely speech but it's not accurate.

COUNCILMAN COHEN: I think it's very accurate. And your efforts to prevent an analysis which would demonstrate that seems to me pretty good evidence that you agree with my conclusion.

COUNCILMAN KENNEY: We voted for this already, we voted for it once. What are you talking about? When you're voting, you don't you know what you're voting on?

COUNCIL PRESIDENT VERNA: Are we finished?

COUNCILMAN KENNEY: Yeah.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

Mr. Fina, how did the figure of 500 jobs over and above the existing citywide employment come up? Is there some formula or was that determined -- how was that determined?

MR. FINA: The developer was proposing in this particular project to create at least 400 new jobs.

COUNCILWOMAN BLACKWELL: Right.

MR. FINA: The developer has other proposals. In fact next Wednesday, there will be another TIF known as the Ashton TIF public hearing in which we will talk about this developer doing an additional expansion and new creation there.

And what we did was, we looked at the job creation that the developer thought

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optimistically from both projects that he could achieve, and then we took a conservative number, a fair number, and came up with 500.

At that time, we thought the developer had 3,000 jobs in the city of Philadelphia. The developer has been expanding jobs over the past 6 months, creating more, and it's at 462. So we've really pressed the developer hard to say, "You must create in 4 years another 500 jobs." It was somewhat negotiated with Cardone Industries and PIDC acting on behalf of --

COUNCIL PRESIDENT VERNA: Mr. Fina, I believe that at the briefing, if my memory serves me correctly, you did indicate that just about all of the employees do reside in the city of Philadelphia?

MR. FINA: That is correct.

COUNCILMAN COHEN: Madam President, point of order.

Could I ask that these two bills be considered separately? I'm just getting confused when we run from Whittaker to St. James and then back again. I think each bill ought to stand on its own merits and ought to be debated separately,

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and I would ask that they be considered one at a time.

COUNCIL PRESIDENT VERNA: Okay. So we will now question the Whittaker TIF.

Councilwoman, are you finished?

COUNCILWOMAN BLACKWELL: I'm finished.

COUNCIL PRESIDENT VERNA: Councilman Nutter, is your questioning on the Whittaker TIF?

COUNCILMAN NUTTER: No, Madam Chair.

COUNCIL PRESIDENT VERNA: Does anyone have any questions on the Whitaker TIF?

COUNCILMAN COHEN: Yes, I do.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: What do you know about Cardone Industries?

MR. FINA: We know quite a bit of information, Councilman.

They are a long-term business that has grown from a few hundred jobs over the last 15 years to the 4,262. We know that they had a -- they had a very diverse labor force. We know they're a blue-collar worker. They're the fastest-growing blue-collar worker paying living wages in the city of Philadelphia.

They've been an excellent corporate citizen, and they would like to maintain a low-key profile.

But I could go on and talk about details. If you could be more specific, I could tell --

COUNCILMAN COHEN: Well, tell me something about what you know about their labor history, for example. And then when you finish that, tell me what you know about their practice of bringing ministers of probably various faiths in aimed to conduct religious services during working time.

MR. FINA: They have very good labor relations, Councilman. That's what I know.

They do have, at the request of their employees, have various chapels because they do shift work, so they have various chapels and they have an extended work week at times, so they have various religious chapels on their premises as a private enterprise. So that way, their workers can worship when it's convenient.

To give you a mix of their current

employment: 28 percent is Asian, 13 percent is African-American, 33 percent is Hispanic, and 26 percent is "other."

COUNCILMAN COHEN: Do you know anything about their labor history, the efforts by labor organizations to organize and what the result was? And do you know anything about the protests by employees of their practices of bringing in the religious ministry and compelling people to participate in religious observances during working time?

MR. FINA: I know they have not violated anyone's Constitutional amendments.

COUNCILMAN COHEN: What's that?

MR. FINA: I know they have not violated anyone Constitutional amendments.

COUNCILMAN COHEN: How do you know that?

MR. FINA: Pardon me, sir?

COUNCILMAN COHEN: How do you know that?

MR. FINA: Because they have not been cited by the federal government for doing this.

COUNCILMAN COHEN: That doesn't mean

they haven't done it; it means that they have -- that there may be no proceeding which found that they had done so.

MR. FINA: Well, there would be no way for any of us, sir, to know that unless someone brought that case through the judiciary system.

COUNCILMAN COHEN: Right. I'm raising the issue of the desirability of a company that engages in the kind of practices this company engages in.

MR. FINA: You'll have to be more precise as to what you --

COUNCILMAN COHEN: Well, I'm telling you, it is my understanding that they require the attendance by workers at religious observances taking place on company time, and that workers get paid to attend those services.

MR. FINA: I'm not aware of --

COUNCILMAN COHEN: And that is not as a result of worker request, but as a result of company requirement.

MR. FINA: I'm not aware of that, sir.

COUNCIL PRESIDENT VERNA: And I hear Velma Diaz behind me saying that is not true, they are not required to -- is that what you're saying?

MS. DIAZ: They're not required to attend.

MR. FINA: And my understanding is that they're --

COUNCILMAN COHEN: Is there anybody here from the company?

MR. FINA: Yes, from the company, and they say that is not true.

COUNCILMAN COHEN: You said there's somebody here that will testify from the company?

MR. FINA: Well, I said there's somebody from the company here. It would be up to Madam Chairwoman whether she wants them to testify on this issue. But they have said that it is not true.

COUNCILMAN COHEN: Well, I can just tell that you that there is a sharp difference of opinion among their employees as to whether that is true or not. And I don't think that's a company that ought to be the beneficiary of any kind of public funding.

COUNCIL PRESIDENT VERNA: Miss Diaz is saying she knows the chaplain and she knows people who work there and that it's absolutely untrue that people are compelled to take part in any religious service.

MR. FINA: There is someone from Cardone here, and they have advised me that those statements, Councilman, are totally and completely untrue. And as I said, there is --

COUNCILMAN COHEN: I can tell you flatly that I do not believe them for a moment, having been involved in matters, you know, in investigating those matters some years ago and having met with many employees.

COUNCILMAN DICICCO: Of that company?

COUNCILMAN COHEN: Of that company. And I know that they're right on Rising Sun Avenue, just south of Adams Avenue. I live relatively close to that area.

COUNCIL PRESIDENT VERNA: Did you want to be recognized?

COUNCILMAN KENNEY: Madam Chair, I appreciate being recognized.

I just want to say to the people from Cardone who are here, on behalf of me as a Councilmember of this body, I want to apologize

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for any of this that's happened over the last few minutes. I just appreciate you being in the city, growing the way you've grown and giving your employees the opportunities to express their religious faith as they see fit. I hope you stay here and I hope you take no offense to what was just said 'cause it's just totally --

COUNCILMAN COHEN: You don't speak for this body.

COUNCILMAN KENNEY: I'm speaking for myself now, I'm speaking for myself now, if I may.

I apologize for any misunderstanding that one member of this Council may be portraying to you that this body perhaps as a whole does not feel. And I thank you for your commitment and investment in the City.

Thank you.

COUNCILMAN COHEN: Point of order.

I don't believe Councilman-at-large Kenney has any right to act on behalf of this body. I do not know that he has been elected to any representative position so I don't know how he can apologize on behalf of --

COUNCILMAN KENNEY: I'm speaking for

myself.

(Unintelligible, parties talking over each other.)

COUNCIL PRESIDENT VERNA: I think Councilman Kenney said he was speaking for himself. That closes this issue.

I would also like to make a statement that Councilman Mariano called earlier and said that he had a funeral to attend and that he would try to get here as soon as possible, and he was very much in favor of the passage of this bill.

At this point in time, the Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair. This is -- has been quite interesting.

My only question actually with regard to Cardone actually does not directly involve this particular TIF, but I'm trying to piece together some information, making no allegations.

But is Cardone either presently or at the new location, is part of their property adjacent to a piece of Fairmount Park property, or are they possibly in the process of receiving a piece of Fairmount Park property as a part of the sale or lease or something like that? I have some bits and pieces of information.

MR. FINA: On their Rising Sun property, they abut Penny Pack Park, and there is a transaction that's being negotiated between Fairmount Park and Cardone where Cardone --

(Mr. Fina confers with Cardone representatives present.)

MR. FINA: That's correct, Councilman, that Cardone possibly may receive Fairmount Park property and will give up other property.

COUNCILMAN NUTTER: Give up other property to the City --

MR. FINA: Fairmount Park --

COUNCILMAN NUTTER: -- to replace.

MR. FINA: Yes.

COUNCILMAN NUTTER: All right. So it's just kind of a swap transaction going on? Is that the new site or --

MR. FINA: No, that's at the site that is not subject to this TIF or the TIF we propose to have the public hearing on next Wednesday.

COUNCILMAN NUTTER: It's a part of that transaction, the Ashton?

MR. FINA: No, no. It's part of neither --

COUNCILMAN NUTTER: Neither?

MR. FINA: -- Of the TIF districts.

COUNCILMAN NUTTER: Okay.

MR. FINA: The Fairmount Park.

COUNCILMAN NUTTER: So it's just another piece of Fairmount property somewhere.

MR. FINA: Yes.

COUNCILMAN NUTTER: Okay.

MR. FINA: It's property near Fairmount Park that's PHA, sir. It's not Fairmount Park. They did talk about Fairmount Park at one time, your recollection's correct.

COUNCILMAN NUTTER: Okay.

MR. FINA: It is not Fairmount Park.

COUNCILMAN NUTTER: All right, so it's a PHA piece or property. They may get that in their inventory, they may swap out a piece of their --

MR. FINA: They would either swap or buy if it's PHA.

COUNCILMAN NUTTER: Okay, but it's not a piece of the park system.

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MR. FINA: It's not a piece of park any longer.

COUNCILMAN NUTTER: All right, all right. I'm done with that. Thank you for the clarification.

Madam Chair, I recall the request by Councilman Cohen with regard to the separation of the two bills but that was my only question about Cardone.

COUNCIL PRESIDENT VERNA: Well, if you don't mind, I think you're going to have to wait on the other. Do you have any other questions?

COUNCILMAN NUTTER: I don't have any more Cardone questions; I'd just like to go back to St. James. The wheel has passed me three times.

COUNCIL PRESIDENT VERNA: Okay.

COUNCILMAN NUTTER: All right, I'll wait my turn.

COUNCIL PRESIDENT VERNA: Councilwoman Tasco?

COUNCILWOMAN TASCO: Thank you, Madam President.

I'd like to say that Cardone is in my

district on the Rising Sun Avenue property. My tenure -- and I just became their representative in 1995. Since that time, I have not received any complaints or concerns raised that Councilman Cohen has raised. If I had, I would have raised those issues with Cardone as well as PIDC. They have been very good neighbors and have stayed in Philadelphia and do employ a number of people in the city of Philadelphia.

And so I'd like to say that as the District Council person, I have not received any complaints, or no one raised any concerns. But if that does happen, certainly we can have a conversation with them. They've been cooperative.

COUNCIL PRESIDENT VERNA: Thank you very much.

Councilman Rizzo, do you have a question on the Whittaker issue? Thank you.

COUNCILMAN RIZZO: Likewise, I've had nothing but good experiences with Cardone Industries.

And I want to on the record let you know that there are many suburban communities that have tried desperately to get Cardone to relocate to Bucks, to Chester, to Montgomery County, and they feel an obligation to the city of Philadelphia and work very, very hard to be a good neighbor, and I just wanted that to be a part of the record.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions regarding Whitaker TIF.

(No further questions.)

COUNCIL PRESIDENT VERNA: Hearing none, the Chair recognizes Councilman Nutter concerning the St. James Court TIF.

COUNCILMAN NUTTER: Thank you.

I know this is risky going back into this issue, but just some facts, Mr. Fina. The proposed TIF note still remains at $7 million, the only change is the developer' equity or other investors upwards of $21 million; is that correct?

MR. FINA: That's correct on the face value of all the financing, sir.

COUNCILMAN NUTTER: And the $7 million, is it my recollection either from the first time we did this or from Monday that the term of this

TIF district -- is this the 12-year one?

COUNCIL PRESIDENT VERNA: Yeah.

MR. FINA: Yes, it is the 12-year one.

COUNCILMAN NUTTER: Okay. The $7 million in TIF revenue are essentially revenues that we would forego as a part of the TIF process. That's $7 million over the life of the TIF term?

MR. FINA: Well, that's the face amount of the notes, sir. What we've done is, we've calculated the number substantially higher. Like in any mortgage loan you pay on your house that you may have a mortgage for 7 million, but --

COUNCILMAN NUTTER: What's the total value of the TIF?

MR. FINA: It's $20,885,000.

COUNCILMAN NUTTER: 20 million 885?

MR. FINA: Yes.

COUNCILMAN NUTTER: So would it be appropriate to say that the net present value of that is $1.7 million.

MR. FINA: The net present value is $7 million.

COUNCILMAN NUTTER: The net present

value is $7 million, but if we take that $20 million over the 12 users, it's approximately $1.74 million a year.

MR. FINA: I will not dispute your math, Councilman.

COUNCILMAN NUTTER: It's actually not my math. It's great having this PECO Energy calculator with the solar, it's wonderful. But it does make you look mathematically smart.

The economic analysis on the one page here that we received, line item 4, you have on this -- and it's probably kind of preprogrammed into the computer -- the City, the School District and the TIF note, we talk about what the -- these are the dollars that come back either to the City, the School District, or to fund the TIF note. Oh, I see now where you got the $20 million figure from on the TIF note.

You have that listed as a 20-year sum in thousands because most of our TIFs are actually 20 years.

MR. FINA: With the exception of this TIF, yes, all others are 20 years, and we try to give you consistent data so that you have comparisons with the other 14 TIFs that you've approved.

COUNCILMAN NUTTER: I understand that. Well, I mean the consistency of the data, therefore, confuses us now that we have one that's only 12 years. And that's a joke, by the way.

So the return, based on the amendment to the City on your 20-year sum figure, do I read that correctly to be over 20 years, $14,235,000?

MR. FINA: That is correct, sir.

COUNCILMAN NUTTER: And what is the number, or would you take that number and divide it by 20 and then multiply it by 12 to get the 12-year return?

MR. FINA: Yes, yes, you would.

COUNCILMAN NUTTER: Okay, so that would be. . .

MR. FINA: That would be about 8.4 million.

COUNCILMAN NUTTER: 8.4?

MR. FINA: Over the 12 years.

COUNCILMAN NUTTER: Over the 12 years, and that gets us --

MR. FINA: And that's without my

calculator, however.

COUNCILMAN NUTTER: Well, you're, you know, you're at PIDC, you're supposed to know these things off the top of your head.

And that gets you a return of $700,000.

MR. FINA: Yes.

COUNCILMAN NUTTER: A year.

MR. FINA: Approximately.

COUNCILMAN NUTTER: To the City and whatever the figure is to the School District.

Is it fair to say that the $1.7-million-a-year benefit to the developer for the 12-year life of the TIF, we figured out that it's a $20 million cost, and then we backed it out to 1.7 a year. That's 700,000 coming to the City, probably another 600,000 or so -- 500, 600,000 going to the School District.

MR. FINA: That's correct.

COUNCILMAN NUTTER: And then the TIF note itself being repaid.

Is it fairly accurate to say that the tax revenue generated back both to the City, the School District and to cover the TIF note is more than what the annual benefit is to the developer?

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MR. FINA: I think that's fair to say. I think you're also making a good point that the City and the School District receive together more funds than the -- pays the TIF note than if this project not developed. In other words, the City and the School District should get substantially more dollars annually over the course of the TIF than ever goes into the TIF note and substantially more than they're receiving now for this vacant, blighting property.

COUNCILMAN NUTTER: So at the end of the day, notwithstanding the $7 million and the $20 million life value over the life of the term of the TIF, would your testimony be that when this transaction is completed, the City does in fact make back what it gave up, plus some?

MR. FINA: Yes, sir.

COUNCILMAN NUTTER: The TIF note represents 8.4 percent of the total proposed amended amount of $83.5 million, which, in comparison to -- now is this -- St. James is a part of the 14 -- technically a part of the 14 TIFs that we've already passed.

MR. FINA: That is correct.

COUNCILMAN NUTTER: It's a part of that group.

MR. FINA: Yes it is.

COUNCILMAN NUTTER: My recollection is that 7 million out of 83, 8.4 percent might be somewhat lower than some of the others that we've done; is that right?

MR. FINA: That's correct.

COUNCILMAN NUTTER: For the time, the effort, and any of the activity here for today, I mean, why does the developer -- or what's the benefit to the developer to get a $7 million TIF note from the City, 8.4 percent of his total project costs for a project that's $83.5 million? When all is said and done, what's the benefit?

MR. FINA: If I could explain it in colloquial terms, that in effect is the profit. Without the TIF note, the developer would not make any money by the numbers we've run; and, therefore, the developer has said that it would not initiate the project. And this is not the first developer. The developer prior to this had also said the same.

COUNCILMAN NUTTER: Right. And without

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the TIF note, I guess the person could go and try to find another $7 million from somewhere, a bank, another group of investors, and the like, but I think what I'm hearing from you earlier is that the person is probably either maxed out or the numbers don't work to make the transaction economically viable.

MR. FINA: The numbers do not work to make the transaction economically viable without the TIF note. We are convinced of that at PIDC.

COUNCILMAN NUTTER: Okay. So we've got a relatively low TIF amount going into this project.

MR. FINA: Yes.

COUNCILMAN NUTTER: We've got returns in terms of taxes over the same 12-year period that exceed the annual benefit to the developer.

MR. FINA: Yes.

COUNCILMAN NUTTER: If the person was able to go out and find the $7 million, I mean, would your testimony be, if they were somehow able to do so that and still figure out a way to build this, to get to the other issue that was raised -- I mean, ultimately, the person might just have to raise rents to make the project work and potentially raise them at a rate that the market wouldn't support, even at Eighth and Walnut?

MR. FINA: Our belief is that the market would not support them anywhere in Center City or Philadelphia and, therefore, this probably would not be competitive without the TIF -- with other projects in Montgomery, Bucks, Delaware County, over in New Jersey.

So this particular resident of the city of Philadelphia who has traditionally fled the city would not come into the city of Philadelphia and be a resident here and pay numerous taxes.

COUNCILMAN NUTTER: What's your basis of information on apartments in Montgomery, Bucks, Delaware, and Chester that rent is in the range of $1,000 to $4,000 a month?

MR. FINA: What's the base of my knowledge?

COUNCILMAN NUTTER: No. I'm saying, is there any general information around about --

MR. FINA: Cushman & Wakefield and most of the -- and I use that name not for any particular reason, but it just came to mind. But most of the large real estate firms have annual statistical information on residential vacancies, rents, and growth in the five-county area that I have reviewed numerous times and seen that the city of Philadelphia is at an extreme disadvantage. Although occupancy is high, the market does not support --

COUNCILMAN NUTTER: It's at an extreme disadvantage to what?

MR. FINA: With other counties.

COUNCILMAN NUTTER: Do they have many places that have rents in these ranges?

MR. FINA: Oh, yes, yeah. There are -- Bucks County, portions of Montgomery have very high rents.

COUNCILMAN NUTTER: Okay. I mean, it just seems -- I mean, you know. . . I'm not anticipating to ever be in a position to pay $4,000 a month in rent. It would just seem to me that if you were doing that, I mean I guess I could see it certainly happening in Center City. But as you move out, I mean, if you're spending that kind of money, I mean I guess I don't know why you're not in a -- it would probably be an insult to call a place like that's paying that kind of mortgage "a house"; it would be more like a mansion or something like that.

But I mean, you know, people can do whatever it is they want to do.

MR. FINA: That's correct and it has to do with maybe an individual's personal tax status.

COUNCILMAN NUTTER: Right.

MR. FINA: If they're not looking to own, they don't need that tax advantage.

COUNCILMAN NUTTER: Right.

MR. FINA: But they do want to rent so they'll rent at the most economical dollar figure they can find that gives them the amenities that they desire.

COUNCILMAN NUTTER: Sure. So finally, what the real estate market is telling us, though, is that there is high demand for this kind of a unit in Center City. You're testimony is, without some assistance, the project doesn't get built. The numbers work at the end of the day not only for the developer but allow us to get repayment for what we are foregoing because we are not giving them any money; we are foregoing what would naturally come to us if the project were to happen. And when you do the numbers on the project, we get back more than what we have given up.

MR. FINA: That's correct, Councilman.

One calculation which we did not make and we could not make 'cause we weren't sure, but the residents of this apartment building, many of them will move from the city who work outside the city or are on fixed incomes and are not considered wage, but they will be paying taxes to the city of Philadelphia that they're currently not paying. We do not add that as an additional number; we just have an intuitive sense that there will be additional funds.

COUNCILMAN NUTTER: Right.

MR. FINA: But we would not want to risk, without having the statistics to support that, to bring that figure to you.

COUNCILMAN NUTTER: I understand, okay.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Mr. Fina, as I was sitting here, it occurred to me that if we did not consider this TIF, the developer would have been eligible for a five-year abatement, so if he had --

MR. FINA: Three years.

COUNCIL PRESIDENT VERNA: Three years.

MR. FINA: Three years from completion of the new improvements.

COUNCIL PRESIDENT VERNA: So aren't we like leveling the playing field here so to speak?

MR. FINA: We are trying to be as consistent with the ten-year tax abatement for Class B office space that exists today that is motivating investors to put money into those properties and for renters to come in and rent those properties on an economic basis.

But, again, it's an incentive. So that ten years from completion that exist for a Class B office building from the second floor up is equal to the 12-year we have when you consider construction. In fact, this TIF began -- we're not asking to change -- date January 1, 1999, so the TIF is already running, and we're almost six months into it.

So if you approve this in three weeks,

it will be, in effect, an 11.5 year TIF. And at that point, construction hasn't even begun so the developer is getting very close to the economic threshold for this project.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam President.

I just actually got into the conversation I was going to get into about the ten-year conversion bill that Council passed about a year and a half ago, but there are just two other points.

One is, we keep speaking to people who will be coming in and why would anyone want to pay $1,000, $4,000 a month for rent. We're assuming that these people were renting someplace else.

In most cases, and there is a report that I will hand out to all of Council shortly, you will find that many of these people are what we refer to as "the empty nesters." These are people who live in suburbia in the four-, five-, six-bedroom mansions or, you know, very expensive houses, who are making a decision to move into the City because they no longer need that house. Their children have moved away, and they want to be close to the arts, the entertainment, and all the cultural things that the city has to offer.

And in that same report, and this has been discussed from time to time in various news articles about the growth in Center City and how attractive it is. For every wage-earner who earns $35,000 a year, as a example, $26,000 is put back into the local economy, and that is not a part of the calculation here.

So when we get 270 units that will be occupied by one or more people, based on whatever their income is, if you took that $35,000, and if they were making -- their cumulative income was $350,000, you multiply the 26,000 by 10, each household or resident who occupies a unit will be putting in almost a quarter of the million dollars back into the local economy.

So I think those are numbers that we never have -- we don't factor in for whatever reason, but I think we should take into consideration when we consider doing these TIFs, which do give a developer an incentive to do because developers, like all of us, they would like to have a return on their dollars.

But I don't want to look at it -- and I think this has been said time and time again -- as a giveaway. We are trying to do everything we can as a city to attract people to come in to live so that we can support all of the other services we would like to do for folks who don't have the wherewithal to do some of the things that the rest of us have. And without that growth, we're going to be a city that will continue to lose its population.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Mr. Fina, how much would the apartments have to be raised in rentals for the developer to achieve the same profit that he may intend to make as a result of this TIF arrangement?

MR. FINA: If you recall my earlier calculation that I did, I took the total revenue to the TIF fund, divided it by 270 units, divided that by the 12 years. On an annual basis, there would be approximately $6500 of additional rent income, or about $600 or $550 a month that the developer would have to charge the tenant to come in to this.

Two other developers have tried to do that calculation as well as this developer without public assistance 'cause, as you can note, there's a bit of controversy many times about public assistance, and they'd rather just proceed without that. But they could not "make the numbers work," as we say in the business. We could not pencil out the project without this assistance.

If you start spending $1500 to $1600 a month to $4500 to $4600 a month, in that range, it makes us not competitive with other locations. It makes that empty-nester not willing to come into the city.

There's a great risk to the developers taking on this project. He's risking all that first mortgage debt that he must repay if this fails. If he cannot encourage those residents to come into the city, if we cannot encourage those folks to come into the city, this developer could go bankrupt on this project.

We would only be obligated to pay the TIF note to the extent that taxes are paid on this project. If they are not paid, we are not obligated to pay anything. And it's the developer, with 60-some million dollars of first mortgage debt in equity that is taking a huge risk to do this project.

Other developers from inside the city and outside the city have looked at this, tried to make it work, and have said it doesn't work. This is a very risky project, Councilman, and I am certain that without public assistance, that it won't even be attempted for some time.

COUNCILMAN COHEN: Well, I think what you say makes a plausible argument, but I think equally plausible and more persuasive to me is the argument that these people with an income sufficient to pay those kinds of rents and with the desire to move into Philadelphia would be coming into Philadelphia.

My objection is not to the people coming in; my objection is to giving them public money because they would, in my opinion, qualify least to become beneficiaries of public funding. That's the question that I'm raising.

I don't know, you know, how accurate your figures are but, you know, assuming the accuracy of your estimate, it seems to me that the people who are coming in have the financial ability to pay that increased figure if that's necessary -- particularly in a market that has no vacancies basically, there's great demand, there isn't enough supply. I think these people would be coming into Philadelphia because of the desirability of living here but. . .

MR. FINA: Councilman, what you're saying is --

COUNCILMAN COHEN: I don't think we can, at this basis, get a definitive answer, but I don't think public funds are intended to be used for that purpose, and that's why on this matter, I will be voting no because I don't think it's a proper use of public funding.

Madam Chair, I'd like to go back, if I may, to the Whittaker TIF with a series of questions.

COUNCIL PRESIDENT VERNA: Oh, now,

you're not being very fair.

COUNCILMAN COHEN: Yes, I would like to.

On the Whittaker TIF, on page 5 of your statement. . .

MR. FINA: Page 5 of the project plan, sir?

COUNCILMAN COHEN: Yes, on the project plan. On Page 5, you say part of the additional $7 million in additional public funding is going to come from Philadelphia Economic Stimulus Program.

Doesn't that mean the money is coming from the City General Fund?

MR. FINA: Councilman, what I said earlier today is that a maximum of $1 million would come from the Economic Stimulus Program. I clarified that. The remainder would come from State programs. So one million --

COUNCILMAN COHEN: Except for the $1 million.

MR. FINA: Except for the $1 million.

COUNCILMAN COHEN: Let me ask you this hypothetical question. As I understand it, this

$15 million of public funding going into the Whittaker project, including both the TIF and what you describe as additional public funding as yet not fully determined. Suppose this money were used to provide, say -- I hope my arithmetic is right -- 3,000 awards of $5,000 each to working-class Philadelphians to make first-time home purchases. What would be the economic benefit of that? Suppose we --

MR. FINA: Councilman, there's a real critical issue here -- that unless the dollars come from the project, unless the project is built, there are -- we do not have all those other dollars. We cannot get the State to put money into the program you say unless the legislature of the State decides to do that. We have economic development programs that respond to jobs for a specific business. So maybe you could talk about that for the $1 million, and you could certainly take that up with the Administration, I'm sure they'll entertain a letter from you to that effect.

But nevertheless, the balance of the dollars are geared from programs that have been approved by this City Council and by the State legislature to do economic development projects that create new jobs. That's what we're creating. We're creating jobs for blue-collar workers in the city of Philadelphia which have been disappearing for the last 30 years.

In fact, you've been critical that we should be focussed more on creating those blue-collar jobs in other sessions of City Council. We're responding to your criticisms and your demands.

COUNCILMAN COHEN: Well, you're saying that absent a State program that -- you're saying that State funds are essential for the development of this kind of TIF funding.

MR. FINA: Not necessarily for this TIF funding. State funds are to reduce the TIF we would be requesting here and reduce the amount of other public funds we would be requesting to retain Cardone in the city of Philadelphia. They can do this expansion, they have other locations in the United States and Canada where they do the work they're doing now.

And, Councilman, earlier today --

COUNCILMAN COHEN: Well, I'm asking about the comparison of economic value to the city of making this loan to Cardone as against increasing first-time home ownership, say, by 3,000.

MR. FINA: Councilman, we have shown you statistics and I've quoted here the amount of money that inures to the School District and to the City from this project being created is enormous over the 20 years and even larger beyond that.

You have the ability to pose legislation anytime you wish for another type program from funds from the General Fund. This doesn't prohibit you from doing this. This, in fact, creates dollars into the General Fund by doing this TIF project. We are generating more dollars into the City's General Fund than if we don't do this project.

COUNCILMAN COHEN: No, but I think we generate much more money from the City's General Fund if public monies were used for the purpose of encouraging first-time home ownership, and that the use of $15 million for a different purpose would engender greater income.

MR. FINA: That may be an interesting program, and I don't have the expertise, again, to comment on it. But, certainly, I cannot tell the State or what you've approved for economic development purposes and --

COUNCILMAN COHEN: No, I understand your personal limitations.

MR. FINA: And, again, I want to repeat, sir, I am responding to your criticisms that we need to create more blue-collars jobs in the city of Philadelphia, in the neighborhoods. These are neighborhood projects that are creating these types of jobs, and I thought you would be pleased.

COUNCILMAN COHEN: Well, if it weren't Cardone, I might very well be pleased, but from everything I know about that company, I don't share the other optimistic expressions about the company.

I understand you require an economic opportunity plan whenever such a loan is made; is that right?

MR. FINA: In consultation with City

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Council and City Council staff, that is a requirement of the beneficiary, developer, or the business to prepare an economic opportunities plan that is acceptable to City Council staff and, therefore, I assume acceptable to City Council and certainly the President's Office.

COUNCILMAN COHEN: And is that plan in effect for this loan?

MR. FINA: That plan is in negotiations between Cardone Industries and City Council staff. Cardone Industries has called for meetings and advised City Council staff of what they're doing. City Council staff has advised me that they're in negotiations, things are going well, and that there isn't a problem.

COUNCILMAN COHEN: I'm a member and have been a member of this City Council for quite a while; I never remember getting any report. Is there such a thing, Madam President? Can we have made available to us whatever may exist?

MR. FINA: I don't like to name members of City Council staff without their permission so, I mean, there is negotiations going and that person of City Council has those plans.

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COUNCIL PRESIDENT VERNA: Are you talking about, Miss Hamilton? Miss Hamilton, is that who you've been working with?

MR. FINA: Yes, with Miss Hamilton. I could confirm that.

COUNCILMAN COHEN: Could we, Madam President, be informed --

COUNCIL PRESIDENT VERNA: I will see to it that she gives us a copy of her report.

COUNCILMAN COHEN: All right. How -- how does PIDC conclude that this -- let's assume that what you've said is sound and that this company economically would be justified if it had the funds to invest the funds in this expansion. How do you conclude that this kind of an expansion would not take place save for this TIF financing?

In other words, suppose I'm a businessman and I know that a TIF financing is available. It's in my interest to use it. If I didn't have it available, I could go ahead and use other funding. How do you conclude that the TIF financing is what makes the project feasible and that the absence of it would prevent the expansion from taking place?

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MR. FINA: Councilman, you raised the same philosophical argument that's been raised many times that but for the economic development incentives, would this project occur? We do a lot of financial analysis and we do a lot of negotiating with the business, and we've come to the conclusion that but for these dollars, this project would not proceed. The developer would not do it.

We know they have locations that do the very same thing they're proposing here -- in California in, Montebello, California, and I may misstate that, but in Massassaqua (ph.), Canada that they could do this there, and they're offering incentives.

A Councilman earlier said that he's aware of contacts, and we are aware of two, of counties in southern states to entice Cardone to go there. So it's kind of a locational "but-for." If we can't provide them economic assistance, they will do their project someplace else that will provide economic systems.

COUNCILMAN COHEN: Well, I think --

MR. FINA: Much like the PNC Bank

operation center, the first TIF that you approved, did. We were in negotiations with that business to make certain they would not go to New Jersey and keep those jobs here. That's what that first TIF did.

COUNCIL PRESIDENT VERNA: And that's been extremely successful.

MR. FINA: And it's been expanding in other development that has occurred around it. That's what we're hoping for, Councilman.

COUNCILMAN COHEN: But that kind of competition underlies the fact that there is no economic need for this funding, but what does exist is that, apparently, various business groups have put governments in a bind so that governments compete against each other and offer the money, when actually, the money is not needed except to compete with other states' offerings or other cities' offerings.

MR. FINA: Councilman, that's a national debate that's going on. PIDC contends that we do an economic analysis on every project which we fund and that we approve, that for but for that project, it will not be funded.

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COUNCILMAN COHEN: Do you have a copy of such an economic analysis?

MR. FINA: I can prepare that somewhat by the project plan that you have.

COUNCILMAN COHEN: Could you send a copy to the President?

MR. FINA: You have that. We show the benefits that occur, the costs that are involved, the sources of funds that are provided, and we make a subjective determination that the public funding is needed, as we've done in every economic transaction all 4,000 for --

COUNCIL PRESIDENT VERNA: Councilman, you have a copy of that in the project plan.

COUNCILMAN COHEN: Well, I didn't find that to be the kind of plan I was talking about, a kind of analysis.

COUNCIL PRESIDENT VERNA: Well, that's what he's talking about.

COUNCILMAN COHEN: He set forth all the arguments as to why they were doing it.

MR. FINA: But, again, it's very subjective when it gets down to the analysis and we look at the locational but-for argument. We know they can move elsewhere, Councilman. They're ready to expand.

COUNCILMAN COHEN: Well, I will say that I do not -- that may be the plan, as you see it, but I don't regard that as an economic analysis showing anything other than we're competing with another governmental body -- not that there is an economic need for this grant of money. And I congratulate business on its success in putting government bodies in this competitive position with each other, each offering more and more public monies to them.

MR. FINA: But, Councilman --

COUNCILMAN COHEN: Finally --

MR. FINA: I did want to respond.

COUNCILMAN COHEN: Yes.

MR. FINA: Let's take your assumption. That is correct, we are keeping this business here, we are growing this business here, we are creating new jobs and more taxes for the city of Philadelphia. They are worthy goals that this Council has in the past supported and I think continues to support.

COUNCILMAN COHEN: Well, I'd like to

see those results. We haven't been seeing them on jobs.

Now, is there a contract worked out with the company? Suppose the company does not meet the obligations of 500 jobs, what happens?

MR. FINA: We will reduce the TIF benefit.

COUNCILMAN COHEN: To what?

MR. FINA: For every job they do not create of the 500, by 1/500th. So if they only created 250 net new jobs in the city, they would only get 50 percent of the TIF revenue that we proposed in this project plan.

COUNCILMAN COHEN: Now, is there a written-out plan that provides for this?

MR. FINA: There's a TIF agreement that's entered into by the City, by the School District, by the developer, by PAID, by the lender that will stipulate that language, yes, and that will be done.

COUNCILMAN COHEN: Do we have that with respect to --

MR. FINA: No. This has not been drafted yet, sir; you haven't approved the legislation.

COUNCILMAN COHEN: Well, when is it drafted, afterwards, after we've --

MR. FINA: Yeah, well, it's -- we have forms of that agreement and we have a project plan that spells that out, and we have an amendment to the project plan that spells that out.

COUNCILMAN COHEN: Well, I would like to --

MR. FINA: This a law that we must comply with. We can't put this in this law that you are passing and then disregarded; we would be in violation of law.

COUNCIL PRESIDENT VERNA: And you have all of the safeguards necessary.

MR. FINA: Yes.

COUNCILMAN COHEN: Well, that wouldn't be the first time that government agencies are in violation of law were that to occur.

But do you have a form draft that we would get?

MR. FINA: On Page 7 of the project plan, we talk about what --

COUNCILMAN COHEN: Because in this

term, in this analysis as to whether jobs have been created or not, there's an awful lot of weasel room, and I'm interested in a program that would be able to show objectively -- and if it did, it would be for the first time, in my judgment -- whether or not there was an actual increase in the number of jobs.

MR. FINA: Councilman, this is the first --

COUNCILMAN COHEN: Maybe you could get a convert if you could ever show that there's actually an increase in the number of jobs that --

MR. FINA: Councilman, this is the first TIF that we were providing this language in. This is the first time that --

COUNCIL PRESIDENT VERNA: And, Councilman, excuse me. If you look at the plan, it's on Page 7, Section G. Councilman Cohen?

COUNCILMAN COHEN: Yeah, I'm looking. Page. . .

COUNCIL PRESIDENT VERNA: Page 7, Section G.

COUNCILMAN COHEN: Page 7. . .

Is that attached to the St. James?

COUNCIL PRESIDENT VERNA: No.

COUNCILMAN COHEN: Or is there a separate --

COUNCIL PRESIDENT VERNA: No, it's separate.

COUNCILMAN COHEN: I have two different copies.

MR. FINA: Councilman, we distributed the latest project plan yesterday to your office. That's why here,'cause we've amended some of the terms of that project plan from what we first initiated 30 days ago.

COUNCILMAN COHEN: Can I have an additional copy of it? Is there one here?

Thank you. Now, on Page 7 of that. . . okay, Madam President.

COUNCIL PRESIDENT VERNA: Section G, as in "Gloria."

COUNCILMAN COHEN: Right. Well, I would like to see the contract language on that -- not necessarily today but certainly before final -- in time so it can be studied. I'd like to see what we are proposing to -- in the form of language that --

COUNCIL PRESIDENT VERNA: Mr. Fina, you can provide that?

MR. FINA: I will provide that to your office.

COUNCIL PRESIDENT VERNA: Thank you, thank you very much.

COUNCILMAN COHEN: You will provide that to the President?

MR. FINA: Yes, I will provide that to the President.

COUNCILMAN COHEN: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN COHEN: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Councilman Kenney?

COUNCILMAN KENNEY: Thank you, Madam President.

Mr. Fina, how many employees does Cardone have now?

MR. FINA: 4,226 as of today.

COUNCILMAN KENNEY: Do you know what the --

MR. FINA: Full-time equivalent.

That's not just -- they probably have more employees but that's full-time equivalent employees.

COUNCILMAN KENNEY: Do you know what the racial and ethnic breakdown is, gender breakdown is of those employees?

COUNCIL PRESIDENT VERNA: He already gave that.

COUNCILMAN KENNEY: I didn't hear that. I'm sorry.

MR. FINA: I gave that, and I'll give it again quickly.

There are -- the ethnic background breakdown is: Asians, 28 percent; African-American, 13 percent; Hispanic, 33 percent; and other, 26 percent.

There's a ratio on that 4,200. That means there's about 1100 female and around 3100 male.

COUNCILMAN KENNEY: And what's the average -- what's the hourly rate average?

MR. FINA: We're getting that information.

(Mr. Fina confers with Cardone

representatives).

MR. FINA: The average compensation is $30,000 a year. That's the average, that's from the lowest to the highest.

COUNCILMAN KENNEY: That's the salary, not including benefits?

MR. FINA: Yes, yes. Compensation, strictly compensation.

COUNCILMAN KENNEY: Just compensation, not including benefits.

MR. FINA: Not benefits.

COUNCILMAN KENNEY: So if we put the benefits package on, it would be an additional --

MR. FINA: 15 percent.

COUNCILMAN KENNEY: 15 percent.

In your experience in dealing with companies in the city of Philadelphia, which is extensive, would you consider this one of the more racially, ethnically, and gender-balanced organizations at the level of pay that they are paying as any other firm in the City?

MR. FINA: I would like to respond this way, Councilman, that this is a very diverse business. I don't want to denigrate other businesses, but they are very diverse, and there is a strong mix of female-to-male, considering this a manufacturing facility, this is excellent.

COUNCILMAN KENNEY: And compared with other companies that pay $30,000 a year on average, probably they're way above the average in companies of that size and of that salary level?

MR. FINA: This is the business PIDC would do all it could to encourage to stay in the city of Philadelphia and to exercise the loyalty that it has shown to the city of Philadelphia.

COUNCILMAN KENNEY: And we would expect that the 500 jobs that are intended to be created will also reflect that racial and ethnic diversity and gender diversity.

MR. FINA: I believe that to be correct, and that would be part of the economic opportunities plan that's being devised.

COUNCILMAN KENNEY: Fine, thank you very much.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: First, would you go over that breakdown again? Asian is 28 percent?

MR. FINA: Yes, sir.

COUNCILMAN COHEN: What is the next one?

MR. FINA: African-American, 13 percent.

COUNCILMAN COHEN: Ethnic Americans, is that what --

MR. FINA: African-American, 13 percent.

COUNCILMAN COHEN: African-American.

MR. FINA: Yes.

COUNCILMAN COHEN: What's that percentage.

MR. FINA: 13.

COUNCILMAN COHEN: 13, right.

MR. FINA: Hispanic.

COUNCILMAN COHEN: Hispanic.

MR. FINA: 33 percent.

COUNCILMAN COHEN: 33.

MR. FINA: Other, which includes Caucasians, and I guess Aleutians and whatever, 26 percent.

COUNCILMAN COHEN: 26 percent.

All right. Now, with respect to the

salaries paid, what is the median figure? Not the average. The average includes the compensation of management and the --

MR. FINA: I could get that information and provide that to the Council President today.

COUNCILMAN COHEN: Well, could you give us a breakdown? I'd like to know how many employees earn $20,000 or less, how many earn between $20,000 and 25,000, how many earn between 25,000 and 30,000.

If you could break it down and furnish it to the President today, I would be very pleased with that information. I think that will be a much more accurate figure than to talk about average of 30,000, because I don't believe that the average employee earns 30,000 in that plant.

COUNCIL PRESIDENT VERNA: Do you have a problem with that, Mr. Fina?

MR. FINA: Pardon me?

COUNCIL PRESIDENT VERNA: Do you have a problem with providing that, Mr. Fina?

MR. FINA: I will provide the Council President with anything she requests.

COUNCIL PRESIDENT VERNA: Thank you.

When you refer the other things information to me, if you would refer this, I would appreciate it.

MR. FINA: Yes, I will.

COUNCIL PRESIDENT VERNA: Are there any other questions or comments by the members of the committee?

(No questions.)

COUNCIL PRESIDENT VERNA: To the Cardones or their representatives sitting back there, I know little or nothing about your company but, apparently, you have been very hard-working. And to have gone this far to grow so quickly, I think it's absolutely wonderful. I'm delighted that you're staying in the city of Philadelphia, and I certainly want to wish you continued good success.

COUNCIL PRESIDENT VERNA: Councilman Mariano?

COUNCILMAN MARIANO: I'm sorry, Madam President.

As the District Councilman of this area, I would be amiss if I didn't stick up for Cardone. I mean, basically, they do a good job up there. They employ -- Councilman Kenney went over the numbers, he spoke of all the numbers. They employ a high number of minorities and a lot of women.

They do good work up there. They're always there when you send someone there that may need a break, someone getting out of jail, someone who may not be on the right track. They work with them, they give people employment that traditionally wouldn't get employment. And I appreciate the Councilman's zest in trying to save the City money, but I think this is a win-win for everybody.

And as the District Councilman there, I would love to see this happen. Cardone's been there for the City, they've been there for the District, they've been there for the people, and they're trying to do the right thing. And we, as a legislative body, should help groups like Cardone because it sends the wrong message to other businesses like Cardone that want to come into the City.

COUNCIL PRESIDENT VERNA: And if you don't have enough space in your district, we would welcome you in South Philadelphia.

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COUNCILMAN MARIANO: You're not stealing that one, Councilwoman, 'cause they're staying in the 7th Council District.

COUNCIL PRESIDENT VERNA: Are there any other questions or statements from members of the committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, this concludes the public hearing.

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COUNCIL PRESIDENT VERNA: We will now go into our public meeting.

MR. FINA: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome. Thank you for your patience.

The Chair recognizes Councilman Kenney regarding Bill No. 990249.

COUNCILMAN KENNEY: Madam Chair, I move that Bill No. 990249 be reported out of this committee with a favorable recommendation.

COUNCIL PRESIDENT VERNA: Do I hear a second?

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Bill No. 990249 be reported out of committee with a favorable recommendation.

All in favor will signify by saying aye.

Those opposed?

COUNCILMAN COHEN: Please note an abstention.

COUNCIL PRESIDENT VERNA: The record will note that Councilman Cohen is abstaining.

The Chair recognizes Councilman DiCicco regarding Bill No. 990253.

COUNCILMAN DICICCO: Thank you, Madam President. I move that Bill No. 990253 be reported out of committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Bill No. 990253 be reported out of committee with a favorable recommendation.

All in favor will signify by saying aye.

Those opposed?

COUNCILMAN COHEN: Please note my abstention.

COUNCIL PRESIDENT VERNA: The record will so indicate that Councilman Cohen is abstaining.

Thank you all very much. This concludes our public meeting.

(Adjourned at 11:47 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 Wednesday, May 26, 1999, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL NO.'S 990249, 990253

____________________________________,
JOSEPHINE CARDILLO,
Registered Professional Reporter