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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

COMMITTEE ON RULES

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Room 696, City Hall
Philadelphia, Pennsylvania
Tuesday, December 10, 2002
10:10 a.m.

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BILL 020737 - an ordinance adopting an amendment to
the Articles of Incorporation of the Old City
Special Services District...

BILL 020738, an ordinance to amend the Philadelphia
Zoning Maps by changing the zoning designations of
certain areas of land located within an area bounded
by Snyder Avenue, Christopher Columbus Boulevard,
Porter Street, Weccacoe Avenue and Vandalia Avenue.
BILL 020684 - An ordinance to amend the Philadelphia
Zoning Maps by changing the zoning designations of
certain areas of land located within an area bounded
by Roosevelt Boulevard, Grant Avenue and Blue Grass
Road.

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PRESENT:

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COUNCILMAN JAMES KENNEY, Chair

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COUNCILMAN DARRELL CLARKE

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COUNCILMAN FRANK DICICCO

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COUNCILMAN RICHARD MARIANO

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COUNCILMAN MICHAEL NUTTER

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COUNCILMAN BRIAN O'NEILL

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COUNCILMAN ANGEL ORTIZ

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1 12/10/02 - RULES - BILL 020737

2 COUNCILMAN KENNEY: Good morning. First
3 Bill on the Calendar for today is Bill No. 020737,
4 which is an ordinance adopting an amendment to the
5 Articles of Incorporation of the Old City Special
6 Services District of Philadelphia to extend the
7 terms of that authority, all under certain terms
8 and conditions.

9 Cynthia Philo, please. Good morning.

10 MS. PHILO: Good morning.

11 COUNCILMAN KENNEY: Please identify
12 yourself for the record.

13 MS. PHILO: Sure. My name is Cynthia M.
14 Philo. That's P-H-I-L-O.

15 Good morning, Council President, as well
16 as other Members of the Committee. My name is
17 Cynthia Philo and I'm the Executive Director of the
18 Old City District here in Philadelphia. Thank you
19 for allowing me to testify before you today on the
20 extension of the term for the Old City District.
21 With me today are the members of the Executive
22 Committee of the Special Services District. I have
23 Bob Croskey, who is our Secretary, and Allen
24 Greenberger, who is our Vice Chair, but will be our
25 new president for next year.

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2 The Old City District incorporates a
3 22-square-block area running from the east side of
4 6th Street to Front Street, and from Walnut Street,
5 also including Dock Street, up through the Ben
6 Franklin Bridge. The purpose of Bill 020737 is to
7 extend the lifespan of the district through to
8 December 31st, 2022. Next year, the district will
9 develop and release the first five-year plan, which
10 will include a budget and programming plan.

11 Councilman Frank DiCicco, as well as
12 State Representative Marie Lederer, have both played
13 key roles in the creation, as well as the support of
14 the Old City District, and continue to do so in
15 supporting its effort of expansion and continuation.

16 During the first four years of
17 operation, the Old City District has achieved a
18 number of significant accomplishments, including
19 establishing a Community Service Representative
20 Safety Ambassador Program, which report on business
21 contacts throughout the year so that we can improve
22 our services to the area.

23 Our Clean Team, which was established
24 in '98, has removed over 2,000 graffiti tags and has
25 also picked up some 370,000 gallons of trash from

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2 the sidewalks in Old City. We've worked with the
3 City Lighting Department to install new lighting on
4 2nd Street from Race to Market. We've assisted a
5 number of businesses, obtaining rebates for them so
6 that they can improve their properties and make the
7 area look great. We also continue to work with the
8 6th District Police Department on matters of safety
9 that affect all of us in the area. We also
10 finished our 5th Annual Silver Bells in Old City,
11 which is our holiday season's promotion.

12 The Old City District continues to
13 realizes its potential. During the past year we
14 have developed a comprehensive and ambitious
15 Streetscape Vision Plan which will further enhance
16 our community. Some of the projected next steps are
17 new lighting for all major streets within our
18 district, the design and installation of new banners
19 to beautify the area, as well as removal of dead and
20 dying trees, and the planting of new ones. These
21 are just a few of the ideas that we are moving
22 forward with, obviously, for the next 20 years.

23 Once again, I want to thank you for
24 providing me with the opportunity to testify before
25 you today. I would be happy to answer any of your

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2 questions, as well as I'm sure that members of the
3 Executive Committee would also be happy to answer
4 any questions.

5 COUNCILMAN KENNEY: Thank you very much
6 for your testimony. Councilman DiCicco, do you have
7 anything you would like to add?

8 COUNCILMAN DICICCO: I'd just like to
9 take this opportunity to thank Ms. Philo and the
10 other members of the Old City Civic Association for
11 your support and all the great things you've done to
12 make Old City the most popular neighborhood in the
13 City of Philadelphia today, notwithstanding some of
14 the growing pains you're going through. But absent
15 those growing pains, it really has been a benefit to
16 the entire City of Philadelphia. Thank you.

17 MS. PHILO: Thank you very much.

18 COUNCILMAN KENNEY: Thank you again for
19 your testimony and for coming in this morning.

20 MS. PHILO: Thank you.

21 COUNCILMAN KENNEY: Thank you, Members
22 of your Board and Committee. Thank you.

23 Anyone else to testify on this Bill?

24 (No response.)

25 COUNCILMAN KENNEY: Seeing none, we will

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2 now move to Bill No. 020738, which is an ordinance
3 to amend the Philadelphia Zoning Maps by changing
4 the zoning designations of certain areas of land
5 located within an area bounded by Snyder Avenue,
6 Christopher Columbus Boulevard, Porter Street,
7 Weccacoe Avenue and Vandalia Avenue.

8 The first witness I have on the list is
9 Mr. Jim Cuorato, who is the Commerce Director.

10 Prior to Mr. Cuorato's testimony, I'd
11 like to recognize Councilman DiCicco.

12 COUNCILMAN DICICCO: Thank you, Mr.
13 Chairman, and good morning, everyone. I'd like to,
14 in the briefest possible way, first of all, thank
15 everyone for coming here today. And if I fail to at
16 the end of this hearing, because it may be that some
17 of the folks who are here now will not be able to
18 stay through its entirety, I'd like to recognize
19 some of the people who have been very supportive of
20 this very important issue, not only to the South
21 Philadelphia community, but to the City of
22 Philadelphia as a whole, and that is the issue of
23 bringing Ikea to Philadelphia.

24 It has always been my intention to work
25 with Ikea from their first choice site, which was

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2 at, I think, Delaware and Reed, to the second site,
3 which was at the incinerator site. And Mr. Cuorato
4 is shaking his head yes. I think, Jim, you'll
5 understand that when the incinerator site was one --
6 or the second proposed site that Ikea was seeking,
7 you and I were probably in the minority. Most
8 people felt that it would not be the best use for
9 that site. It was entirely too important of a
10 riverfront location to have a retail box located on
11 it, but we worked through a number of those issues.
12 And you and I and a few other people worked along
13 with Ikea to, hopefully -- to make that a reality.
14 But with some issues that were not within our
15 control, a lot had to do with the EPA and other
16 issues, Ikea was not able to locate at that site.

17 There have been a number of people,
18 including Jim Cuorato, James McDermott, who is here
19 from the Philadelphia Regional Port Authority, who
20 will be testifying today. Ed Hamlin (ph) from
21 Senator Fumo's office. Senator Fumo, I understand,
22 will also be testifying this morning. More recently
23 State Representative Keller, Sal Candelaria, who's
24 the president of the ILA -- is it 1291, Sal? In any
25 event, this has been a long process.

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2 The process of the site in which this
3 Bill refers to at Delaware and Snyder began about a
4 year ago. A letter was sent to me by Mr. McDermott
5 from the PRPA back in December of 2001, asking that
6 I take no action on the Snyder Avenue site, the CSX
7 site, to keep it industrial. I received letters
8 from the ILA and other interested parties as well.
9 I always believed from then, and I still believe up
10 until today, that reasonable people can make a
11 difference. There have been a number of ongoing
12 discussions over the last few months that involved
13 the folks from CSX. And Kevin is here -- and Kevin,
14 I apologize. I just lost your last name. I can't
15 remember your last name -- from CSX to try to work
16 to, not only bring Ikea to Philadelphia, but also to
17 preserve the integrity of the port-related
18 businesses and to grow the port-related businesses.

19 And what has made that more important
20 is the recent event where the federal government has
21 now designated Philadelphia as a strategic port.
22 And what that means to Philadelphia and what it
23 should mean to Philadelphia is additional port
24 business, a lot of port business, for that matter.
25 But we need to be able to have the facilities to

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2 accommodate what we anticipate is a huge growth in
3 port-related business. And because of that, the CSX
4 site at Delaware and Snyder is not just a simple, in
5 my opinion, just make a zoning change and everything
6 else will follow. We needed to keep all the players
7 in the room. That was the intent of the Bill that I
8 introduced about two months ago, which was Phase I,
9 to let Ikea understand that we want Ikea here.
10 We're going to work to make sure that Ikea comes to
11 Philadelphia. But we needed not only pave the way
12 for Ikea, but we also needed to lay the groundwork
13 for future discussions to protect that port
14 business that I spoke about earlier in my statement.

15 So I want to thank all of those folks.
16 I'm sure I missed a few people. I'll recognize you
17 as the morning progresses for your willingness to
18 make the commitment to discuss and not make this a
19 kind of quid pro quo, Frank DiCicco being the
20 Councilman just do the zoning change from industrial
21 to commercial and not be concerned with the other
22 issues that are important to the City of
23 Philadelphia as well. I think I'll probably reserve
24 any statements for the witnesses as they testify.
25 But again, I want to thank all of you for your

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support.

COUNCILMAN KENNEY: Thank you very much. Prior to your testimony, I'd just like to offer a few quick comments based on -- echoing some of what Councilman DiCicco has already said, but from a more historical perspective.

When I first started in government in 1978, the southern boundary of the Philadelphia Port Zone was Catherine Street in South Philadelphia. And as years went on, working for Senator Fumo as a staff person, the chief of staff, and being involved as a member of the Philadelphia Regional Port Authority for a number of years, I watched the port zone boundary go from Catherine Street to Washington Avenue to Reed Street and now to Snyder Avenue, as proposed in this legislation.

And while I recognize that during the course of the '80s, the Port of Philadelphia, the industrial port of Philadelphia, went through some very difficult times. And through a lot of hard work from people, the PRPA, Representative Keller, the unions and many other people were involved in really bringing this port back. The railroads made a major investment. We have three, as you know,

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three competing railroads in Philadelphia Port.
There's a lot of opportunities and a resurgence of
the port in lots of different types of cargoes. We
don't know what Fast Ship may bring, the new federal
designation for the port. I mean, there's a lot of
issues that have really made this port a growing
opportunity coming into future through a lot of hard
work from a lot of different people.

And while I recognize and applaud Ikea
for finding faith in Philadelphia, and Jim Cuorato
for wanting to bring Ikea -- along with the
Administration -- to bring Ikea here, there is a way
to balance the needs and issues that affect jobs on
every side; commercial side, the construction side,
the retail side and the industrial port side.
There's still a lot of people who work on the
industrial port, making a living, raising families,
buying homes, paying mortgages, and we cannot lose
sight of the fact that those individuals need to
have an opportunity to preserve their opportunity to
work.

And I applaud the unions again for
some of the efforts that they've made in some of the
contractual issues that they've had to deal with

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2 over the years. It's not been an easy thing. It's
3 been a very difficult process. And I'm hopeful, as
4 a matter of fact, that today, seeing the people that
5 are here in this room and the decorous way in which
6 we're going to conduct this hearing, I think we may
7 have an opportunity to have some real policy
8 discussions on what's important for the future of
9 the City, both as issues relative to the development
10 of Christopher Columbus Boulevard, to issues
11 relative to the expansion of the port and the
12 strengthening of the port, and issues relative to
13 bringing in new retailers, like Ikea and Lowes and
14 others. And I think it's a great opportunity and a
15 great forum today to have this discussion and really
16 discuss the issues from a policy perspective and not
17 from an emotional perspective.

18 So I want to thank Mr. Cuorato for being
19 here and all the other witnesses and ask you to
20 identify yourself for the record and proceed.

21 MR. CUORATO: Thank you very much, Mr.
22 Chairman, and good morning.

23 COUNCILMAN KENNEY: Good morning.

24 MR. CUORATO: Good morning, Madam
25 President and Members of City Council. My name is

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2 James Cuorato and I'm the City Representative and
3 Director of Commerce for the City of Philadelphia.
4 I'm here this morning to provide testimony on Bill
5 No. 020738, which would amend the zoning for a site
6 in South Philadelphia in the vicinity of Columbus
7 Boulevard and Snyder Avenue.

8 This site is commonly referred to as the
9 CSX site because it is the location of a former
10 intermodal rail yard facility operated by CSX, which
11 has since been relocated to the navy yard. The site
12 which is the subject of this Bill now sits vacant
13 and unused.

14 Yesterday, we announced that a major
15 corporation, American Business Financial Service,
16 will move their 700 employees from the suburbs into
17 Philadelphia. In addition to the estimated
18 \$30 million in new tax revenues to the City that
19 this transaction will generate, this development
20 sent a strong and positive signal to the corporate
21 community that Philadelphia is a good place to do
22 business. I believe that we will reap additional
23 benefits as a result of ABFS, a company that was
24 heavily courted by New Jersey and could have stayed
25 in the suburbs and instead chose Philadelphia. That

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made a statement.

We now have another extraordinary opportunity to make a similar statement. The City has been presented with a proposal for a 600,000 square foot retail commercial project on the CSX site. And the anchor for the project would be Ikea. Ikea is the world's largest furniture store, but it is much more than that. Ikea is an attraction. A store that will draw shoppers into Philadelphia from a wide geographic region. Their current location in this area is in Plymouth Meeting. The company has embarked on a major expansion program in the United States, and the fact that they have decided to build their new store in the City of Philadelphia speaks volumes about the progress we are making in developing a positive business climate. I can tell you that I am out visiting neighborhoods and business associations in every part of the City, and everywhere I go these days I am asked about Ikea and urged to bring them into the City.

For my two and a half years as Director of Commerce, I would rank Ikea's decision to come here among the top two or three economic

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development opportunities that have come before us. Ikea estimates that they will generate between 80 and \$100 million in sales in their first year of operation. These are staggering numbers. And all of those sales are currently taking place outside the City. The City's share of sales taxes alone on these revenues is one million dollars. In addition, Ikea will employ up to 500 people at salaries that are consistent with what first-class retailers are paying in Philadelphia. And all employees who work at least 20 hours per week receive a benefit package. In short, these are good jobs, 500 of them, that will go largely to Philadelphia residents. I hope that this description has convincingly made the case that we should do whatever we possibly can to bring Ikea into Philadelphia.

I would now like to address some of the issues that have arisen as a result of our efforts over the last 10 months to make this project a reality. First is the basic issue of land use, and this has two components. We take very seriously any proposal to convert industrial-zoned land to commercial. Indeed as with another project that is

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on this Committee's agenda for today, the Whitman's Chocolate site, we carefully evaluate a number of factors, including the condition and marketability of the site, the prospects for future industrial use and the proposed new use.

One of our strengths as a City is our diverse economy, and manufacturing and industrial-based jobs are important to us. We want to ensure that we maintain an adequate inventory of industrial land, and I believe we have done that. Our evaluation of this site indicated that the prospects for future industrial use are not strong and the proposed new use would generate substantial benefits to the City.

The second aspect of our land use evaluation relates to the issue of usage by the port, which both Councilman DiCicco and Chairman Kenney referenced in their preliminary remarks. This issue has received much attention, and I am grateful for the opportunity to clearly state this Administration's position in this regard.

Let me state clearly for the record that, one, the City of Philadelphia strongly supports the continued expansion of the port in

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Philadelphia; and two, this is not an Ikea versus port issue. The expansion of the port in South Philadelphia and a commercial development of the CSX site are not mutually exclusive. We can achieve both goals. The port is responsible for thousands of jobs and we would like nothing better than to see the port grow.

I have participated in a series of meetings with representatives of the Philadelphia Regional Port Authority to reiterate the support from the City. There are dozens of acres of land in the area of the Packer Marine Terminal that are available to expand the port's presence and activities in this area. The CSX site is not, we believe, the linchpin for future growth of the port, and converting its use to commercial will in no way diminish the ability of the port to expand.

We support the PRPA's aquisition of a number of parcels south of Oregon Avenue and we are actively assisting the PRPA in several other related activities, including the relocation of an existing business that would free up additional land. Ironically, much of the land that the port needs is controlled either in whole or as part of its

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ownership in Conrail by CSX. Others will testify here this morning about the progress of those discussions to enable the port to gain control of this land.

For my part, I believe that all parties have been and are acting in good faith, and I firmly believe that the PRPA will be successful in expanding in this area. To repeat, we, the City, will do anything possible to facilitate this growth. So I hope this dispels any notion that the City is somehow making a choice of commercial over port use here. Clearly, we can achieve both goals.

I would now like to address the specific Bill before you today, which would re-zone only that portion of the CSX site upon which Ikea would build. In introducing this Bill, I believe that Councilman DiCicco indicated that he supports Ikea's entry into Philadelphia; and for that, we are grateful. And the Councilman reiterated that position this morning. The Councilman has also stated that he had been told that Ikea would, if they had to, quote, build alone, end quote. However, that statement by Ikea needs to be clarified. I would like to set the record straight. And a representative from Ikea

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2 will further reiterate this position.

3 Ikea has stated that they would build as
4 part of a first phase of development on the site.
5 To that extent, they are prepared to start building
6 before any other construction takes place on the
7 site. In fact, their targeted goal is to be open by
8 mid-2004, so they must begin construction this
9 spring. And it is likely that they would be the
10 first construction on the site. But they must have
11 assurances now that the second phase, that is the
12 balance of the overall development of the site, is
13 going to happen. Although they are prepared to
14 start building alone, they must have a guaranteed
15 assurance now that the rest of the development will
16 follow, and that they will not be stuck as a
17 stand-alone retail commercial project surrounded by
18 vacant industrial land. For this reason, Bill No.
19 020738 in its present form will not enable Ikea to
20 proceed. A rezoning of the entire 44-acre CSX site
21 is necessary in order to give Ikea the assurance it
22 needs.

23 The other elements of the project would
24 be noted as major developments in their own right,
25 if not for all of the attention that has been given

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to Ikea. On November 14, 2002, I met with Robert J. Grimsly, Jr., Senior Real Estate Manager for Lowes Home Center, Inc. Lowes is a Fortune 100 company and is the second largest home improvement retailer in the world. They are also the second largest appliance seller in the United States, behind only Sears. They have over 800 stores in 43 states, none of which are presently in the City of Philadelphia.

In another sign of the momentum that we have created, Lowes is now anxious to come into the City. The CSX site is their number one location. Not only are they not worried about competition or too much retail in the area, they have singled out this site as their location for their entry into the City. Lowes alone will generate an additional 200 jobs, 80 percent of which will be full time. As I said, this store alone would be cause for celebration, but it has been overshadowed by Ikea. Lowes is a second key anchor for the project and it cannot proceed without the entire CSX site being rezoned.

Rounding out the project would be another major well-known and successful retailer, along with several restaurants and smaller shops.

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2 All told, the entire project will generate 1,000 new
3 permanent jobs, approximately 350 construction
4 jobs, and over \$4.2 million per year in new tax
5 revenues. But for all of this to occur, we need to
6 have the entire CSX site rezoned. Therefore, I am
7 respectfully requesting that Bill No. 020738 be
8 amended to include a rezoning of the entire site for
9 commercial use.

10 An approval of an amended Bill enables
11 Ikea to proceed secure in the knowledge that they
12 will anchor a major retail center and brings
13 another major victory to Philadelphia. Approving
14 this Bill in its current form will bring this
15 project to a halt and force Ikea to consider a New
16 Jersey alternative. To state the Administration's
17 position clearly, we and Ikea are opposed to the
18 Bill in its present form. I respectfully urge
19 Councilmembers to amend this Bill, to approve the
20 amended version and to help us continue this great
21 role that we're on right now.

22 Thank you for this opportunity to
23 testify on this most important project. And I
24 would be glad to answer any questions that you may
25 have.

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2 COUNCILMAN KENNEY: Thank you very much
3 for your testimony. This situation reminds me
4 exactly of the situation we dealt with when we were
5 dealing with the rezoning issues for Wal-Mart and
6 for Home Depot. And there were also competing port
7 interests and paralleled issues that are represented
8 here today. And we went along and we eventually
9 did that rezoning, which created two very successful
10 operations there, a great amount of
11 construction/retail jobs and tax retables. But we
12 didn't do it until we had a deal for a swap of land
13 that involved, at that time, the DRPA, not the PRPA.

14 And I guess the concern is, is that if
15 we follow the recommendations that you're making
16 today and rezone the parcel prior to the
17 identification and the swap of land in a --
18 hopefully, in an equal portion, acreage portion,
19 that there really is not much leverage left to
20 accomplish what you would like to accomplish in the
21 industrial port, and what all of us would like to
22 accomplish, bringing the retail opportunities here,
23 but at the same time preserving for industrial
24 purposes.

25 And at that time we did not move forward

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2 on the rezoning until we had a specific arrangement,
3 deal, agreement with DRPA. Privately, I think it
4 was Jack Brown at Penn Trucking -- at Penn
5 Warehousing at the time and the Wal-Mart site or
6 Home Depot site. So it is a similar situation, but
7 we didn't do it until we had the land already in our
8 land bank for the port. And I'm wondering what your
9 view is on why we should do it differently now?

10 MR. CUORATO: Mr. Chairman, I think,
11 and others can testify to this, that all parties
12 have been negotiating in good faith. I think
13 Councilman DiCicco referenced that in his
14 preliminary remarks because we've both been a party
15 to all of these meetings.

16 It is my firm belief that the land that
17 I referenced in my testimony and that Councilman
18 DiCicco referenced will be made available to the
19 Philadelphia Regional Port Authority. As I said,
20 others can testify about the specifics of the
21 discussions, but we have come a long way. And,
22 frankly, thanks to the efforts of Councilman
23 DiCicco in pushing this process, I think we are on
24 the brink of having an arrangement worked out
25 whereby that land can be made available.

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My concern is I have the world's largest furniture retailer wanting to come into Philadelphia on a very aggressive schedule and I do not want to jeopardize their decision-making process. I would like to see the entire site re-zoned. And I am confident that the port can be accommodated, as far as the additional land that it needs.

COUNCILMAN KENNEY: I appreciate your reply, and I also agree with you. I think that all parties have been acting in good faith and it's been a very good process. However, I personally believe that unless there is a specific arrangement made prior to, I think we're somewhat letting the horse out of the barn, prior to getting a specific arrangement for this land.

And I think maybe that disagreement is a minor issue in the scheme of things, but I think that my concern is that the energy and the necessity to do the deal is more apparent if we were to zone a portion of this to allow Ikea to do their planning as a Phase I, and then in the Phase II, rezone the other portions once the port has acquired the land and, you know, in their control, and things could move forward. I don't think that necessarily has to

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be a long period of time. And I think the incentive to rezone the other portion, I think, speeds the process along as opposed to slowing it up. And that's just my opinion. You don't have to comment, but that's my opinion.

Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Mr. Chairman. Just to follow-up on that, and then I have a question for Mr. Cuorato. I think the thing that makes this a little bit different is the fact that, according to Ikea, it is more time sensitive.

Ikea indicated to me, and I think in your presence, Jim, and maybe in the presence of Mr. Primavera about two months ago when you came to my office for a meeting, that Ikea needed to know by the end of this calendar year whether or not the City was going to entertain the opportunity for them to locate at Delaware and Snyder Avenue. So I think the time sensitive issue is really the reason why we just could not say at one point, give us another six months, give us another six weeks.

And I indicated at that meeting in my office to Mr. Smith, who represents Ikea, that the last date in which a Bill could be introduced so

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2 that we can have final passage of a Bill before this
3 Council recesses on the 19th of December, I would
4 make certain one way or another that a clear
5 indication would be, if we're going to do a Bill or
6 a portion of a Bill, that we'll send a signal to
7 Ikea that, yes, we are going to continue to work to
8 bring Ikea to Philadelphia. Is that a fair
9 assessment of what was some of the discussion that
10 morning? I mean, in terms of the sensitivity of the
11 dates --

12 COUNCILMAN KENNEY: Excuse me. I'm
13 sorry. Can I just interrupt you for a second?

14 With all due respect, there is a sign as
15 you're coming in that all cell phones and beepers
16 could be please put on vibrate. It is very
17 disruptive sometimes when people are testifying to
18 have the phones ringing. So most phones and pagers,
19 I understand, have vibration. So if everybody could
20 either turn them off or do that, that would be a big
21 help. Thank you.

22 COUNCILMAN DICICCO: And again, I just
23 want to set the record straight so that the Chair
24 and the other Members of Council, and hopefully
25 other Councilpeople who are in today in their

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1
2 offices who are hearing this, that there have been a
3 lot of things that have been said. There are people
4 who have suggested that I don't want Ikea, and I
5 think I've talked that away already. That it was
6 the sensitivity of the timing as to what we needed
7 to do. And maybe in a sense, that urgency, if you
8 will, has really led us much further down that road
9 to having some agreements with the PRPA and CSX and
10 the other entities, because everyone knew that
11 something needed to get done before December 19th of
12 2002, if we were to, in fact, bring Ikea to
13 Philadelphia.

14 Your statement on Page 5 where you talk
15 about my statement, that I understood Ikea, at that
16 same meeting that took place in my office, that they
17 would build alone. What I just want to do for the
18 record -- I think we've made a lot of progress and I
19 certainly don't want to undo any of the progress
20 we've made. But as an elected official who has been
21 under somewhat of an attack on this issue -- a lot
22 of e-mails have been flying around, a lot of stories
23 have been written in the newspapers, and people are
24 suggesting all kind of things. It's important that
25 I, for the record at least, comment as to what I

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2 recall that conversation in my office on that
3 morning to be.

4 And is Mr. Smith going to testify on
5 behalf of Ikea?

6 MR. CUORATO: Yes, Councilman.

7 COUNCILMAN DICICCO: He may want to come
8 up to the table now because it's basically a
9 question for Mr. Smith.

10 Good morning, Mr. Smith.

11 MR. SMITH: Good morning.

12 COUNCILMAN KENNEY: I'm sorry, Mr.
13 Smith. Could you, for the record, identify
14 yourself?

15 MR. SMITH: Patrick Smith, 496 West
16 Germantown Pike, Plymouth Meeting, Pennsylvania.
17 I'm the Director of Real Estate for Ikea in the
18 Northeast.

19 COUNCILMAN KENNEY: Thank you.

20 COUNCILMAN DICICCO: Thank you, Mr.
21 Chairman.

22 Mr. Smith, I don't recall the exact
23 date, but I believe it was sometime either late
24 September or early October. I remember we tried to
25 set up a couple of meetings, but for one reason or

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1
2 another, we weren't able to do it until -- I think
3 it was in October, if I'm not mistaken. You came to
4 my office and, I believe, Mr. Cuorato was at that
5 meeting as well. And I'm not sure if Mr. Primavera
6 was there or not. But there was at least one, if
7 not two, other people there.

8 We discussed the CSX site at Delaware
9 Avenue and Snyder and we talked about some of the
10 possibilities. And I talked to you also, I think,
11 and we spoke about the issues with the PRPA. And
12 I'm not going to go through all of those issues
13 again. PRPA will testify as to what their concerns
14 are. And just for the record, I understood you to
15 say that you would like to be part of a retail
16 center complex, but if you had to stand alone, that
17 you would. And you presented me with a map and,
18 actually, I still have the original map in front of
19 me which shows the entire CSX site, but has little
20 hash marks and describes the area that Ikea would
21 need in order to, at least, stand alone. Whether it
22 was temporary, indefinitely, I'm not sure. I think
23 that's probably where the communication may be
24 lacking here or maybe we had a misunderstanding.

25 But did you not hand me a map that

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1
2 indicated a portion -- and again, I'm not trying to
3 undo all the goodwill and all the progress we've
4 made over the last few weeks. But I think it's
5 important that -- for me, to let the people of this
6 Committee and the other Members of City Council who
7 will be voting on either this Bill or an amended
8 Bill or some form of a Bill over the next few days,
9 to understand that that is what took place, and
10 that the bill that I introduced, which I refer to as
11 the Portion Bill or the First Phase Bill was, in
12 fact, reflecting the map that you left with me in my
13 office on that day.

14 MR. SMITH: First of all, Councilman, I
15 want to also say that you have been a great
16 supporter of Ikea and we appreciate all of your
17 efforts to get this deal done. And as far as --
18 that's correct. We did have a meeting and we did
19 present the plan. And the hash marks that you're
20 referring to are the actual property boundaries
21 that Ikea will be purchasing as part of the shopping
22 center. What I said at that meeting -- and I
23 apologize because I probably didn't say it clearly
24 -- was that Ikea could go alone initially as part of
25 a phase development. And we didn't talk about these

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at timetable. We can, as we proved in Elizabeth, New Jersey, we can go it alone for a little while, for a couple of years. But I never wanted to ever give the impression that it could stand as a permanent stand-alone Ikea at that location.

COUNCILMAN DICICCO: Okay. I appreciate that and I understand that as well. And when I introduced the bill, the bill that I introduced, the one that we're speaking about day, 020684, in my comments to the media and other folks was that I considered this as Phase I of the CSX rezoning.

So I thought I was doing a bill that at least would get you guys in the door, get you started, keep all the interested parties at the negotiating table, interested parties again being PRPA, the developer Goldenberg, CSX, Senator Fumo, who represents the neighborhood of Front -- Delaware and Snyder, as well. And that's what my intention was. That, hopefully, at the end the day, whenever that day comes, that there would be an agreement with all the parties to move forward and it could be a win/win/win for all of us. Ikea comes to the site, gets developed as a retail center, and the PRPA can continue to do what it needs to do to grow

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2 jobs at the port.

3 MR. PRIMAVERA: Councilman -- Carl
4 Primavera, for the record.

5 COUNCILMAN KENNEY: Mr. Primavera, I'm
6 sorry. Could you please clearly identify yourself
7 and who it is you're at the table for today?

8 MR. PRIMAVERA: Yes. Interestingly
9 enough, and it goes to my comments, I have the
10 pleasure of representing the owner, which is CSX;
11 the proposed developer, which is the Goldenberg
12 Group; and then the celebrity tenant, which is Ikea.
13 And it's a pleasure.

14 And my comment really goes to the fact
15 that, unfortunately, I wasn't at that meeting with
16 Pat Smith. And it's a shame that I wasn't, because
17 whatever was said -- you'll remember we had a
18 separate conversation where I said, whatever Pat had
19 said, he didn't mean it. Because I see the big
20 picture. And Ikea as a tenant with a proposed
21 developer, who itself has an agreement with the
22 railroad, was in no legal position to do anything
23 other than to be a tenant in an overall larger
24 development.

25 And I said I had heard what you had

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2 heard. And I said, you know what, Pat is a great
3 real estate guy. He's not a lawyer. He doesn't own
4 the property, and there are a lot of moving parts
5 and pieces that he's not privy to, and that I think
6 that perhaps that miscommunication was problematic.

7 He's apologized for what, perhaps, you
8 and others may have heard. But his point was to try
9 to be helpful, to say he has to open first. He has
10 to order steel first. He has to have pilings done
11 first. And he will ultimately buy a piece of the
12 site. But to the extent that it was ever conceived
13 that he would do a free-standing Ikea, a large
14 retail development surrounded by a sea of
15 industrial, that was never intended to be mentioned.

16 So, you know, in that regard, we're
17 sorry that conversation took place. And he meant to
18 be helpful, but I know it started people moving in a
19 lot of different directions. But there was no
20 intent to mislead or deceive. And he, to some
21 extent, caused more confusion in trying to be
22 helpful. It wasn't helpful, and we've already said
23 that we're moving past that. But I know what you
24 heard, but I wanted to make you know that I wasn't
25 there. And that when I did hear about it, I

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2 immediately said that that can't possibly be. One,
3 because of things that Pat may not be privy to and
4 the fact that I probably knew what he was saying
5 because I know more of the background.

6 COUNCILMAN DICICCO: I understand that.

7 But, again, it was said -- certainly, I'm not an
8 attorney either. Just two men sitting in a room
9 trying to get Ikea to work. We've been working on
10 it for the better part of 14 months from one site to
11 another site to the third site. And I just wanted
12 to get this thing -- this process going.

13 And as you said, there are a lot of
14 other interested parties that could make the deal
15 happen or maybe not make it happen as well. This is
16 not a typical rezoning. And although there aren't
17 many typicals to speak to in Philadelphia, because
18 they're generally issues, especially if it's a
19 zoning change that's in a community, a residential
20 neighborhood, you always have the residential
21 issues to deal with.

22 In this case, there are other entities
23 in addition to community groups. Albeit that one
24 community group has responded that they support the
25 rezoning change, the other one, Pennsport Civic

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2 Association, has still not responded after a couple
3 of different letters. But I don't want to get in
4 that.

5 MR. PRIMAVERA: I'm authorized to say
6 they are supportive along with --

7 COUNCILMAN KENNEY: Are you representing
8 Pennsport?

9 MR. PRIMAVERA: No. But I've heard
10 from their president last night.

11 COUNCILMAN KENNEY: Who is the
12 president?

13 MR. PRIMAVERA: Mr. John Dougherty. And
14 also, I believe, Mr. Fred Druding (ph) is here on
15 behalf of Weccacoe, so we'll get into this in our
16 testimony --

17 COUNCILMAN DICICCO: Weccacoe and
18 Whitman have indicated in writing a long time ago,
19 but Mr. Dougherty has not indicated anything to me.

20 MR. PRIMAVERA: He authorized --

21 COUNCILMAN DICICCO: Well, you know, he
22 came to a meeting uninvited a couple of weeks ago
23 down at the PRPA, and even at that meeting, with the
24 exception of the \$100,000 in community investment
25 that he would like to control, he has not sent me a

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2 letter to the effect that he supports --

3 MR. PRIMAVERA: Well, he's authorized
4 me to say that his group, along with the other
5 groups, support it.

6 COUNCILMAN DICICCO: Is the condition on
7 the \$100,000 community reinvestment?

8 MR. PRIMAVERA: What he wants is the
9 same amount that we're giving to Whitman Council, so
10 that we would be in parity with the community groups
11 so that the groups wouldn't fight amongst
12 themselves. The amount of money was supposed to be
13 confidential because --

14 COUNCILMAN DICICCO: Mr. Primavera, I
15 would ask that you instruct your client -- it sounds
16 like he's your client now -- to do something in
17 writing to me no later than tomorrow.

18 MR. PRIMAVERA: No, I don't represent
19 Whitman or Pennsport.

20 COUNCILMAN DICICCO: Is that fair? I'm
21 not a lawyer. I guess that's enough. Okay. It's
22 on the record.

23 MR. PRIMAVERA: No. All he said was,
24 since he couldn't be here today because of his
25 wife's illness -- and I know we're all concerned

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2 about her -- that he wanted me to say for the
3 record, if it was mentioned, that he joined along
4 with the other groups who were in support of this.
5 And also that the community groups, as you'll hear,
6 are being supported in this endeavor through a lot
7 of what we believe, community development projects.
8 Pat can go into that in his remarks later about what
9 Ikea does for the community.

10 COUNCILMAN DICICCO: At the meeting, I
11 wasn't certain -- I think I said that for the
12 record. I wasn't sure if he were at that meeting
13 two months ago, and you clarified for us.

14 Pat and I did have some discussions in
15 my office that morning as well about community
16 dollars and reinvestment. No dollar figure was put
17 on the table. And I asked Pat to make sure that he
18 did go have a meeting with both Whitman and
19 Pennsport Civic Association. That's the way I've
20 always done my business. Go to the community
21 groups, discuss it with them, get their feedback and
22 we'll proceed from there. Thank you.

23 And, again, I'm not looking to dismantle
24 all the goodwill and all the stuff we've done, but I
25 needed to get certain things on the record for me.

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2 Because a lot of things have been said -- and some
3 of it comes from the community group representative
4 who you just mentioned as well -- that maybe I don't
5 want Ikea here; and that's a bold-faced lie. But
6 anyway, thank you, Mr. Smith, for clearing up that
7 issue.

8 COUNCILMAN KENNEY: Mr. Smith, before
9 you leave the table, are you authorized, for the
10 record, to tell us what the purchase price of the
11 land that Ikea is buying from CSX?

12 MR. SMITH: No, I'm not, Councilman.
13 We're under a confidentiality agreement with both
14 Goldenberg and CSX.

15 COUNCILMAN KENNEY: Thank you.

16 MR. SMITH: But I can say that --

17 COUNCILMAN KENNEY: Can you give me a
18 ballpark?

19 MR. SMITH: No, I can't. But I can say
20 that just the construction, just the Ikea portion of
21 the property, just the construction, will be
22 approximately between \$40 and \$50 million between
23 our building, our foundations and our site work.

24 MR. PRIMAVERA: Is that union
25 construction?

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2 MR. SMITH: That will be union
3 construction, yes.

4 MR. PRIMAVERA: I know Councilman
5 Kenney appreciates union construction.

6 MR. SMITH: 100 percent union
7 construction.

8 COUNCILMAN KENNEY: Is there some
9 purpose to that statement?

10 MR. PRIMAVERA: Well, I know that there
11 are so many people from your district or
12 actually --

13 COUNCILMAN KENNEY: I don't have a
14 district. I'm at-large.

15 MR. PRIMAVERA: Well, so many people in
16 the City feel that it's important that this City
17 have strong job opportunities. And we have a chart
18 that will show not only the permanent jobs but the
19 construction jobs.

20 COUNCILMAN KENNEY: I'm very interested
21 in that. And I'm also very interested in
22 maintaining the opportunities for longshoremen and
23 Teamsters and other port-related union employees to
24 have their jobs, too. I think it's in our best
25 interests to have that balance. Thank you.

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2 Any other questions for Mr. Cuorato
3 first?

4 Councilman Ortiz.

5 COUNCILMAN ORTIZ: There are a couple of
6 questions in terms of public policy, and I would
7 like to get a clarification for the record.
8 Development of the port and the development of a
9 retail area in the City are not mutually exclusive.
10 I think we want to do both of them. To me, it is
11 not clear yet.

12 What is the City's public policy
13 position in terms of development of the port, and
14 what are the strategies and plans that the City has?
15 If this happens in a very clear, concise way, how
16 are we -- how is the City's public policy position
17 prepared to do both at the same time? Because I
18 don't think you can say to one, we're going to
19 develop this, and not develop the other. So for the
20 record, I'd like for you to establish that and put
21 it on the minutes.

22 MR. CUORATO: Councilman, I'd be glad to
23 answer that question. As a result of the
24 discussions that have been initiated as part of this
25 process, the PRPA -- and I don't want to speak for

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2 them because they are here today, but I can
3 summarize the process and the meetings that we've
4 been through. The PRPA has submitted a list of
5 properties that they are interested in acquiring
6 that would enable them to expand the area around the
7 Packer Avenue Marine Terminal. It is a list of --

8 COUNCILMAN DICICCO: Point of
9 information.

10 COUNCILMAN KENNEY: Councilman DiCicco.

11 COUNCILMAN DICICCO: I think that those
12 questions will be answered through the testimony
13 of Mr. McDermott. Because I think you're going to
14 do some of it and then it's going to be rehashed.

15 COUNCILMAN ORTIZ: What I'd like,
16 though, is -- I know that Mr. McDermott is going to
17 speak on the PRPA position. I want to see what the
18 City's position is.

19 MR. CUORATO: And Councilman DiCicco,
20 I'd be glad to reiterate the City's position as
21 Councilman Ortiz has requested.

22 The PRPA has submitted a list of
23 requirements requests that involve additional
24 properties that they would like to acquire. In one
25 case, a business, that it would be to their great

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2 advantage that if that business relocated. There
3 are some questions regarding turning portions of
4 Delaware Avenue into a service road.

5 In short, it's a wish list, if you will,
6 of additional properties and other items that would
7 enable the port to expand. The City and this
8 Administration fully support the PRPA's list of
9 requests, and we are working with them. And I think
10 that Mr. McDermott will testify that we've been
11 working with them to help accomplish those goals.

12 As you said, Councilman, and as I said
13 in my testimony, these are not mutually exclusive
14 goals. We can have both. So my answer to your
15 question is the Administration supports expansion of
16 the port and will continue to work with the PRPA on
17 the list of items that they need.

18 COUNCILMAN ORTIZ: In your negotiations
19 with Ikea and the other key components of this
20 development, have you made clear to them -- and I
21 would like to find out what would be their position
22 in terms of key minority participation goals in each
23 and every aspect of the development? And as to the
24 permanent jobs, what would be the goals that would
25 be established for that?

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2 MR. CUORATO: Councilman, I'm going to
3 refer that question to Mr. Smith, because Ikea has
4 asked for no City subsidy whatsoever, so there's no
5 City financial participation. I will let Mr. Smith
6 answer the question.

7 MR. PRIMAVERA: Let me just first say
8 with regard to the construction, we do have a
9 representative from Goldenberg Group. They will, as
10 closely as possible, try to achieve the same level
11 of minority participation in the construction
12 aspects of this total complex as they can, even
13 though it's not publicly subsidized. I think the
14 total construction budget is a \$100 million just for
15 the Ikea, the Lowes, Best Buy. So out of a
16 \$100 million construction budget, the developer is
17 committed to trying to do as much as it can do for
18 the minority participants' goals, as far as the
19 permanent jobs.

20 COUNCILMAN KENNEY: I'm somewhat
21 confused. You answered the question as a result of
22 your representation of the developer? I'm just
23 trying to, for the record's clarity -- and I
24 understand your three hats you're wearing. I'm
25 trying to determine, you're answering the minority

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2 issue question on behalf of the developer or on the
3 behalf of Ikea?

4 MR. PRIMAVERA: Well, the first question
5 was the construction jobs, if I understood the
6 Councilman. And then the second question is the
7 employees. The construction will be handled by the
8 developer. And the developer's interest is in
9 trying to promote the minority participation.

10 COUNCILMAN KENNEY: What are those
11 numbers? Do we know what those goals were?

12 MR. PRIMAVERA: Bob Freedman will be
13 available in that testimony. But they are familiar.
14 And even though there's no public subsidy, they are
15 going to try, within the budgets available, to
16 advance those minority participation goals. And
17 that's a significant commitment where there is no
18 public money. Once the shops are constructed --

19 COUNCILMAN KENNEY: So that's the answer
20 for Goldenberg?

21 MR. PRIMAVERA: That's the answer for
22 the construction piece. Now, once all these stores
23 are constructed and it's time for permanent
24 employees, then we can let Lowes speak to that and
25 Ikea speak to that, because the developer doesn't

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2 hire the employees. So, Pat, are you familiar with
3 the --

4 COUNCILMAN KENNEY: So this is the
5 answer for Ikea?

6 MR. PRIMAVERA: Exactly. Because he
7 can't speak for Lowes. We do have a representative
8 from Lowes.

9 COUNCILMAN KENNEY: Do you represent
10 Lowes, too?

11 MR. PRIMAVERA: No. Joanne Phillips
12 does. I have to let her have some of the business.

13 COUNCILMAN KENNEY: I admire your -- I
14 haven't seen anything like this since David L.

15 MR. PRIMAVERA: That's a significant
16 goal. I appreciate that.

17 COUNCILMAN KENNEY: I mean it as a
18 compliment, actually. The only person I've ever
19 seen leap frog up the aisle to get to the witness
20 table is David L. When difficult questions are
21 asked, so I admire you. Mr. Smith, please.

22 MR. SMITH: Thank you, Councilman.
23 Ikea is extremely committed to diversity. Our
24 overriding goal right now is that our stores and the
25 coworkers in our stores reflect the neighborhoods

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that they're in. And if you look at our stores all around the country right now, even all around the world, you'll see that we have been very successful in achieving that goal.

The primary way that we do this -- and as Mr. Cuorato said, this store will employ about 500 coworkers. About 60 percent of those will be full time, 40 percent will be part-time. We do offer full time benefits to all of our part-time coworkers. So the same benefits that I get or the president of the company gets, someone working on the floor working 20 hours a week will get those same benefits.

The way that we ensure that we get the maximum amount of local participation in jobs is that seven months before this store opens, we'll be setting up a hiring trailer at this location. So anyone that wants to get a job at this store has to apply at that trailer. So someone can't walk into the Plymouth Meeting store and apply for a job in Philadelphia. We've found that that is the most effective way to ensure that we get local participation in the jobs.

COUNCILMAN KENNEY: Councilman Nutter.

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2 COUNCILMAN NUTTER: Thank you, Mr.
3 Chairman. Is it Mr. Smith?

4 MR. SMITH: Yes, sir.

5 COUNCILMAN NUTTER: First, let me
6 apologize to you. I missed a part of the exchange
7 between yourself and Councilman DiCicco. I have
8 been generally following what's going on with this
9 primarily through the newspapers. You and I have
10 not met. I have not had any discussions with anyone
11 about this particular issue. But as a Member of
12 the Committee, I do want to better understand some
13 of the dynamics that have taken place here.

14 Can you in a briefer way -- because
15 there have been some conflicting comments in the
16 newspaper about size of acreage, what's needed,
17 whether you're coming, whether you're not coming,
18 depending on some of the actions by the Council. So
19 I do want to better understand. And if there were
20 a chain of events that caused different statements
21 to be made at different times, I'll certainly
22 understand that. It seems like this is a fairly
23 fluid process.

24 But I want to get back to the meeting
25 that the Councilman made reference to and better

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1
2 understand what was said at that time, and then you
3 can tell me about any subsequent amendments, I
4 guess, to your statement. But what actually was
5 said about the ability of Ikea to, quote, unquote,
6 stand alone and develop its project or its
7 building, notwithstanding any other development
8 opportunities around it? What actually was said?

9 MR. SMITH: I have to go back a little
10 bit just to kind of give you a breakdown of how the
11 deal is going to work. The site is 44 acres, the
12 total CSX site. Ikea is going to purchase
13 approximately half, or about 21 of those acres. The
14 idea is that we'll buy our piece directly from CSX
15 at the same time that Goldenberg would buy their
16 piece, and the shopping center will be developed as
17 one shopping center.

18 COUNCILMAN NUTTER: So the 44-acre site
19 is going to be split into two?

20 MR. SMITH: Split into, actually, three.
21 I believe Lowes is also going to buy their piece.

22 COUNCILMAN NUTTER: With each entity
23 buying its own parcel from CSX?

24 MR. SMITH: From CSX, that's correct.
25 And the question that came up was, could Ikea go it

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1 alone if we're only going to rezone half the site,
2 the 21 acres. And my answer, which I apologize
3 because I was not completely clear, was, yes, Ikea
4 could go it alone. Because the way the site break
5 downs, we can stand alone on the site and build and
6 get going. What I didn't fully clarify was that it
7 was part of a phase development.
8

9 If Ikea had to go and the rest of the
10 shopping center were to come three, six months or
11 even a year later, that would be okay as long as we
12 knew there was going to be a shopping center. And I
13 think you're going to see later with the way the
14 site lays out there's a -- it's not just one piece.
15 There's also another building that sits in the
16 middle of the site that Goldenberg has under the
17 contract. The idea of an Ikea sitting in the middle
18 of this thing with vacant port property --

19 MR. PRIMAVERA: Pat, does that help
20 you, that exhibit?

21 MR. SMITH: Yes, that helps a lot.

22 MR. PRIMAVERA: So the red is surrounded
23 by the blue. And the red is, I guess, where we are
24 with just the, quote, Ikea pad surrounded by, I
25 guess, the blue would be --

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2 COUNCILMAN NUTTER: Mr. Primavera,
3 unlike a zoning hearing, I'm in the middle of the
4 question.

5 MR. PRIMAVERA: Okay. I'm sorry. I'm
6 just trying to be helpful.

7 COUNCILMAN NUTTER: Thanks. I
8 appreciate that. Mr. Smith was doing quite well
9 with me. Thank you.

10 MR. SMITH: The idea that just an Ikea
11 freestanding alone forever in the middle of an
12 industrial area wasn't something that we were
13 interested in. We weren't interested then and we're
14 not interested now. And I apologize, and I
15 apologize to the Councilman and to the Committee
16 here for not making that clear at that time.

17 COUNCILMAN NUTTER: Okay. So as I'm
18 best understanding the discussion between you and
19 the Councilman, you could do what you needed to do
20 if you were able to buy your site. You would not
21 like to be -- that's what you said at the time.
22 Subsequently, either you rethought it, you had
23 conversations, whatever the case may be, which is
24 fine. But you would not like to be in a situation
25 where, for some extended period of time, you would

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be sitting out in, what I'll now describe since I don't know the site, potentially in the middle of nowhere with your building, with the furniture and all that goes with it.

Because either for the economics or for the traffic or whatever happens as a part of this synergy, you need to see the other activity around it and you'd just like some level of assurance that, if all the components didn't happen at the same time, that their phasing would not be either unduly delayed or take place over some extended, lifelong period of time; is that fairly accurate?

MR. SMITH: That is correct. It was a timing issue as opposed to a permanency versus a temporary issue.

COUNCILMAN NUTTER: I understand.
Thank you. Thank you.

MR. PRIMAVERA: Can I just clarify?
That was then --

COUNCILMAN KENNEY: Mr. Primavera. Mr. Primavera, first of all, I just need a little -- the outside discussion. As the Chair of the Committee, in order for us -- I have two witnesses at the table. I have one microphone. If there's things

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2 that you want to jot down and correct when you
3 testify --

4 MR. PRIMAVERA: Well, I'm counsel for
5 the witness. There was one misinterpretation --

6 COUNCILMAN KENNEY: Can I finish,
7 please?

8 MR. PRIMAVERA: I'm trying to be helpful
9 and get the facts. I'm just afraid Mr. Smith --

10 COUNCILMAN KENNEY: Mr. Primavera.

11 MR. PRIMAVERA: Yes?

12 COUNCILMAN KENNEY: You are now talking
13 through the Chair. And I'm trying to at least
14 establish some process of give and take, question
15 answer, and I would really appreciate it, really
16 appreciate it, respectfully, if once he's finished,
17 you could at least ask to be recognized before you
18 jump into the conversation. That's all I'm asking.

19 MR. PRIMAVERA: But as counsel for the
20 witness, I don't think I need to be recognized if
21 I'm trying to be helpful in his answer.

22 COUNCILMAN KENNEY: And also the
23 stenographer is now telling us she's having trouble
24 keeping track of who's speaking for whom at what
25 time. So I just really need to be --

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2 MR. PRIMAVERA: And Mr. Chairman, with
3 all respect, what happened was, Mr. Cuorato was
4 speaking for the Administration. I think the
5 Councilman wanted to clarify one thin point with Mr.
6 Smith. His testimony was going to come up with me
7 at a later point in time. We are still in Mr.
8 Cuorato's testimony.

9 COUNCILMAN KENNEY: You're not
10 representing Mr. Cuorato?

11 MR. PRIMAVERA: I am not. I would be
12 proud to, because he is a wonderful public citizen,
13 but I do not.

14 COUNCILMAN KENNEY: Yes, he is. Yes, he
15 is.

16 MR. PRIMAVERA: So what happened was --
17 and I think the Committee will realize this. That
18 one small question from Mr. Smith taken out of order
19 during Mr. Cuorato's testimony -- and I was trying
20 to be patient because I knew we would bring Mr.
21 Smith back -- has resulted in a much more elaborate
22 questioning regarding Ikea. And that's really -- I
23 didn't know how much to let him go. If we're going
24 to get into the merits of his testimony, then I need
25 to make sure that what we say is correct.

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There's been one miscommunication, which I think has been unhelpful, in the past, which we're trying to address today. And if that miscommunication is compounded here today -- and I'm not saying Mr. Smith is trying to do it. I'm just trying to say that he doesn't have the experience and counsel that, obviously, elected officials do. And I don't want him to basically say today something that sounded like what the Councilman heard before, and then the Council walks away saying, it's just a timing issue. No, it's not a timing issue today. Because what Mr. Smith will be telling you is, if the whole site isn't rezoned he can't take down a piece or get out of sequence with the entire piece being developed. So that's not something that's available for him to do. I think those remarks went back to his discussion with Councilman DiCicco.

COUNCILMAN KENNEY: I just want to raise the issue of process in the room so we can have an orderly discussion back and forth and the stenographer has the opportunity to take it down accurately.

Councilman Nutter.

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2 COUNCILMAN NUTTER: Thank you, Mr.
3 Chairman. Mr. Primavera, let me first mention that
4 I was clear on what Mr. Smith was saying. I fully
5 understood that his last comment was with regard to
6 the prior conversation. And I only subsequently
7 become confused when you entered the discussion.

8 MR. PRIMAVERA: Well, then, disregard my
9 comments.

10 COUNCILMAN NUTTER: Second, I do want to
11 thank you for -- I think you made reference to my
12 questioning as more elaborate questioning. I do
13 appreciate the compliment, which I will remind you
14 of the next time we're over at One Parkway. Thank
15 you very much. I appreciate the opportunity to go
16 out of sequence. Thank you.

17 COUNCILMAN KENNEY: Thank you very much.
18 Councilman, are you through?

19 COUNCILMAN NUTTER: I am through with
20 my out-of-sequence question, yes, Mr. Chairman.

21 COUNCILMAN KENNEY: Is there anyone else
22 on the Committee that has questions for Mr. Cuorato
23 at this point?

24 Mr. Cuorato, is there anything you would
25 like to add?

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2 MR. CUORATO: Mr. Chairman, I'm here on
3 my own. Mr. Chairman, if you would permit, I would
4 just like to make one more comment.

5 COUNCILMAN KENNEY: Absolutely. Thank
6 you.

7 MR. CUORATO: I have worked in economic
8 development in the City for a long time. I have
9 worked with Members of City Council. I have had the
10 pleasure of working with Councilman DiCicco on a
11 number of projects in his district and I think we
12 have always worked well together. I think I am
13 hopeful that I have established a level of
14 credibility with Councilman DiCicco and with you,
15 Mr. Chairman, and with the Council President and
16 with other Members of City Council.

17 I just want to emphasize to you this
18 morning that this is an extraordinary opportunity
19 that's before us. I mentioned in my testimony that
20 I've been Director of Commerce for two-and-a-half
21 years. And I would put this in the top two or
22 three opportunities that have come before us, and we
23 really have got to find a way to make this happen.

24 If I were coming to you this morning and
25 saying to you, "We need to have Ikea; we need the

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entire site rezoned; put the port issues aside;
we'll have to deal with those another day; and
besides, this is more important;" I could certainly
understand that you would rightfully take a position
that we need to have both areas addressed. I am not
here saying that this morning. What I am saying to
you is that we are all trying to address the port
expansion issues.

I have clearly stated for the record
that the Administration supports expansion of the
port, that these are not mutually exclusive and that
we will continue to work with the port. But I just
want to emphasize in the strongest terms possible,
it really would be a shame if we let this
opportunity slip away.

And, therefore, again, what I would like
to respectfully request is that the bill be amended
to allow the entire site to be rezoned. That gives
Ikea the assurance it needs. It enables Lowes to
proceed. It enables us to have the overall
development that we've talked about here this
morning. And we will continue to work with the
port. There will be no turning our backs on port
expansion. I know I mentioned these points in my

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2 testimony. I don't mean to rehash those. I just
3 want to emphasize in the strongest terms possible
4 how important this project is to this City.

5 COUNCILMAN KENNEY: And, Mr. Cuorato,
6 I've known you for a long time, and I accept with
7 full sincerity what you're saying. And I do
8 appreciate and agree with your assessment of this
9 being a unique opportunity for Philadelphia. I
10 think the real difference of opinion comes as
11 whether or not the port interests can be
12 accommodated in a more timely fashion with a portion
13 of this parcel being rezoned, as opposed to all of
14 them. I think that's where the real issue is for us
15 to decide is, do port interests get accommodated in
16 a more timely and quicker way because of the
17 pressure of having only a portion of it rezoned, or
18 does it get done in a slower pace as a result of
19 really having no leverage? That's really -- we
20 agree with everything -- I think I agree, I'm
21 speaking for myself, agree with everything else
22 you've said.

23 Councilman Nutter.

24 COUNCILMAN NUTTER: I went already.

25 COUNCILMAN KENNEY: Councilman O'Neill.

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2 COUNCILMAN O'NEILL: Jim, is your
3 position consistent with the PRPA?

4 MR. CUORATO: Yes, Councilman, it is.
5 The only difference that I think you may hear this
6 morning is that -- and again, I don't want to speak
7 for the PRPA. We've had discussions and meetings
8 over the past several months about the PRPA
9 acquiring additional properties. The Administration
10 supports the PRPA's efforts to acquire those
11 properties. I think the issue is how quickly that
12 acquisition process can be completely signed and
13 sealed, and that's the point that the Chairman just
14 raised. But the Administration and the PRPA are
15 both in agreement that the PRPA should acquire
16 additional properties for expansion in the area of
17 the Packer Avenue Marine Terminal.

18 COUNCILMAN O'NEILL: The question I
19 have, though, is, are you and the PRPA, the
20 Administration and the PRPA, on the same page as
21 far as rezoning the whole property today,
22 notwithstanding the leverage issue? I just really
23 think that's where the rubber meets the road here.
24 Are you in agreement on the bottom line, especially
25 in light of fact that I believe they can ford any

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2 rezoning we do anyway based on their enabling
3 legislation? At least that's how I've --

4 MR. PRIMAVERA: That's a mistake. We'll
5 talk about that, Councilman O'Neill.

6 COUNCILMAN KENNEY: I'm really
7 absolutely doing my best to be as patient as
8 possible with this. I really need you, when a
9 Councilmember is asking a member of the
10 Administration a question, I would really appreciate
11 if you did not jump in and answer the question. I
12 just would appreciate if you didn't do it. As far
13 as your client is concerned, you can speak for him
14 any time you like. Mr. Cuorato was asked a direct
15 question. I really would need you to restrain
16 yourself. It's not your question.

17 COUNCILMAN O'NEILL: Maybe it would be
18 better for me to wait for PRPA to testify.

19 MR. CUORATO: Councilman, what I'll do
20 is clearly restate the Administration's position,
21 and then we can compare with what the PRPA will say.

22 The Administration's position is clearly
23 that we would like to have this bill amended to
24 include the entire site. And although I didn't ask
25 for it, I don't believe I asked for it in my

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testimony, we would like the Bill amended to include the entire site. And I would respectfully request a waiver of Council Rules to permit first reading on Thursday, and final passage of an amended Bill on Thursday, December 19th.

What that does is give Ikea the assurance that they can start building, knowing that Lowes is coming, Best Buy is coming, the rest of the retail development is coming. So although they will be first, they will have the assurance that the rest of those properties are coming.

COUNCILMAN O'NEILL: Jim, I'm a little clearer on the Bill involving the Whitman site, which is in my District, so I beg your indulgence here.

It seemed to me that the issue was once the horse is out of the barn, CSX -- I don't know if they are here in the room today -- that they have very little reason other than goodwill to share some of the increased value of this property, some \$50, \$60 million, if we do the whole thing with the port. And if I were the port, I'd be a little concerned about that and with everybody being on the same page. If you were asking us to get this Bill

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2 out of Committee with the whole property rezoned,
3 but holding it on final passage until the port and
4 CSX strike a deal, and it seems like a deal is
5 reachable based on the issues I've heard, I'd feel a
6 lot better sitting here with your position, whether
7 the heads shake aye or nay in the audience, based on
8 whether the port has leverage.

9 We depend on the port a whole lot in the
10 City and we haven't, the City, that is, had the best
11 of luck with the house majority leader in the last
12 two weeks. His chief of staff chairs the PRPA
13 board. I don't know if we want to make it any worse
14 deliberately. So it's just a concern of mine. I
15 could live much easier with a statement like the one
16 I just alluded to rather than, "Let's get it done,
17 and let's say our prayers for CSX and PRPA to work
18 out a deal, even though there's no leverage
19 anymore." I mean, I don't know any leverage that
20 would occur. Maybe somebody can enlighten me to it.
21 I'll wait for the rest of the testimony.

22 COUNCILMAN KENNEY: Thank you very
23 much.

24 Councilman Nutter.

25 COUNCILMAN NUTTER: Thank you, Mr.

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2 Chairman.

3 Mr. Cuorato, I don't have to go back
4 through our level of respect and relationship but --
5 and I know you're doing your best under difficult
6 circumstances. But I mean, you did not -- I think
7 you know you did not answer Councilman O'Neill's
8 question, which was the same question that I had.
9 But I have one other question.

10 The initial question prior to the
11 question that Councilman O'Neill asked you was based
12 on your statement. What is the solution, or is
13 there a solution that allows both entities here to,
14 in essence, get what they want?

15 You talked about a continued working
16 relationship with the port and you'll continue
17 talking to them. And I'm sure you will. I'll take
18 you, naturally, at your word. But clearly, one of
19 the parties is moving out of the gate much quicker
20 and getting potentially what they'd like to see, and
21 the other party will continue to have discussions.

22 What I wanted to know from you, the
23 first question was, what is the scenario as proposed
24 by the City Administration to resolve this issue in
25 a way that's favorable to both? I hear you're

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2 saying that there is a possible solution. I don't
3 necessarily know what the solution is, so I'd like
4 to hear from you what is that proposed solution?

5 What are you working on and how would
6 you get to the point where both entities get what
7 they want? Because I don't know what that answer
8 is. That's the first question. I have a second
9 question.

10 MR. CUORATO: Councilman, I thought
11 that I had answered Councilman O'Neill's question,
12 but if I didn't, let me more clearly respond.

13 COUNCILMAN NUTTER: You can wait because
14 I'm just going to ask you myself. Why don't you
15 deal with the question that I asked you and then we
16 can have our own discussion about --

17 MR. CUORATO: I believe a scenario that
18 would satisfy all parties would involve CSX and the
19 PRPA reaching an agreement, a written agreement,
20 that could take the form of letter of intent, or
21 could take the form of an agreement of sale, or any
22 other legal document that clearly establishes that
23 CSX would convey its property interests at either a
24 determined price or establishes a process by which
25 the sales price would be determined. That would

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2 give the PRPA the assurance that it will, in fact,
3 give --

4 COUNCILMAN NUTTER: Sale of what? Are
5 we talking about some other property?

6 MR. CUORATO: We are talking about
7 additional land in the area south of Oregon Avenue.

8 COUNCILMAN NUTTER: Are we talking about
9 Piers 122 and 124?

10 MR. CUORATO: Right. And as you will
11 hear, Councilman Nutter, from the other people
12 testifying this morning, the negotiations are
13 somewhat complicated by the fact that CSX owns some
14 of this land outright and, therefore, is in a better
15 position to negotiate directly; whereas other
16 properties are owned by Conrail. Conrail, in turn,
17 is controlled by CSX and Norfolk Southern. So the
18 process by which agreements for sale of those
19 properties can be fully and completely negotiated
20 is a little bit more complicated.

21 COUNCILMAN NUTTER: Let me ask this
22 question. What is the City doing, if the City can
23 do anything, to effectuate that type of agreement
24 between CSX and the port? What efforts have been
25 made thus far to make that happen? What kind of

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2 position are we in?

3 I, again, have no idea how the City
4 Administration might be able to influence these two
5 parties to do something, other than the fact that
6 the City is, by the testimony here today, trying to
7 make this particular project happen. So we
8 obviously have an interest in this. I don't know if
9 you can --I know the word leverage has been used in
10 many different ways here today. I tend not to use
11 that word very much. Having never had any leverage,
12 I generally tend not to use the word. How do you
13 make that happen?

14 COUNCILMAN ORTIZ: Mr. Chairman, if I
15 may?

16 COUNCILMAN KENNEY: Yes, sir.

17 COUNCILMAN ORTIZ: Councilman Nutter?

18 COUNCILMAN NUTTER: Yes.

19 COUNCILMAN ORTIZ: A statement has been
20 made that this is going to be totally
21 self-sufficient and the City will not be
22 contributing any financial assistance. But,
23 however, the mere fact that this act takes place
24 today, if it does take place the way you're asking
25 it to take place, changes the whole value of the

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2 land. And I believe at that point it also changes
3 the way negotiations can take place. Does it not do
4 that?

5 Once you rezone you're actually giving a
6 financial benefit because the land increases in
7 value, does it not?

8 MR. CUORATO: Yes.

9 COUNCILMAN ORTIZ: So in terms of --
10 doesn't that then create some other problems in
11 terms of negotiating posture and the ability to be
12 able to -- of affordability for CSX vis-a-vis the
13 port? Doesn't it put them, the port, in a more
14 disadvantaged position vis-a-vis CSX in terms of
15 economics?

16 MR. CUORATO: Yes. Councilman, the
17 answer to your question is yes.

18 COUNCILMAN ORTIZ: Thank you.

19 COUNCILMAN KENNEY: Councilman Nutter,
20 do you have anything more?

21 COUNCILMAN NUTTER: I think Mr. Cuorato
22 was getting ready to tell me what the City was going
23 to do or prepared to do or could do under the
24 circumstance to try to resolve the matter favorable
25 to both or all of the various parties.

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2 MR. CUORATO: Well, we've participated
3 in a series of meetings between the parties. Most
4 of the issues here involve the sale of land between
5 CSX and Conrail and the PRPA and establishing a
6 process for that sale and a purchase price for those
7 parcels of land. We have monitored those
8 discussions. We are hopeful that those discussions
9 are fruitful. On the items that involve the City
10 directly, we have tried our best to help the PRPA.
11 I trust and I hope that Mr. McDermott will reaffirm
12 that this morning when he testifies. But basically
13 it comes down to a negotiation for the purchase of
14 properties, Councilman. And short of stressing the
15 importance of this project to all parties and
16 urging them to come to an agreement, we don't have
17 any other leverage either.

18 Certainly, I don't want to lose this
19 project. And I think I've made that clear here this
20 morning. But I can't force CSX to sell these
21 properties to the PRPA. There is a scenario in
22 front of us where this could all come tumbling down,
23 and that would be a real shame, which is if the site
24 can't be rezoned and CSX, for whatever reason,
25 doesn't sell the properties that the port is

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2 interested in to the PRPA, then we all lose.

3 COUNCILMAN NUTTER: I don't want to
4 confuse a number of different pieces of information.
5 But I thought I either heard or read somewhere that
6 CSX stands to potentially benefit in a fairly
7 substantial fashion if the property is rezoned as
8 compared to the value of the property if it's not
9 rezoned.

10 MR. CUORATO: Yes.

11 COUNCILMAN NUTTER: What are those
12 ranges of potential benefits to CSX of a sale of the
13 site non-rezoned versus rezoned?

14 MR. CUORATO: I haven't seen appraisals,
15 Councilman. But it's safe to say that it's a
16 substantial increase in value.

17 COUNCILMAN NUTTER: What's your
18 definition of substantial?

19 MR. CUORATO: Millions of dollars.

20 COUNCILMAN NUTTER: Is that single
21 digit, double digit, triple digit?

22 MR. CUORATO: Councilman, I can't
23 answer the question because I don't know.

24 COUNCILMAN NUTTER: Have you heard any
25 ranges of possible sale prices?

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2 MR. CUORATO: I've heard ranges, but
3 none based upon enough solid information that I'd be
4 willing to --

5 COUNCILMAN NUTTER: What are the ranges
6 that you've heard?

7 MR. CUORATO: \$20 million.

8 COUNCILMAN NUTTER: For?

9 MR. CUORATO: Increase in value of the
10 site.

11 COUNCILMAN NUTTER: Would \$60 million be
12 out of the ballpark or an outrageous figure?

13 MR. CUORATO: I believe it is.

14 COUNCILMAN NUTTER: That's outrageous?

15 MR. CUORATO: I believe that is, yes.

16 COUNCILMAN NUTTER: And what would be
17 the unzoned, or non-rezoned, I guess?

18 MR. CUORATO: Again, Councilman, I can
19 only tell you what I've heard.

20 COUNCILMAN NUTTER: Tell me what you
21 heard.

22 MR. CUORATO: Somewhere in the 5 to
23 \$7 million range.

24 COUNCILMAN NUTTER: Okay. So for this
25 discussion at least, the difference between the

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2 non-rezoned land and the rezoned land is somewhere
3 between \$5 million and \$20 million; is that fair?

4 MR. CUORATO: Yes.

5 COUNCILMAN NUTTER: So in that context,
6 as everybody is trying to, I guess, leverage
7 everybody, you're saying that the CSX people could
8 not be -- what's that other wonderful word we use
9 around here -- incentivized to do something with
10 regard to the port people, based on the fact that
11 they stand to substantially increase the value of
12 their property by action we may take here and then
13 you have the consequential relationship between CSX
14 and the port and everyone basically getting what
15 they want and you don't think -- I mean, they're
16 willing to just blow off \$15 million in order to
17 continue just having kind discussions?

18 MR. CUORATO: No, Councilman, they
19 certainly are not. And in fact --

20 COUNCILMAN NUTTER: You don't think
21 that's a fairly substantial card or tool in the tool
22 box of discussion?

23 MR. CUORATO: It certainly is. And, in
24 fact, CSX has been working very hard to try to reach
25 an agreement with the PRPA on these properties. I

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certainly don't want to leave the impression that CSX has been unwilling to engage in these discussions and try to make this transaction happen. I mean, we're all working very hard to satisfy all interests. And your point is well taken and everyone, I think, is aware of that.

COUNCILMAN NUTTER: Do you have any concern that if this particular part of the transaction were to go forward, that there would be less timely interest by CSX in continuing or consummating these discussions with the port as compared to what may be at the moment a rather heightened interest in trying to get something done? I mean, does something change potentially after this? Do you have a concern about that? Is that realistic?

MR. CUORATO: Here is what I believe is a realistic time frame. And, again, I've been speaking for a lot of different parties here and I'm doing the best I can.

COUNCILMAN NUTTER: You're doing fine.

MR. CUORATO: And I know each of these parties will have a chance to speak directly, but I'll do the best I can in representing where I

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2 think the discussions are. What we need is to have
3 this site entirely rezoned by December 19th. That's
4 what I am respectfully requesting this Council to
5 do. By December 19th, I don't know that we
6 necessarily will have a situation where there are
7 agreements of sale signed, committed agreements of
8 sale for all of the properties in which the PRPA is
9 interested. I do think a more realistic goal --

10 COUNCILMAN NUTTER: I'm sorry. Let me
11 interrupt you, and I apologize. Do you have a
12 deadline by which you'd like to see that transaction
13 take place? You've obviously laid it out very
14 clear. There's no confusion. I just want to
15 reassure Mr. Primavera that I am still not confused,
16 at least on this matter. I could be confused on
17 other matters. You're clear about your deadline for
18 this particular transaction. Have you determined
19 one for the CSX/port transaction?

20 MR. CUORATO: What I would like to see
21 by December 19th, in order to give everyone the
22 assurances they're looking for, is at a minimum an
23 agreement in principle or a conceptual agreement
24 that sets forth a process by which these properties
25 are conveyed to the PRPA.

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2 COUNCILMAN NUTTER: Let me ask this
3 question. If this matter were to go forward and we
4 get to December 19th, a matter sitting on our
5 calendar, there is no agreement -- or I think you
6 called it an agreement of sale, an agreement in
7 principle, conceptual agreement by December 19th
8 between CSX and the port, from your perspective,
9 based on what you've now laid out, what action
10 should we take?

11 MR. CUORATO: Assuming CSX and the PRPA
12 are still engaged in goodwill discussions, which I
13 believe is the intention, I would still strongly
14 urge that an amended bill 020738 be passed by this
15 Council.

16 COUNCILMAN NUTTER: Well, how long have
17 they been engaged in these good-faith discussions?

18 MR. CUORATO: I think the discussions
19 have actually been taking place for a year, give or
20 take. But the intensity of the discussion --

21 COUNCILMAN NUTTER: That's a lot of
22 faith.

23 COUNCILMAN KENNEY: Councilman DiCicco.

24 COUNCILMAN DICICCO: Councilman, point
25 of information. I think that that question will be

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best answered by Mr. McDermott from the PRPA. The recent discussions that I myself, Senator Fumo and others have been involved in about five or six weeks maybe at the outset, five weeks, six weeks. But the other discussions, I think the timing of that could be better answered by Mr. McDermott.

COUNCILMAN NUTTER: Okay. No problem.

Mr. Cuorato, my last question was the second question, which goes back to, actually, the question that Councilman O'Neill asked which is -- and I think the Councilman's question was, is there an agreement on the matter in front of us -- let me rephrase that. Is there agreement between the City Administration and the port on the Administration's position, which is rezone the entire site and move forward? Now, I need a yes or no answer to this particular question.

MR. CUORATO: No. No.

COUNCILMAN NUTTER: Okay. Thank you.

Thank you, Chairman.

COUNCILMAN KENNEY: Thank you very much.

Are there any questions for Mr. Cuorato?

(No response.)

COUNCILMAN KENNEY: Seeing none. Mr.

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2 Smith, we appreciate your coming to the table.
3 You're later on the list. We ask Senator Fumo,
4 please. Good morning. Please identify yourself for
5 the record.

6 SENATOR FUMO: Good morning. Senator
7 Vincent J. Fumo, First District of Pennsylvania.

8 COUNCILMAN KENNEY: Please proceed.

9 SENATOR FUMO: Thank you. I've been
10 sitting here for a little bit of time listening now,
11 and I must say that, first of all, I'm very
12 impressed with the perceptiveness of the Members of
13 the Committee. You sit on your chair and you want
14 to give the answer. And then you find one of the
15 Councilman, particularly Mr. O'Neill, figuring out
16 part of the game here and you become very impressed
17 by that.

18 Let me give you a little bit of the
19 history here. And there are going to be other
20 people that testify that can give you a little bit
21 more in depth. The Philadelphia Port Authority, the
22 PRPA, Jamie McDermott, being the Executive Director,
23 went down to talk to CSX 14 months ago. They were
24 basically blown off. They got some politeness and
25 nothing happened whatsoever.

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1 Then the story started to surface about
2 Ikea. "Oh, bring Ikea to Philadelphia. How
3 wonderful Ikea is and everything else." And quite
4 frankly, as I've told Ikea, they themselves are a
5 magnet for people shopping. And I recanted when --
6 God, it's got to be 10 or 15 years when they first
7 opened up in Montgomery County and I went out there
8 to buy furniture for my children. It took me 20
9 minutes to find out where they were, yet I still got
10 to the place because I wanted to buy the product.
11 And so did a lot of others get to the place. So the
12 argument about the fact that, gee, if they had this
13 particular plan that's been put up there by Mr.
14 Primavera and they'd have to be behind one of these
15 commercial buildings would hurt their traffic is
16 beyond ludicrous.

17 I think what happened here -- and I
18 wasn't at the meeting, but I do trust Councilman
19 DiCicco -- is that you are exactly right. What the
20 Councilpeople here have seen is that Councilman
21 DiCicco, in an effort to do his job, to balance, as
22 it will, with the wisdom of Solomon, the interest of
23 the port and the interest of Ikea and retail, try to
24 strike a balance here because leverage is very
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necessary.

As you have heard, CSX will make approximately -- I'll be generous and say it's only \$13.5 million profit. We do not yet know what the developer will make by selling -- and there was a fallacy here. I checked with CSX. Ikea is not going to buy the property from CSX. They are going to buy the property from Goldenberg, the developer. What he's going to charge them, we do not know. And I think that's relevant for discussion. Because as Councilman Ortiz pointed out, the zoning itself is a contribution of the City. By changing this zoning, CSX stands to make a minimum of \$13.5 million. Goldenberg stands to make a substantial profit. Those are contributions and that should not be taken lightly.

What happened was that the port got absolutely nowhere. And it wasn't until three or four weeks ago that I called a meeting because I was tired of being put in the middle of this, but I am a player here. I represented the port for 25 years in April. Councilman Kenney then was a young administrative assistant to me. And we went down and slept -- and it's true -- slept through some

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2 meetings of the port as to what they were doing in
3 those days and decided that this port had to be kept
4 viable. What we have today is nothing unique. We
5 have a sexy entity called Ikea that wants to come to
6 Philadelphia that creates a big buzz. We have a lot
7 of people going to make a lot of money. And the
8 port, well, that's just something that's boring. A
9 bunch of guys get up at four o'clock and unload some
10 ships. You know, what's really that about?

11 The average citizen of Philadelphia
12 doesn't understand the value of the port to this
13 City, doesn't understand the economics. They
14 understand they want to shop at Ikea, but they don't
15 have a clue as to where that stuff even comes from.
16 And I think one of the conditions of this deal
17 should be that their product be shipped through the
18 port of Philadelphia, something which has not been
19 allowed to be discussed because of the steamroller
20 effect of the public relations of getting Ikea here.
21 "Oh, my God, if they don't come here, they're going
22 to go to Cherry Hill." That's nonsense. If they
23 were going to Cherry Hill, they'd have went to
24 Cherry Hill six months ago. They would not have put
25 up with this type of a battle. There's a reason why

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2 they want to be here, and it's the customer base.

3 We have learned in government that
4 retail is where it is because of the customers. You
5 pay money to bring a manufacturer in because he can
6 go anywhere because you want the jobs. Retail goes
7 where the people are that are going to buy the
8 product. This is where Ikea wants to go, despite
9 all the hoodwinking. And I don't blame them. You
10 leverage New Jersey against Pennsylvania,
11 Pennsylvania against New Jersey; it's common
12 practice anymore. In fact, it's a shame that local
13 governments have been subjected to that.

14 We see, you know, "If we don't build a
15 new stadium, my God, the franchise is going to
16 leave. Hurry up. Give them a billion dollars."
17 Well, that's almost the same type of mentality going
18 on here. Ikea is not going anywhere. They want to
19 be in Philadelphia. In fact, the original site was
20 the incinerator site -- that was the second one.
21 The Councilman knows better than I do. The
22 incinerator site was not a good location. You know,
23 it's prime waterfront real estate. And if we ever
24 do get riverboat gambling, that's going to be there,
25 not an Ikea. So this steamroll effect has come

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along.

I am distressed by Mr. Cuorato's testimony. I understand he has a job to do. And it's nice to say that the City supports the port. That's great. But there's an interesting definition that, if you will, former Speaker O'Donnell used to tell me and it always rings true. There's a big difference between being supportive of something and being committed to something. If you have ham and eggs in the morning, the chicken is supported, but the pig's committed. And what we've got here is a nice, supportive thing. Yeah, we're for the port. We're for motherhood. We're for apple pie, the American flag, whatever else you can think of. But it was aptly pointed out, I think, by Mr. Nutter or Mr. O'Neill, the City has leverage here. What is Mr. Cuorato doing testifying here when he hasn't used his leverage to protect the port?

Now, as far as the meetings, he came to my first meeting and so did, by the way, the president of the Pennsport Civic Association, who I understand may or may not be represented by Mr. Primavera. But in any event, he brought along an interesting person, Pat Gillespie, who's been a

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2 friend of mine for years. During the meeting, as we
3 went back and forth, and the people from CSX
4 discussed quite candidly with the port the history
5 of what was going on, Pat Gillespie said something
6 very poignant. He looked at the people on the left
7 side of the table, which was basically Ikea, CSX and
8 the developer, and said, you know, I came here today
9 to help you, but you've been messing with these guys
10 for 14 months. When are you going to move your
11 rear-end and worry about them? He was as outraged
12 as I was. And that's when I found out it was a
13 14-month-long process.

14 But by that time, the people in charge
15 of this development had felt they had won the PR
16 war. They had felt that -- they were even pounding
17 their chest, that they went into City Council and
18 started to break a tradition of the District
19 Councilman being in charge of his district by having
20 poor Thacher Longstreth introduce an ordinance
21 conflicting with the local Councilman. First time
22 I remember that. But they were cocky. They went so
23 far as to tell Mr. McDermott that they even had his
24 board tied up, and he didn't mean anything. It was
25 when I called Brian Preskey (ph) and said, what's

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1 going on here. And he did not know. And he
2 supports his executive director. That's the kind of
3 arrogance we're talking about here, when you've got
4 one side of the story only getting out. And that's
5 the kind of arrogance that happens when you've got
6 this much money involved in this process.

7
8 Now, let me tell you, by the way, when
9 we had the second meeting, Mr. Cuorato did not show
10 up, nor did he send a representative. And when we
11 had the third meeting, which was the conference call
12 just the other day, he was not on the conference
13 call, nor was his representative. That's no
14 offense at him. I know he takes orders.

15 Let's take a look where this thing boils
16 down to. Only because I stepped in and let
17 everybody know that, even if they were going end run
18 the District Councilman and try to amend the Bill on
19 the floor, that there are interested people who were
20 going to sue for spot zoning. And I remember
21 turning to Mr. Goldenberg, if Ikea wants to try to
22 open up under those circumstances, tell him to go to
23 Cherry Hill because the case will be in litigation
24 for 20 years. I told CSX and Norfolk Southern and
25 Conrail, if you want to see a shell game, deal with

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2 those three entities. I told them we had more money
3 litigate this than they had in taxpayer money. It
4 was first time they listened. They thought they had
5 City Council tied up. They thought they had
6 everything tied up. That was the wild card, and I
7 still have it to use, if I have to.

8 Let's see where we are today. After
9 these meetings -- and I might add, this is the
10 first time that we got anybody off their rear-ends.
11 No offense. I think one of the problems is Mr.
12 Primavera represents CSX, the developer, and Ikea.
13 He wants to get a deal. He goes back and forth and
14 he has a conflict. He's got to try and get CSX
15 spend the least amount of money that he can. He's
16 got to get Ikea open. He's got developer Mondayer.
17 They may not be a legal conflict, but. It sure is
18 a conflict when it comes to protecting the port of
19 Philadelphia.

20 We've got visual aides too. I've asked
21 Representative Keller to join with me because he has
22 additional information about the port, with a little
23 more patriotic nature, I guess.

24 You see in front of you an aerial
25 photograph of the general area in which we're

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2 talking about, all of which happens to be in the
3 First Councilmatic District, which Mr. Longstreth
4 seems to ignore and forget about. What you have on
5 the left labeled as No. 5 is the CSX yard. As we've
6 been told, that yard is about 44 acres. What you
7 have on the right is Pier 124, Pier 122, a parcel
8 called the Loop, which is the green shaded area, the
9 Whiskey Yard, which is in purple, and the Savage
10 Yard, which is labeled No. 4. The port has said, in
11 return for its signing off on this deal -- and I
12 believe that both Councilman O'Neill and Councilman
13 Nutter asked Mr. Cuorato if they were in agreement
14 or not because of this. The port has said -- and I
15 say as well -- that if CSX gets conveyed to the
16 port, those parcels of land, then they are willing
17 to bless this deal on the whole parcel at CSX. Now,
18 that's what they asked for 14 months ago, went back
19 and forth, and it wasn't until I finally threatened
20 a lawsuit that some of these people realized we were
21 serious.

22 We then met and, again, at the
23 suggestion of Mr. Gillespie, we were going to have a
24 meeting every week. So we met the following week.
25 All of a sudden, after 14 months, when the debate

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2 got serious we hear, "Well, gee, if we give you 124,
3 we got to go to something called the Surface
4 Transportation Agency in Washington, and we need
5 environmental studies, and we need appraisers, and
6 our appraiser is busy. We can't find another
7 appraiser to get this done by March." I think where
8 we are today, the best place we are today is that
9 CSX and Conrail -- and I don't know what Norfolk
10 Southern has to do with this, but they were there --
11 can get an appraisal done by mid-January. Okay. We
12 sat down in my office. We asked Mr. Goldenberg what
13 he thought, as a developer, these various parcels
14 were worth. We came up with a combined value at
15 most, at most, of \$7.5 million.

16 Now, as was testified to, some of this
17 land is owned by CSX; some of it is owned by
18 Conrail. Ironically, on the win/win here, when the
19 port completes what it wants to do with this land,
20 Conrail gets increased tonnage. They're going to
21 ship more stuff by rail. But they weren't concerned
22 about that because, I don't know, their theory was
23 they weren't making money. I don't know how they
24 make money, but God only knows. Some accountant
25 does. But anyway, they get increased tonnage. We

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2 get increased jobs. The port's plan is to take from
3 the tip of 124 over to what I continue to call the
4 Lavino Shipping Yard, but it's the Packer Terminal,
5 and fill that in. That then gives them a
6 thousand-foot frontage along the river, which
7 Representative Keller tells us, now that we're a
8 strategic port, we need.

9 In addition, the reason why the battle
10 is over how much real estate is when the port goes
11 out to answer an RFP for car storage, which is what
12 that big parcel of land right next to the CSX lot
13 right now is used for, that's the Poshelot (ph),
14 they have to have a hundred acres roughly in order
15 to respond to the RFP. Their land plus the CSX yard
16 gives them that acreage. They've said, "What we
17 need to do is combine other parcels. We're willing
18 to cooperate, but we have to get to that magic
19 number." And their magic number is reached by
20 conveying the properties.

21 Now, recognizing that everybody wants to
22 get this thing done, and so do I, what we finally
23 came down to -- because it's a myriad of
24 bureaucracy. It's unbelievable, when you try to
25 deal. Here is the bottom line to get this deal done

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2 today. We don't need appraisers. We don't even
3 need environmental studies. The port is willing to
4 take the land, as is, on the environment. They'll
5 worry about that part. They've already said that a
6 number of times. What I have proposed -- you may
7 not know this. But when CSX merged with Conrail,
8 part of the deal was that they were to put up \$15
9 million for economic development. It was kind of a
10 give-back to the community because they were making
11 money on the merger. They gave back \$10 million to
12 help build Kvaerner, which was that great other
13 entity in my district which made the "Fleecing of
14 America," and I was on with Tom Brokaw. But anyway,
15 they did come up with that \$10 million. The other
16 five million is something called the B Fund. It's
17 to be used for economic development, but it has to
18 be rail related. There is nothing better than this
19 that meets that definition. This is economic
20 development and it is rail related. What I proposed
21 yesterday -- and I haven't heard. Maybe they're
22 going to accept today. But I'm sure if they were,
23 someone would have told me. What I proposed
24 yesterday was that Conrail meet their moral
25 obligation of spending that \$5 million, which by the

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way, was never earmarked and placed into a separate fund. It's just something they keep on their books so, you know, the internal bureaucrats don't want to part with that 5 million. It'll take them 100 years to come up with the next great economic development project that meets rail requirements.

I said, take that 5 million and take 2.5 million from the minimum of \$13.5 million profit or enhancement or whatever you want to call it that you're going to get on the sale of the CSX yard. Give that 7.5 million to the PRPA with the following conditions: That the PRPA use that money to buy this land. And whatever's left over, CSX gets back. Because what we're finding out from the appraisers of the PRPA, for example, the Whiskey Yard, they pegged at a \$135,000 an acre. The appraiser for the PRPA says it's \$48,000 an acre. So this deal could be worth even a lot less than the \$5 million moral commitment.

So I said yesterday, sign off on that. The contingencies are that the money be transferred to the port to be used for this, or put in escrow to be used for this purpose and this purpose only, so I don't have to deal with, "Well, Conrail owns this

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2 piece." I don't care who owns it. Go buy it.
3 They'll condemn it if they have to, if they have the
4 funds to pay for it. Give them that 7.5 million.
5 And if it's 6 million, you get back a million and a
6 half.

7 You know, there's an old saying, "Bulls
8 and bears will make money. Pigs will choke." In
9 this case, everybody wants to be a pig except the
10 PRPA. And the overriding interest here should be
11 the citizens of Philadelphia and the Philadelphia
12 economy, which includes the port.

13 Now, that deal can be signed in 30
14 seconds. It's not contingent on appraisals. If
15 this parcel is worth \$10 million, then it's up to
16 the port to find the other 2.5 million. And I
17 submit to you, with the change in Administration,
18 that 2.5 million will be found by me. But it's not
19 going to be that much. The game they got caught in
20 was when I said, "Gee, how much do you want to buy
21 it?"

22 "Oh, it's \$135,000 an acre."

23 All right. Now, when I said, "Okay,
24 give me the \$135,000 an acre."

25 "Well, wait a minute. It's not worth

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2 that much. It's worth \$50,000 an acre," back and
3 forth.

4 But that's the way to resolve this.

5 That letter comes from Mr. Primavera to the port's
6 counsel, Peter Tucci, this afternoon. Signed,
7 sealed, delivered. Deal done. Everything over.
8 And God bless them. Let CSX walk away with only 9
9 million in revenue enhancement -- or excuse me, \$11
10 million as opposed to \$13.5. And let the developers
11 make what they're going to make. And let Ikea make
12 what it's going to make. But protect the port, the
13 non-sexy item. That's the crux of the deal.

14 I found a way to do it quickly, because
15 anything else, if we're going to wait for agreements
16 of sales and everything else, we need appraisals.

17 End of story. Give them that B Fund,
18 which I don't think Conrail ever wants to part with,
19 but they should be made to part with. And they
20 should be made by you. They should be made by the
21 Administration to part with that money. And they
22 also add in the extra money. And guess what? We're
23 buying it back from them. It isn't going anywhere
24 else. It's a big circle, but it short circuits the
25 bullshit, if you pardon my words. The BS, whatever.

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2 And I've been good so far. You know
3 that. Don't laugh at me, Ortiz.

4 It short circuits that whole operation,
5 and it gets the deal done in time. And everybody
6 can walk away from this happy, without all this
7 aggravation. But that's what it means to be
8 committed versus what it means to be supportive.
9 That's the crux of the issue.

10 We wind up with jobs in commercial and
11 much better paying jobs at the port. We take care
12 of the port, which has been our good friend for so
13 many years, and we wind up adding jobs and Conrail
14 gets more tonnage. And CSX and Conrail gets back
15 the money they're giving us.

16 I mean, it's a shell game. And it's
17 really starting to tick me off because it's so
18 simple to solve. But no. Nobody wants to devote
19 the time. Nobody wants to have the courage to stand
20 up to the PR. And I thank the Councilman for doing
21 that. I think it's very important. And I think
22 it's very important for District Councilmen to be
23 able to serve their districts. I'm appalled at what
24 Councilman Longstreth did. But that's the way to
25 solve it. And I'm now ready for any questions.

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2 Do you agree, Billy?

3 REPRESENTATIVE KELLER: Yes.

4 COUNCILMAN KENNEY: Let the record show
5 that State Representative Keller is at the table
6 with Senator Fumo and is also available to answer
7 any questions.

8 Are there any questions for either of
9 the gentlemen at the table?

10 Representative, do you have testimony to
11 offer?

12 SENATOR FUMO: He's going to come back
13 on the strategic port issue and some of the others.

14 COUNCILMAN KENNEY: That's fine.

15 Any questions for the Senator?

16 (No response.)

17 SENATOR FUMO: Well, that's either very
18 good or very bad. We'll wait and see.

19 COUNCILMAN KENNEY: Councilman O'Neill.

20 COUNCILMAN O'NEILL: I just have a
21 question. Senator, you mentioned Pat Gillespie
22 being at the meetings and being very supportive of
23 what you were trying to accomplish -- what the port
24 was trying to accomplish, what you were trying to
25 help them accomplish.

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2 SENATOR FUMO: Well, reluctantly. He
3 didn't go there with that. His eyes were as opened
4 as mine were at that meeting.

5 COUNCILMAN O'NEILL: Do they have a
6 position on this at this point?

7 SENATOR FUMO: The port -- CSX?

8 COUNCILMAN O'NEILL: No. Pat Gillespie.

9 SENATOR FUMO: Oh, no, I haven't heard
10 from them. The latest I've heard from CSX is, "We
11 will use some of the \$5 million, but only as credits
12 against our own property."

13 Now, nowhere in that agreement did it
14 say that it had to be used as credits against their
15 own property, because, obviously, Kvaerner was not a
16 credit against their own property. Now they're
17 trying to rewrite history.

18 The issue is, here they want to be --
19 and I hate to say it -- but they want to be pigs.
20 They want to hold onto the 5 million they promised
21 to citizens of the Commonwealth to spend here, and
22 they want to take every nickel they can out of the
23 profits of CSX because they think they're in the
24 front of the bandwagon. And I think it's time for
25 everybody to stand up to them and everybody else to

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2 say, "We all want to do what's right. We want to do
3 everything that's right, and the port should not be
4 forgotten."

5 COUNCILMAN O'NEILL: I appreciate your
6 conservatism on the evaluation upgrade of the land
7 between the buyer and the re-seller --

8 SENATOR FUMO: Yeah. I wasn't allowed
9 to call it profit either.

10 COUNCILMAN O'NEILL: -- between the CSX
11 and the other -- whoever moves the property. I
12 believe the \$13 million is -- not a fraction, but a
13 much smaller part of that based on things that have
14 been told to me by pretty reliable sources. And I
15 think this can be done tonight -- I mean, you know,
16 if we come back here tomorrow. We're not talking
17 about somebody saying, "You're going to get \$60
18 million; we want \$50 of it."

19 SENATOR FUMO: Right. And we're not
20 talking about anything that requires appraisals, any
21 kind of study or anything else. It's CSX stepping
22 up -- I don't even require Conrail. Because if
23 Conrail says, "Well, I want more than that per
24 acre," good. The condemnation proceeding will take
25 care of the value of that land. But it will be paid

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2 for with CSX's profit, part of their profit, a
3 little bit of their profit.

4 COUNCILMAN O'NEILL: I think that's the
5 way to go.

6 SENATOR FUMO: Thank you.

7 COUNCILMAN KENNEY: Thank you very much.
8 Any other questions?

9 COUNCILMAN NUTTER: Mr. Chairman.

10 COUNCILMAN KENNEY: Councilman Nutter.

11 COUNCILMAN NUTTER: Thank you. Two
12 questions. One, Mr. Chairman, a question of you,
13 whether you know or not. Do we know whether there
14 are any CSX representatives with us today?

15 COUNCILMAN KENNEY: Yes, there is. They
16 are not scheduled to testify, but the opportunity is
17 there.

18 COUNCILMAN NUTTER: I'll be intrigued to
19 ask them a couple questions.

20 One question for Senator Fumo. From
21 your perspective -- and thank you for the
22 presentation. What is the status as you've laid
23 things out, who could do what, how it could get
24 done, discussions, meetings, some public, some
25 private, however it all shakes out, from your

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perspective, I mean, what is the status of all of it?

SENATOR FUMO: The status is I'm waiting to hear back from CSX and, I guess, Mr. Primavera regarding the proposal that I've made. What I tried to do in framing the proposal was to limit it to as few players as possible so I don't have to get a run-around with this guy and that guy and to make it with a minimal pain to CSX. And I don't think that -- first of all, I think they're obligated to spend the B Fund and they ought to stop playing around with it. And secondly, I think \$2.5 million out of a conservative profit of \$13 million is not a lot of money for them to put up.

I also told them that if they didn't do this deal, I would urge Councilman DiCicco not to let this bill be amended and keep it the way it is. And come February, we'll find enough money for the port to go condemn the whole site for 6.5 million, as far as CSX is concerned. And then maybe they'll do a deal with Ikea, and they can make the profit, which is not a bad idea either. I don't know why we're allowing CSX to make this kind of a profit. But if they're going to make that kind of profit,

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2 they ought to be good corporative citizens and
3 protect the port.

4 COUNCILMAN NUTTER: Thank you, Senator.

5 Mr. Chairman, you may recall from the
6 earlier testimony -- and if you could possibly get
7 us some score cards because I'm having a little
8 trouble keeping track of some of the players. Do I
9 understand from the earlier testimony that Mr.
10 Primavera represents CSX and the developer and Ikea?
11 Is that the situation?

12 COUNCILMAN KENNEY: That's my
13 understanding.

14 SENATOR FUMO: And morally, Pennsport.

15 COUNCILMAN NUTTER: Well, I'm just
16 trying to understand who represents who.

17 SENATOR FUMO: Thank you.

18 COUNCILMAN NUTTER: Thank you, Senator.

19 COUNCILMAN KENNEY: Is that it?

20 COUNCILMAN NUTTER: Yes.

21 COUNCILMAN KENNEY: Okay. Thank you.

22 The Chair now asks State Representative
23 Keller along with Mr. Candelaria, who's the
24 president of Local 1291 of the ILA, to give joint
25 testimony.

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2 Good afternoon, gentlemen? Please
3 identify yourselves for the record.

4 REPRESENTATIVE KELLER: I'm Bill
5 Keller, State Representative of the 184th District.

6 MR. CANDELARIA: Good afternoon. I'm
7 Sal Candelaria, President of International
8 Longshoremen's Association, Local 1291.

9 COUNCILMAN KENNEY: Thank you. Please
10 proceed.

11 REPRESENTATIVE KELLER: Thank you, Mr.
12 Chairman. It's good talking to you today. Madam
13 President, fellow Councilmembers, I'm here today
14 because I think I've been getting as many faxes and
15 e-mails as all of you have. And just -- I know we
16 had some great testimony here, but just to set it
17 straight, I don't believe anybody, myself included,
18 nor the ILA, probably any elected officials are
19 against Ikea. I think we all understand that Ikea
20 should come to Philadelphia, and we welcome them
21 into South Philadelphia.

22 Just to highlight that, I went to the
23 Whitman Council meeting when Mr. Smith made a
24 presentation. And not that I don't trust them, but
25 after he gave the testimony, I did a James Carvell

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2 and drove out to Ikea, just to talk to some of the
3 employees out there. And I guess one telling thing
4 was when I was checking out and I asked -- there was
5 a young woman there, maybe, you know, late twenties
6 and I asked her, "How do you like working here?"

7 She said, "Oh, this is great." She
8 said, "I've been in retail since I was 14 years
9 old." She said, "They pay twice as much as I was
10 getting in my other jobs." She said, "I only work
11 20 hours a week and I get the same medical benefits
12 as the manager of the store." She also said she has
13 a 401K that the company contributes to. And she was
14 trying to get ahead and she took three college
15 courses, and when she completed them, they gave her
16 a tuition reimbursement.

17 I believe that's the kind of corporate
18 citizens we want in Philadelphia and we want in
19 South Philadelphia. So those 400 jobs will be very
20 important to us.

21 It was never about Ikea or trying to
22 keep Ikea out of our neighborhoods. What it was
23 about, it was about the port. And myself and Sal,
24 you know, we're longshoremen, so we think the port
25 is very important. The jobs -- you know, I worked

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down the waterfront for 25 years. Sal and I are the only guys who took jobs that paid less than the current workers are getting down the waterfront. They're good jobs. They're the jobs that we should have in the neighborhoods. This is one way for port expansion.

As the Senator said, we were lucky enough to be designated a strategic port. A strategic port in this day and age is very important. What that is, is if the military goes to deployment, they'll come through the Port of the Philadelphia. There are only 14 ports in the United States designated as strategic ports. And with the great work of the Philadelphia Regional Port Authority and Jamie McDermott and their board, we worked for three years and we got that designation. That is very important to Philadelphia. That is one step in how we're going to get the port back to the position it should be.

And why it's important, it's not just for the deployment of the troops that come through, but in Susquehanna, right outside Harrisburg, the military has -- the Defense Logistics Agency has a depot out there. The largest shipper in the world

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2 is the Department of Defense. Half of everything
3 they ship comes from Susquehanna. All right.
4 Eighty-five percent of that goes through ports.
5 Zero percent of that goes through the Port of
6 Philadelphia. Now that we've been designated as a
7 strategic port, our plan is to go get that cargo.
8 And that's sustainable cargo. That's every day we
9 will be getting that. And that's why it's very
10 important that we do this.

11 Along with the strategic port, there is
12 a Port Readiness Committee which had its first
13 meeting yesterday. And what they have to guarantee
14 -- and even if the Port Authority or the stevedore
15 says, you know, "We're busy today. We can't come
16 and give you ship space." They come down and
17 they'll federalize the port. They'll take the port
18 over. So, you know, I mean, it's real stuff.

19 At that Port Readiness Committee, they
20 said, "What we'll need if we deploy is 2,000 feet of
21 bulkhead space and 35 acres of lay-down space for
22 the tanks and the military equipment. As you can
23 see, that addition of that additional property will
24 be very important to us as a strategic port. And
25 that's why it's important that the port is

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considered and we get that property.

As far as an economic engine, as the Senator said, it's not very sexy, the port. And people go down to look at the port and help the port and they always come back with an eye missing or an arm missing. So not too many people want to go down and help us. But it is a real good economic engine. It provides real jobs. Sal will tell you that -- what are we getting paid now, \$25 an hour?

MR. CANDELARIA: \$27 on master contracts, but \$21.70 --

REPRESENTATIVE KELLER: \$27 an hour is what you get paid, plus benefits. So they're real jobs. And I sit every day and I watch in the papers where it is important to the City that the Convention Center is always on the front page, about how important it is and it's an economic engine for the City. And I believe that the port is more of an important economic engine. If we have to get some publicity because they're always fighting over at the Convention Center, me and Sal will fight here today if that help will us get the port some notice. But that's what's really important to us.

And it's one of the few times, it's one

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2 of the rare few times -- and you hear the cliché
3 all the time, it'll be a win/win/win situation.
4 When we get this done -- and I do believe we will
5 get this done because it has to get done, you know,
6 the neighborhoods are winning, our districts are
7 winning, because they are 400 to 500 hundred good
8 jobs. And that's good. And the City will win
9 because we'll be collecting tax revenues, hopefully,
10 from people from New Jersey for a change. And
11 that's good for the City. The port will definitely
12 win because that's what we need. We need to get on
13 the map. We need people to consider how important
14 the port is. And for the strategic port, that will
15 really help us. Of course, the railroads will win
16 also. Because, as we've said, they'll make a nice
17 profit, which I'm not against profit. So this is
18 the one time where it is truly a win/win/win
19 situation.

20 If we stay together and stay on the
21 track we're on now, I do believe that the
22 negotiation, although they've been going on -- we've
23 been talking for 14 months, but I believe the
24 negotiations really have only been a couple weeks
25 old. And I think we'll get where we have to be.

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However, just to let you know, and I'm sure everybody will appreciate this, there will be one loser in this. I bet Henry Bryant from the Inquirer that we would get this done. I bet him a quarter. So everybody will happy that the Philadelphia Inquirer Editorial Board will lose on this. And I want that quarter. I don't care if it's illegal.

COUNCILMAN KENNEY: Thank you very much for your testimony. And may I publicly state that I also thank you for all the work you've done over your career, both with this issue and the port. And also the dredging stuff that you've been involved in, in making this port a federal facility, and just kind of turning around this port around and bringing it back, with your cooperation, with labor and your understanding and knowledge of the port from your experience down there, so I think it's -- you've served that part of the City and the whole City well, the people who work there, and hopefully we'll have a great future.

REPRESENTATIVE KELLER: Thank you, Mr. Chairman. And just as an added note, this may be a stretch, but I believe this could go -- if we get

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2 this property, 122 and 124, this could go a long way
3 in solving our dredging problem, because the dredge
4 material we need to fill it in, instead of paying
5 \$90 a cubic yard or whatever, some outrageous price
6 they cost, we could just pump it right in there.
7 That's how Packer Avenue was made. That's all from
8 dredge material from the river. So we could just
9 extend that and that would be an added benefit.

10 COUNCILMAN KENNEY: Council President
11 Verna.

12 COUNCIL PRESIDENT VERNA: I'm just
13 rather curious, exactly where are Piers 122 and 124
14 located?

15 REPRESENTATIVE KELLER: It is as far
16 down south as you can get on Delaware Avenue. The
17 point that you see sticking out above Pier 124 is
18 the Navy Yard.

19 COUNCIL PRESIDENT VERNA: Is what, the
20 Navy Yard?

21 REPRESENTATIVE KELLER: The Navy Yard.
22 That's the naval homes -- see those homes on the
23 right hand side? That's the homes that are down the
24 Navy Yard. So it's at the southern tip of Delaware
25 Avenue.

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2 Madam President, that's your district,
3 isn't it?

4 COUNCIL PRESIDENT VERNA: Yes. And
5 it's properly zoned. Thank you.

6 COUNCILMAN KENNEY: Councilman DiCicco.

7 COUNCILMAN DICICCO: I just was actually
8 -- two things. One, thank you, Representative
9 Keller, for coming here today. And my earlier
10 remark, when I said recently you got involved, was
11 only referencing the three meetings that have taken
12 place between PRPA, Senator Fumo and myself, CSX and
13 the developer. The first two meetings you were out
14 of town or not available, but you were available for
15 the conference call meeting yesterday, and I want to
16 thank you for that and thank you for your testimony.

17 And again, just to set the record
18 straight, Senator Fumo, I think, misunderstood the
19 boundaries, because as a Senator he represents
20 everything you see on that map. The district that I
21 represent basically ends at the southern end of the
22 CSX yard. The green, the yellow, the purple and the
23 reddish savage yard are all in Council President
24 Verna's district. But they're not an issue as to
25 zoning. That's why it's not been as involved as it

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2 is today.

3 REPRESENTATIVE KELLER: Not yet.

4 COUNCILMAN KENNEY: Mr. Candelaria,
5 would you please add your comments?

6 MR. CANDELARIA: All right. Again,
7 good afternoon, everyone. First off, I'd like to
8 start out by saying, not only do I support Ikea done
9 the proper way, I'm a customer of Ikea. Every piece
10 of furniture -- I eat on an Ikea table, my coffee
11 table. And only due to the fact that -- Frank,
12 you're also my neighbor, not only my Councilman -- I
13 can't get any pre-built furniture in my house, so I
14 have to bring it up in the boxes and assemble it.
15 And listen, I could save the trip to Plymouth
16 Meeting if it's here.

17 But with all that said, I don't want
18 Ikea here if it's going to cause us -- let me
19 rephrase that. I believe that it's a win/win
20 situation, like State Rep. Keller said. I commend
21 you and I thank you for this process. Because I
22 believe that this may be the mechanism that we need
23 to achieve our ultimate objectives, and that's to
24 serve the port in the best way possible.

25 I work in tandem with State Rep. Keller

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2 and anyone else who wants to assist the ILA in
3 turning this port around. So as a novice at these
4 type of hearings, I came in a little cold. But I'm
5 going to spend some more time around, so I can
6 learn a little better.

7 And I heard some different things --
8 testimonies this morning, and I like the idea of --
9 I want both without a doubt. I'd rather have that
10 land there. That's more conducive to my
11 memberships' needs and the thousands of retirees
12 that I still have in the City of Philadelphia in all
13 of your districts. They didn't go anywhere.
14 They're still around. Those old longshoremen live
15 a long age. But I am supportive -- I am in
16 agreement with having something a little more
17 concrete to assure us that we'll get the land, as
18 Representative Keller said, that's needed for us to
19 obtain what we have to do. I would like to see that
20 deal done this afternoon, if possible, that I was
21 not aware of. But I am supportive of Ikea. And I
22 want that other land because that's more beneficial
23 to my membership.

24 And I had an executive board meeting
25 yesterday via phone. And our position is that, if

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2 we could work out the particulars, we would like to
3 see Ikea come, but the right way. And I credit you
4 with -- for the possibilities of finalizing this
5 deal, because I'm sure that this brought the
6 attention to a lot of people. And if they don't
7 want to give us that land for the port, I'll put it
8 on record, I will oppose Ikea. And that's the only
9 way I would oppose it.

10 And I do represent, for the record,
11 Whitman, Pennsport, along with my dear friends who
12 do that. Because that's where my membership lives
13 and that's where I grew up. And I'll always be
14 supportive of that port community. I thank you for
15 your time.

16 COUNCILMAN KENNEY: Thank you very much.
17 Any questions for these witnesses?

18 Councilman Nutter.

19 COUNCILMAN NUTTER: None for these
20 witnesses, Mr. Chairman. I have one for Mr.
21 Cuorato, but I'll wait.

22 COUNCILMAN KENNEY: Thank you for coming
23 in and thank you for your testimony.

24 MR. CANDELARIA: Thank you.

25 COUNCILMAN KENNEY: Next on the list is

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2 James T. McDermott, Philadelphia Regional Port
3 Authority.

4 MR. MCDERMOTT: Thank you, Mr. Chairman,
5 Madam President, Councilmembers. I greatly
6 appreciate this opportunity to address the Council
7 on this. There has been so many misstatements --

8 COUNCILMAN KENNEY: Jim, I'm sorry.
9 You have to formally identify yourself for the
10 record.

11 MR. MCDERMOTT: I'm sorry. My name is
12 James Thomas McDermott, Junior. I'm the Executive
13 Director of the Philadelphia Regional Port
14 Authority. I am going to ask that my recorded
15 statement be put into the record. But because of
16 all that has been said, a lot of what I was going to
17 say in my recorded testimony has been said.

18 I just want to take a minute and give
19 everybody -- because you've heard the name PRPA
20 thrown around all morning, and I just want to make
21 sure that everybody here understands exactly what it
22 is that we're talking about.

23 In 1989, the State of Pennsylvania, at
24 Senator Fumo's urging, stepped in and purchased the
25 holdings of what we all knew to be the Philadelphia

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2 Port Corporation. The Philadelphia Port
3 Corporation, a lot of those finger piers that I'm
4 going to identify for you on that map had shut down.
5 The infrastructure had been let go. The dollars
6 weren't there to continually support the upkeep of
7 the marine terminals.

8 The Commonwealth purchased for \$57
9 million those facilities that primarily are there.
10 The only two facilities that are not in that photo
11 that the Philadelphia Regional Port Authority owns
12 are Piers 38 and 40, which are just a little north
13 of Washington Avenue, and a 107-acre facility up
14 off of Allegheny Avenue, which is the Tioga Marine
15 Terminal. That's where all the fruit comes all
16 winter that we all enjoy so much.

17 But in 1989 in the agreement of sale,
18 the Commonwealth was given, vis-a-vis the
19 Philadelphia Regional Port Authority, specific
20 powers, because these kinds of issues were
21 contemplated even back then. And so we have -- at
22 least our Council tells us we have -- and I have
23 copies. Which I'll submit with my testimony, of the
24 statutes, the relevant statutes, which tells us that
25 we have zoning supersession rights in what we will

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1 call the Port District. And certainly Councilman
2 DiCicco, what we're talking about here today is in
3 the Port District. That's east of I-95 and along
4 the Delaware River there. We also were told by our
5 Council, Reed Smith, that we also could step in and
6 take this land in a condemnation proceeding. Both
7 of those concepts are costly, time consuming and
8 expensive. And we're not about any of that.

9 And, in fact, this is our proposal, no
10 one else's but the Philadelphia Regional Port
11 Authority's proposal. We submitted this to the City
12 of Philadelphia. We said to them, we want Ikea
13 here. We want the other stores here. We want that
14 area to be so designated. However, in exchange for
15 us giving up our rights of using that land some day
16 in the future, for the lay down of vehicles or the
17 lay down of military equipment that will go off of
18 Packer Avenue, we needed some consideration from
19 CSX. The facilities that we're talking about right
20 there starting in the yellow, Pier 124 has been
21 abandoned by CSX for over 20 years. That facility
22 has not handled a ship nor moved cargo in over 20
23 years. We have done preliminary --

24 COUNCILMAN KENNEY: Is that the pier
25

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2 that the State invested a substantial sum of money
3 in?

4 MR. MCDERMOTT: That's the next pier,
5 122.

6 COUNCILMAN KENNEY: Okay. Thank you. I
7 didn't mean to interrupt you. Sorry.

8 MR. MCDERMOTT: Peer 124 -- we have an
9 estimate from Urban Engineers -- will the cost the
10 Authority, to remove the existing equipment that's
11 on there that would not be used in any operation
12 that the Authority would plan for that facility,
13 approximately \$8.8 million. Now, that does not take
14 into account -- and I concede this -- that there may
15 be a salvage value to that equipment or there may be
16 a reuse sale for that equipment which would lower
17 the cost of \$8.8 million. That facility has not
18 been dredged in 20 years. There's probably four or
19 five feet of water there at low tide. It's
20 virtually a useless pier that has sat abandoned.

21 The next piece of property that I want
22 to speak to is 122. And Councilman, that's what
23 you're referring to. Delaware River Stevedores,
24 President Bob Polima (ph), which leases our Tioga
25 Marine Terminal, has a, I believe, a month-to-month

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2 lease on that facility. And that facility had also
3 been closed for many years. The Delaware River Port
4 Authority gave money, over a million dollars, I
5 believe the figure is, a million and a half dollars,
6 to dredge that facility, as well as to repair some
7 of the infrastructure on that facility so that that
8 pier put could be back to work. I'm very proud to
9 say that we're marketing that facility and that
10 facility is back to work and, thanks to public
11 dollars DRS, is working ships there.

12 The next piece of property also in green
13 is what we call the Loop Track. And we need
14 ownership of that land to lay down the bulk product
15 that 122 discharges and needs acreage to lay down.
16 That's approximately, I believe, 19 acres of land
17 there. Once again, there is some leases on that
18 area. You can see those white circles there. There
19 are tanks there. Apparently, Agway was there for
20 many years working and now there's another tenant of
21 the railroads there. We are not about interrupting
22 Delaware River Stevedores' lease. We're not about
23 interrupting the leases of working businesses in the
24 Loop Track. We will assume those businesses,
25 welcome them and, hopefully, they'll become port

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users.

The next piece of property has been abandoned for approximately 20 years. That's the site in purple. It's known as the -- we call it the Whiskey Yard because at one time it was the rail access in and out of the old Pub Liquor site, which is to the left of the Walt Whitman Bridge. That site, as I said, is 28.8 acres.

As Representative Keller testified, now that we are deemed a strategic military port, that land is perfect lay-down space for either containers that are existing on Packer Avenue now and will need a new place when the military uses Packer Avenue, or to lay the military equipment down or, finally, to extend our Poshelot (ph), which is on the south side of Delaware and Oregon Avenue, and somehow attach that property to that, and get that magic hundred acres that we've all been talking about.

The acreage in the red is -- we call the Savage Industry's acreage. It is unused land owned by the railroad that's been leased to an entity called Savage Industries. The railroad has stepped up to the plate and is trying to have some conversations with Savage to see if, in fact, they

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would sublease that land to us. That's 12 acres of land. We would extend the Poshelot (ph) going west along the north side of the Walt Whitman Bridge and, once again, add another very valuable 12 acres of land.

Let me just step back a minute and show you what we do own down there. I think that's important, that we're not a fly-by-nighter here. I mean, this is real land, 5,000 jobs, \$340 million in business revenue and over \$25 million paid in state and local taxes on the acreage and lands and businesses that work off these facilities. We're what's called in the port business, a landlord port. That means that the 82 employees of the Philadelphia Regional Port Authority don't operate our facilities. We lease them out to different terminal operators. And if I could, just for a minute -- because I think it's important that you understand the proximity of this Snyder Avenue yard to the port.

In the picture that was previously up with the big red box, I just want to point out, that's a ship across Delaware Avenue. And there are four ships. You can see the bow of the ship,

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2 the SS United States. That is a vessel. That is a
3 ship. And on the left-hand side of that, every
4 week is another ship. On both sides of the next
5 pier, to the right of the SS United States, are two
6 ships a week. That warehouse right there, the large
7 one, Bob, the new paper warehouse, point that out.
8 That's a PRPA facility that moves -- rail cars go
9 into that facility and take huge roles of paper out
10 of there. That's an active paper plant across the
11 street right to the right of the Snyder Avenue yard.
12 I just wanted to point out what we're talking about
13 here in terms of proximity to trucks and rail.

14 Once again, the jewel of our facilities,
15 as Representative Keller said, the Packer Avenue
16 Marine Terminal, 107 acres leased to cargo systems.
17 It's a multi-purpose facility. It handles
18 containers. It's got freezer capacity,
19 refrigeration capacity, and it's capable of working
20 six ships at a time. This summer on a weekly basis
21 there were five vessels being discharged there
22 weekly.

23 Moving north, going underneath the Walt
24 Whitman Bridge, that's the old Pub Liquor site
25 there. That site is approximately 75 acres --

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2 By the way, Packer Avenue is at
3 capacity. There is no room at Packer Avenue for a
4 new customer right now. And we've just signed a
5 contract with the military to guarantee them 35
6 acres and 2,000 feet of berth space.

7 Pub Liquor site: Steel, slab steel,
8 mattress-sized pieces of steel are discharged at
9 Packer Avenue by longshoremen, and Teamsters truck
10 those slabs over to that site. And that site, if
11 you went down there today, is piled eight high.
12 It's got rail access into the facility and is owned
13 by our terminal operator at Packer Avenue, the Holt
14 family. We ultimately intend to expand Packer
15 Avenue that way, as well as Representative Keller
16 said, to the south to cover in 122 and 124.

17 Moving north, we own Pier 98, which was
18 built by the Army Corp of Engineers pre- 1918,
19 served both world war efforts and currently cannot
20 handle a ship because of the decrepit nature of its
21 aprons. However, the buildings are used as a
22 maintenance and repair shop that support the Packer
23 Avenue Marine Terminal.

24 Once again, moving north, Pier 96.
25 That's the automobile terminal. A ship goes on the

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1 south side of that facility and discharges
2 automobiles into the Poshelot (ph), which we own,
3 which is the 57 acres that currently discharges
4 overflow vessels from Wilmington, primarily a lot of
5 Volkswagens. If you go down there, you'll see
6 Volkswagens and Fords.
7

8 The reason that this yard became
9 initially cantankerous with us, the CSX yard, is
10 Volkswagen is going to leave Wilmington. They've
11 made that announcement. We intend to bid on that
12 work. We need a hundred acres minimum to be able to
13 attract Volkswagen to Philadelphia. And that's why
14 we thought that Snyder Avenue yard was so very
15 important initially.

16 The next pier is Pier 92. It's the old
17 Southwark PECO Power Station.

18 COUNCILMAN KENNEY: Jim, can I interrupt
19 you just for a moment? As I understand your
20 testimony, prior to the promotion of this particular
21 resolution to the problem, there was a possibility
22 for the use of the CSX yard for the overflow
23 capacity of the Poshelot (ph) facility?

24 MR. MCDERMOTT: Respectfully,
25 Councilman, we intended to add that land as if it

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2 was ours.

3 COUNCILMAN KENNEY: So prior testimony,
4 that that particular land is useless to port
5 interests is not accurate --

6 MR. MCDERMOTT: That's not accurate.

7 COUNCILMAN KENNEY: In your opinion?

8 MR. MCDERMOTT: That's correct. And I
9 would particularly emphasize now, as a strategic
10 military port with our first orders for January 4th,
11 we need land.

12 COUNCILMAN KENNEY: Thank you.

13 MR. MCDERMOTT: So let me keep moving
14 here. I apologize if I'm taking too long.

15 The next pier is Pier 84. When the City
16 owned it, it was abandoned. We put it back to work.
17 It's a Teamster operation. It's leased to
18 dependable distribution. It moves cocoa beans.
19 Approximately 24 vessels a year can come through
20 that facility. And all the candy bars that M & M
21 and Mars make come through that facility. The
22 cocoa beans are trucked and railed up to upstate
23 Pennsylvania.

24 Pier 82. A weekly banana service, an
25 entity called Banacol (ph), we lease that facility,

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2 which you can see now we're directly across the
3 street from where we're talking about. We lease
4 that to Horizon Stevedore, Inc. There's 52 vessels
5 a year at that facility. Every Monday and Tuesday
6 the vessels are discharged in the refrigerated
7 warehouse base and then trucked or railed out of
8 that facility to the supermarkets.

9 Pier 78 and 80, I'll combine them. And
10 the new paper warehouse there -- that's what we call
11 it, the new paper warehouse. That's our forests
12 products center. That handles two vessels a week,
13 52 weeks a year. And it's huge roles of paper that
14 get trucked and railed out of that facility.

15 As I indicated, we own Pier 38 and 40,
16 which is essentially across from old Swede's Church.
17 They take scrap paper every week out of Philadelphia
18 and take it back over to Finland to make the
19 finished paper products. These are 5,000 real jobs;
20 longshoremen, Teamsters, machinists, boilermakers
21 every day going to work with guaranteed
22 40-hour-a-week pay, a lot of overtime in our winter
23 months. So these are jobs. These are real. We can
24 touch them. You saw their president here today.

25 I say all that to you to tell you that

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2 we're not opposed to Ikea, not in the least. But I
3 heard someone say on a Sunday talk show on the TV
4 the other day that this can be the new King of
5 Prussia. King of Prussia doesn't have thousand-foot
6 vessels across the street from it. It doesn't have
7 the railroad going right by that very site on the
8 Philadelphia belt line. So that's the situation
9 that we're facing.

10 And I want to thank Councilman DiCicco
11 and state emphatically that we need this to be the
12 two-step process that you suggest. Because we've
13 had a lot of happy talk, a lot of positive meetings.
14 But I went down there 14 months ago and told them
15 when this went up for sale that we were going to be
16 here. This day was going to come unless they dealt
17 with us and dealt with us reasonably. We left them
18 the law. We notified everybody we had to notify.
19 And all we were told was, we didn't think you
20 guys -- we didn't understand whether you were the
21 DRPA or the PRPA or what it is that you guys do. I
22 think that we have put forward a very reasonable
23 solution.

24 You heard Senator Fumo on the costs. We
25 have retained and are moving forward with Keystone

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Appraisals. Harvey Levin is the principal there. I understand he does a lot of City work. He has appraised the purple site, for want of a better word, the Whiskey Yard, at approximately \$1.5 million. He says Pier 122 and Pier 124 have a negative value. And we are busily working on the Savage Yard site, as well as the other lands, to try to come up with a fair market value.

Understand that for us, fair market value isn't giving the Port Authority anything for giving up its rights. We have, according to Reed Smith and according to our statute, the right to take this land today at fair market value. I'm not going to say you can do that overnight. I'm not going to say that's free or that's not a lot of cost involved and we haven't been fighting.

And I'll close by saying this: I was the executive director nine years ago when we traded 55 acres that Councilman Kenney talked about earlier today. We traded 55 acres and we got \$7.5. There was a second component to that. We were told, What are you worried about? We're going to get the Navy Yard. You guys are going to have more land and more water space than you've ever dreamed." There is

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2 water-borne capabilities at the Navy Yard. The
3 Navy wisely kept it all.

4 Every job opportunity and business
5 opportunity that we think makes sense and we send
6 over to PIDC is flatly rejected. So there is no
7 more land, as we were promised eight years ago. We
8 were promised this would never happen again. We
9 took that as gentlemen and now it's happening
10 again. And we're not objecting because it is in
11 the best interest of the City. It is the highest
12 and best use of that land. We want that there. But
13 we need the accommodations and the help of this
14 Council. This isn't winks and nods and hope that
15 this is going to happen. Not like last time. This
16 time we need your help.

17 And Councilman DiCicco has helped us by
18 the bill he has put forward. What leverage would I
19 have? I wouldn't be sitting here today probably
20 boring some of you if Councilman Longstreth's 44
21 acres are going in. Ball game over. I've got to
22 move and try to condemn that land.

23 And we've had that land appraised.
24 Keystone appraised that 44 acre site as \$6.75
25 million in its current zoning. I'll stand with

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1
2 Keystone and the way they determined that. So we
3 ask you for your help today. I acknowledge Senator
4 Fumo and I acknowledge Representative Keller and all
5 the help that they are to this port each and every
6 day. And Councilman DiCicco, I thank you very much
7 for this opportunity today.

8 COUNCILMAN KENNEY: Thank you, Jim. I
9 appreciate your testimony. And I think one of the
10 important parts or one of the overall macro issues
11 in your testimony is the explanation to the press
12 and to Members of Council and to the public at large
13 that the port exists and it's important. And,
14 again, we'll reiterate the other theme, that's it's
15 not necessarily sexy. But it is well-paying jobs
16 that really make this region an important hub for
17 economic development and commerce. I don't think
18 some -- a lot of times that's not understood or
19 appreciated. And, again, I think what you're saying
20 to us is, we don't mind the encouraging of retail
21 and commercial. We think things like this are
22 inevitable and good for the City, but just keep us
23 whole and allow us to compete.

24 MR. MCDERMOTT: That's correct. And
25 I'll also point out why these lands -- even though

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2 there may be environmental concerns, the land south
3 of the Walt Whitman Bridge are important to us
4 primarily because these vessels are getting larger
5 and larger. And in our lifetimes, the Walt Whitman
6 Bridge will be an impediment to the container ships
7 and to a lot of the different types of vessels that
8 we see. Already, the Ben Franklin standing at 135
9 feet is a -- container ships can no longer go to
10 Tioga.

11 COUNCILMAN KENNEY: Unless we get
12 dredging.

13 MR. MCDERMOTT: Well, that might help.
14 This is an air draft --

15 COUNCILMAN KENNEY: Okay. So dredging
16 is not an issue?

17 MR. MCDERMOTT: No, it's not a dredging
18 issue.

19 COUNCILMAN KENNEY: Okay. Thank you.
20 Councilman O'Neill.

21 COUNCILMAN O'NEILL: Yes. A couple
22 questions for Mr. McDermott. Two questions I have.

23 One, when Keystone did the appraisal
24 that you just referred to at the end of your
25 testimony, did Keystone do any appraisal on the

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2 valuation for highest and best use?

3 MR. MCDERMOTT: I don't believe so. If
4 I could just affirm. I don't believe so.

5 MR. MCLAUGHLIN: It was determined that
6 that was highest and best use. Industrial.

7 COUNCILMAN O'NEILL: But they didn't do
8 any appraisal for commercial?

9 MR. MCDERMOTT: For commercial purposes,
10 no.

11 COUNCILMAN O'NEILL: And you've been in
12 all the meetings that have been referred to that
13 some people have been in and other people haven't
14 been in for 14 months. Do you think that if it
15 becomes clear to all the parties, as I think it will
16 be if it isn't already, that this bill is not going
17 to come out of City Council without the port being
18 at the table signing off on it that this could be
19 done in 24, if not a few more than 24 hours?

20 MR. MCDERMOTT: That's correct. I
21 believe the deal that Senator Fumo put on the table
22 and put on the table a couple of different times in
23 meetings is a deal I can sell to my board. Let me
24 explain --

25 COUNCILMAN O'NEILL: That's the deal --

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2 I want to make clarities. I've talked to you and
3 others on this in the past several weeks. The deal
4 isn't the Fumo deal or the Senator Fumo deal or
5 Vince's deal. This is a deal that he learned about
6 at a meeting he alluded to in his testimony that the
7 port has been trying to effectuate for some time.

8 MR. MCDERMOTT: That's correct.

9 COUNCILMAN O'NEILL: I don't want this
10 tied up and confused.

11 MR. MCDERMOTT: No, I understand. At
12 Representative Keller's urging this summer, we put a
13 master plan together for the port knowing that this
14 was going to be an issue. This was an in-house plan
15 done by our Strategic Planning Department on how we
16 can take care of the port for the next hundred years
17 and also allow good solid retail to go into the
18 Snyder Avenue yard.

19 COUNCILMAN O'NEILL: Thank you. I think
20 you guys have been very nice at the port. I think
21 your demands are very low. And I would hope within
22 a very short period of time, meaning between now
23 and Thursday morning, we can get this thing
24 resolved.

25 COUNCILMAN KENNEY: Thank you very much.

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2 Councilman Ortiz.

3 COUNCILMAN ORTIZ: Mr. McDermott, I
4 think we had a much longer debate when we had the
5 55-acre lot being put forward in this Council. And,
6 actually, we had a much longer Council meeting
7 because it went into the evening in terms of the
8 proposed Wal-Mart, Home Depot boxes that were going
9 to go in there. Some of you remember that I was
10 very vehement because I thought it was a bad deal
11 for the City. It was, I think, prime real estate
12 riverfront land that could have been utilized. I
13 think Wal-Mart and Home Depot can probably go any
14 place across the City. But I remember those
15 promises that were made at that point and we argued
16 very vehemently for that. It surprises me that none
17 of those things have been kept. But for matter of
18 clarification, I think it is good to remember the
19 way things were done prior before we take this
20 issue.

21 MR. MCDERMOTT: Thank you.

22 COUNCILMAN KENNEY: Councilman Clarke.

23 COUNCILMAN CLARKE: Thank you, Mr.

24 Chairman. Good afternoon, Mr. McDermott.

25 MR. MCDERMOTT: Councilman.

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1 COUNCILMAN CLARKE: Mr. McDermott, first
2 of all -- and I guess I should have asked this
3 earlier when the Senator was here, but as I keep
4 hearing reference to a particular deal that's on the
5 table, I guess my question is -- and I know my
6 colleague, Councilman DiCicco, has been involved
7 throughout the process. Not being very
8 knowledgeable of the port beyond maybe going to Dave
9 and Buster's, I think the closest thing I have to a
10 port in my district is Boat House Row. I'm getting
11 a lot of knowledge today.

12 Is there anything in writing that lays
13 out the scenario that's before some of the
14 individuals because it's -- in a brief presentation,
15 it's somewhat difficult for a person who's not
16 familiar with the site and hasn't participated in
17 the various discussions what the actual,
18 quote/unquote, deal would be, at least with respect
19 to some of the individuals involved in the process.

20 MR. MCDERMOTT: Yes, sir. We gave to
21 the City of Philadelphia at some point, I guess in
22 September, six requests that the Port Authority had
23 as it pertained to Snyder Avenue. This morning,
24 I've only spoken to the rail components because I
25

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2 want to echo Jim Cuorato and tell you that he has
3 been very up front with us. There is a role that
4 the City is going to have to play in this, and I
5 trust that he is moving in that direction. That
6 was in reference to the old Delaware Avenue -- the
7 service yard. So, yes, we have put this in writing.
8 This has been in Ikea's hands, CSX's hands,
9 everyone's hands for -- since September.

10 COUNCILMAN KENNEY: Jim, Council
11 President requests if we could get a copy of that
12 at this point. If you have any personal notes -- I
13 think there's some personal notes on the back of
14 there.

15 COUNCILMAN CLARKE: Does it reference
16 the different locations, the Whiskey Site --

17 MR. MCDERMOTT: Yes, it does. I'll read
18 just the headings. Expand the Packer Avenue --

19 COUNCILMAN CLARKE: You don't have to
20 read it. If you could just provide a copy of it
21 during the course of the deliberations here.

22 MR. MCDERMOTT: I have some notes on the
23 back of that. It's the only one I have, but --

24 COUNCIL PRESIDENT VERNA: Can we just
25 make copies of this? And I assure you the back will

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2 not be copied.

3 MR. MCDERMOTT: Sure.

4 COUNCILMAN CLARKE: Not having a lot of
5 knowledge about the port's -- with respect to your
6 organization, I think I may have heard of it from
7 time to time, but I'm not very familiar with it.
8 I'm trying to get a sense of -- I understand the
9 creation of the organization. And, subsequently,
10 the organization was able to acquire land through
11 what process? Because during your testimony you
12 referenced the fact that you either helped develop
13 or lease various portions of the port. How did you
14 become title holder to the properties in question,
15 just to familiarize myself with the organization?

16 MR. MCDERMOTT: In 1989 the State -- the
17 Commonwealth of Pennsylvania purchased the holdings
18 of the Philadelphia Port Corporation, which I
19 understand to have been a City agency that was the
20 manager for the City of these different marine
21 terminals that I've just outlined. I believe the
22 purchase price was \$57 million. The agreement of
23 sale is probably 12 inches thick. It's a leather
24 bound book. And since then, the Authority has
25 approximately put a \$100 million of state capital

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1
2 dollars into these different facilities. These are
3 essentially, in our business, these finger piers
4 that you see are antiquated. They're yesterday's
5 news. And our ultimate plan is to ultimately have
6 Philadelphia have three or four super terminals
7 similar to Packer Avenue and ultimately do away with
8 those finger piers and marginalize the berthing and
9 then fill in behind them. And as Representative
10 Keller said, we're trying to do this in consistency
11 and with, hopefully, the dredging of the Delaware
12 River from 40 to 45 feet.

13 COUNCILMAN CLARKE: Your ability to
14 finance projects is solely depending on state
15 capital assistance, or do you have the ability to
16 leverage financing through bond proceeds or
17 yourself?

18 MR. MCDERMOTT: We have done bond
19 issues. We're currently refinancing a bond issue at
20 the Port Authority. Governor-Elect Rendell has
21 pledged an \$88 million bond issue to the
22 Philadelphia Regional Port Authority for a lot of
23 these improvements we're talking about. We have the
24 capability to take commercial loans. We've done
25 that. But, Councilman, 90 percent has been relying

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2 on the Capital Budget, which is the Legislature
3 approving a budget and the Governor releasing the
4 funds.

5 COUNCILMAN CLARKE: But you do have
6 the wherewithal to maintain financing beyond
7 that?

8 MR. MCDERMOTT: Yes, sir.

9 COUNCILMAN CLARKE: I don't know
10 where the State's going to go. I know there are
11 a lot of promises made during the course of the
12 election, but we are all suffering from fiscal
13 decisions that we have to make in the near
14 future. So I'm just concerned as to whether or
15 not you had the ability to finance projects
16 beyond the State.

17 MR. MCDERMOTT: Yes.

18 COUNCILMAN CLARKE: Okay. Thank you.
19 Thank you, Mr. Chairman.

20 COUNCILMAN KENNEY: Are there any
21 other Members of the Committee that have
22 questions before we go to other Councilmembers?

23 Councilman Nutter.

24 COUNCILMAN NUTTER: Thank you, Mr.
25 Chairman. You have made reference in your

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2 testimony with regard to the issue -- and I'm
3 reading from your testimony now on Page 4 --
4 "That is why when this public discussion began,
5 we thought it was prudent to alert all interested
6 parties to our concern and remind them that we
7 have the lawful authority to keep that area zoned
8 for port industrial purposes."

9 You had made reference to, I believe,
10 having copies of the referenced statutes. Could
11 you point my attention to that? And if you have
12 an extra copy, I'd certainly like to have an
13 opportunity to look at it. Thank you.

14 Can you direct me to the appropriate
15 citation?

16 MR. MCDERMOTT: Yes. I'll read,
17 "Location of Port Facilities and Project."

18 COUNCILMAN NUTTER: Is this Section
19 21?

20 MR. MCDERMOTT: 697.21. "The
21 Authority may pursue its purposes and exercise
22 its powers and authority under this Act to locate
23 port facilities and port-related projects within
24 the port zone, notwithstanding any zoning
25 ordinance or regulation adopted or enacted by a

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2 political subdivision under the authority of any
3 statute or under the authority of any Home Rule
4 Charter authorized and adopted under any statute
5 or the Constitution of Pennsylvania."

6 COUNCILMAN NUTTER: What does that
7 section mean to you?

8 MR. MCDERMOTT: That would mean to me
9 that -- and I'm an attorney, but I don't
10 practice law and I don't pretend to be an expert
11 on this. But it would mean to me that if Council
12 went and rezoned the 44 acres over our objection,
13 that somehow we could override that Council
14 action and petition for that 44 acres to remain
15 in what I call the port industrial zoning that
16 it's currently in.

17 COUNCILMAN NUTTER: Can you tell me
18 based on the statute, what is designated as the
19 port zone and is there -- I'm assuming there must
20 be another provision in the statute that
21 describes or lays out what the port zone is?

22 MR. MCDERMOTT: The port zone -- it
23 runs from Bucks County to Delaware County and
24 it's one mile going west from the river.

25 COUNCILMAN NUTTER: Is that

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2 described in that particular statute as well?

3 MR. MCDERMOTT: If you don't mind,
4 this is Bill McLaughlin, our Government Affairs
5 Director.

6 COUNCILMAN KENNEY: Mr. McLaughlin,
7 please identify yourself for the record.

8 MR. MCLAUGHLIN: I'm Bill McLaughlin.
9 I'm the Government Relations Director for the
10 Port Authority. The Act 50 of 1989 which created
11 the Philadelphia Regional Port Authority mandated
12 that we cooperate with the coastal zone
13 management process and develop a port zone and
14 file that with the Department of Environmental
15 Protection. That zone is roughly -- and I can
16 produce a map, Councilman, not today, but we can
17 provide you with it. It's roughly from the top
18 of Bucks County to the bottom of Delaware County
19 and about a mile in from the river. And in that
20 zone we're told we can exercise the prerogatives
21 of the Act.

22 COUNCILMAN NUTTER: If you could
23 provide to the Chair a copy of the appropriate
24 section of the statute that you refer to which
25 describes the, quote/unquote, port zone, I would

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2 greatly appreciate it.

3 Mr. McDermott, you've also made
4 reference to legal advice that you've received
5 from a particular law firm. Has that advice been
6 reduced to writing?

7 MR. MCDERMOTT: Yes, it has.

8 COUNCILMAN NUTTER: Do you have a
9 copy of it?

10 MR. MCDERMOTT: Of Reed Smith's
11 opinion?

12 COUNCILMAN NUTTER: If that's what it
13 is.

14 MR. MCDERMOTT: I do have a copy.

15 COUNCILMAN NUTTER: Are you in a
16 position to --

17 MR. MCDERMOTT: Councilman, with all
18 due respect, if I may check with the law firm to
19 make sure I'm not violating any attorney/client
20 privilege.

21 COUNCILMAN NUTTER: I understand.

22 My question was going to be if you
23 were at liberty to share it.

24 MR. MCDERMOTT: And if I am able to
25 do that, I'll provide it to the Chair.

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2 COUNCILMAN NUTTER: I would greatly
3 appreciate it.

4 Mr. Chairman, with your permission,
5 I'd like to ask if there is, in fact, a
6 representative from CSX in the audience, if that
7 person could approach the table for a question.

8 MR. PRIMAVERA: This is Carl
9 Primavera again, counsel for CSX.

10 COUNCILMAN KENNEY: Please identify
11 yourself for the record.

12 MR. HURLEY: My name is Kevin Hurley.
13 I'm Assistant Vice President for CSX Real
14 Property.

15 COUNCILMAN NUTTER: Is it Hurley?

16 MR. HURLEY: Hurley.

17 COUNCILMAN NUTTER: H-U-R --

18 MR. HURLEY: L-E-Y.

19 COUNCILMAN NUTTER: Mr. Hurley,
20 you've had either the pleasure or the discomfort
21 of hearing a lot of testimony, a lot of comments
22 and a lot of discussion back and forth. Could
23 you share with us, for the record, your views on
24 the items that have been discussed from the
25 various perspectives, whether it's the port

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2 perspective or the City perspective, and now you
3 represent, naturally, the CSX perspective
4 matters? You're obviously an integral part of
5 any of these projects going forward and play a
6 central role in possibly resolving an item of
7 very serious nature, but also serious dispute
8 between and among a variety of parties. Can you
9 tell us, for the record, where CSX is on all of
10 these matters?

11 MR. HURLEY: Well, I didn't come
12 prepared to make a presentation.

13 COUNCILMAN NUTTER: Well, I
14 understand that, but the way this works is, once
15 you come on the field, you can always be called
16 on to play. You're in the game.

17 MR. PRIMAVERA: Councilman, again,
18 without risking the ire of the Chair, I am
19 prepared to address these comments.

20 COUNCILMAN NUTTER: You risk it every
21 day, Mr. Primavera. That isn't going to stop
22 you.

23 MR. PRIMAVERA: I thought on the
24 agenda that we were going to be next and we
25 would make a formal presentation. I don't know

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1
2 whether you would be willing to wait for that
3 formal presentation or whether you have a
4 specific question of Mr. Hurley. But I was
5 going to, on behalf of CSX, since it's a large
6 organization and Mr. Hurley doesn't own it, but I
7 am authorized to speak on behalf of CSX and make
8 a presentation. But if you would like to ask
9 him a specific question, I won't interfere with
10 that. But the presentation will be mine to make
11 and then you can ask him specific questions off
12 of that presentation.

13 COUNCILMAN NUTTER: I appreciate your
14 accommodation in allowing me to ask the questions
15 that I'd like to ask. I would like to ask Mr.
16 Hurley the questions -- or at least the one
17 question that I laid out to him. I understand
18 that he may not own the company, but he is a
19 representative. He's here in our Chambers. The
20 Chairman, for whatever reason, has accommodated
21 me the opportunity to ask the question, so I'd
22 like to ask the question.

23 MR. HURLEY: Okay. Your question
24 isn't a simple one. It involves a great deal of
25 history. Going back, I guess, to when CSX

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acquired a portion of Conrail and was able then to invest in South Philadelphia in order to free up the property that's in question now for rezoning.

CSX, at the time it acquired Conrail, made a pledge to the City and to the State to make investments in the State and the City relative to economic development, specifically rail-related economic development.

In addition to that, they made a pledge to support the City's efforts at that time to attract Kvaerner Ship Yards to the City. That pledge was to provide financing in the amount of \$2 million for five years to support the Kvaerner operation. We also agreed to provide -- or committed to make available a fund of \$5 million that was to be used for rail-served economic development throughout the City. This was to be done on a project-by-project basis, projects submitted to CSX and then to the Governor's Action Council to determine whether they qualified for funding for that program. To date, no proposals have been made to CSX.

COUNCILMAN NUTTER: I'm sorry. How

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2 long has that been?

3 MR. HURLEY: It was since 1998.

4 COUNCILMAN NUTTER: Okay.

5 MR. HURLEY: With regard to the
6 specific issue at hand today, I think it's fair
7 to say that we've been negotiating in good faith
8 with the Port Authority since we received
9 their -- it was referred to as a wish list, the
10 items that they felt necessary to support the
11 expansion of the port.

12 COUNCILMAN NUTTER: Now, is this
13 specifically Piers 122 and 124; is that what
14 you're talking about?

15 MR. HURLEY: That's correct. In
16 addition to the Whiskey Yard and what's referred
17 to as the Savage Yard.

18 COUNCILMAN NUTTER: Mr. Hurley, I
19 apologize. I did get your name down. What I did
20 not get was, what is your position with the
21 company?

22 MR. HURLEY: Assistant Vice
23 President.

24 COUNCILMAN NUTTER: For?

25 MR. HURLEY: For CSX Real Property.

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2 We act as agent for the transportation company in
3 real estate matters.

4 COUNCILMAN NUTTER: I apologize. Go
5 ahead.

6 MR. HURLEY: And I think it's fair to
7 say that since we received that --

8 COUNCILMAN NUTTER: And when did you
9 receive that?

10 MR. HURLEY: I think it was in the
11 same time frame that Jamie McDermott referred to,
12 around September.

13 COUNCILMAN NUTTER: Is this the 14
14 months?

15 MR. HURLEY: No, no. This wish list,
16 I'll refer to it since that's what it was
17 referred to previously, was presented to us
18 sometime in September. And we've been working
19 since then with them to try to address some of
20 these concerns.

21 Given the fact that CSX does not own
22 a great deal of the property that's of interest,
23 and there are --

24 COUNCILMAN NUTTER: Say that again.
25 Does not own?

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2 MR. HURLEY: CSX does not own a great
3 deal of the property that is of interest to the
4 port. We have a partial interest in it. It's
5 less than 50 percent interest in most of the
6 property.

7 COUNCILMAN NUTTER: Who is the other?

8 MR. HURLEY: The other owner of
9 Conrail is Norfolk Southern, and they have a
10 majority interest in the properties that are
11 owned by Conrail.

12 COUNCILMAN DICICCO: Point of
13 information.

14 COUNCILMAN KENNEY: Point of
15 information, Council DiCicco.

16 COUNCILMAN DICICCO: Are you speaking
17 to your portion of an interest, Piers 122, 124,
18 the Whiskey Yard and the Savage Yard? You said
19 that CSX does not own all of those in its
20 entirety?

21 MR. HURLEY: That's correct.

22 COUNCILMAN DICICCO: You're not
23 speaking to the CSX yard?

24 MR. HURLEY: No.

25 COUNCILMAN DICICCO: CSX does own

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2 that in its entirety?

3 MR. HURLEY: We do.

4 COUNCILMAN DICICCO: That's

5 approximately 44 acres?

6 MR. HURLEY: Approximately, yes.

7 COUNCILMAN DICICCO: Thank you.

8 Thank you.

9 COUNCILMAN NUTTER: Thank you,
10 Councilman, because, you know, if you had not
11 jumped in with that, Mr. Primavera would have
12 jumped in to make sure that I was not confused
13 about what Mr. Hurley had said. Not to be
14 confused with Mr. Smith, who had had the previous
15 confusion from the other discussion.

16 COUNCILMAN KENNEY: In this
17 particular case, it is appropriate that Mr.
18 Primavera is representing his client.

19 COUNCILMAN NUTTER: Oh, no question.
20 For which he's said nothing so far. Mr. Hurley
21 is doing a great job.

22 MR. PRIMAVERA: As long as the truth
23 is available, I won't object. When we waiver
24 from that, I feel the need to object. Thank you.

25 COUNCILMAN NUTTER: As deemed by Carl

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2 Primavera.

3 Mr. Hurley, please continue.

4 MR. HURLEY: I think I need to point
5 out when CSX made the commitment to the City and
6 to the State to make an investment in South
7 Philadelphia, we did just that by spending \$20
8 million on a new intermodal yard.

9 The intermodal yard that operated at
10 the subject site was not an efficient operation
11 and it wasn't large enough to support the
12 intermodal business that was being generated by
13 the port. We spent \$20 million on a piece of
14 property that we acquired through the Conrail
15 acquisition in Greenwich Yard, which is just
16 south of Oregon Avenue and just to the left of
17 the area shown in green on that map. When we did
18 that investment, we did it with the understanding
19 that -- external understanding that it would be
20 something that would be a benefit to the port,
21 and I think to date it has been. We also
22 believed that this would free up this property
23 for a resale on our part so that we could recoup
24 some of the investment that we did from the
25 construction of the new intermodal yard.

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2 COUNCILMAN NUTTER: Well, let me ask
3 this question, Mr. Hurley. What is your
4 perspective on the ability to make -- putting
5 aside the various colors up on the map. I'm
6 starting to get a sense that somewhere on that
7 map represents an opportunity for all the various
8 parties to get what they want, whether it's Ikea,
9 Lowes, Best Buy, ILA, all the various parties.
10 Their solution seems to be up on the map in the
11 various colors. Your company is a central
12 linchpin to all of that. What's your perspective
13 on the opportunity to create, in the best use of
14 the term, a deal that results in everyone getting
15 what they want up here without some of the back
16 and forth and the acrimony that goes with the
17 current situation? How realistic is that?

18 MR. HURLEY: I think it's realistic.

19 COUNCILMAN NUTTER: What's the time
20 frame for that realism?

21 MR. HURLEY: Well, I think this is a
22 negotiated process and I can't really say when
23 the negotiations stop.

24 COUNCILMAN NUTTER: From your
25 perspective, they have started?

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2 MR. HURLEY: O, I think they've been
3 ongoing.

4 COUNCILMAN NUTTER: Okay. Do you
5 have any sense -- one of the parties at least has
6 established what sounds like a fairly firm
7 deadline for what they'd like to get done in
8 their part of the process. Do you have any such
9 deadline for the rest of the process?

10 MR. HURLEY: I'm not sure which
11 deadline you're referring to.

12 COUNCILMAN NUTTER: I think we've
13 been told, at least on the 44-acre site that you
14 own outright, and whether it's this bill, an
15 expanded bill or any other Bill, Ikea, Lowes,
16 Best Buy -- at least the Ikea folks. We haven't
17 heard from, I think, the other two -- would like
18 to see action taken by December 19th. I think
19 Mr. Cuorato in his -- it wasn't in his
20 testimony, but in response to questions, said
21 that he'd certainly like to see various
22 agreements of sale, letters of intent,
23 appropriate nod, winks, or secret handshakes or
24 any other form of appropriate communication
25 between, I guess, CSX and the port by or around

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2 that same time. He's tried, I think, within his
3 jurisdiction to establish a bit of deadline on
4 that part, the second part. So I'd like your
5 perspective on that.

6 MR. HURLEY: I think it's possible to
7 come to some agreement with the port that's a
8 win/win situation for CSX and the port within
9 that time frame.

10 COUNCILMAN NUTTER: Is it in your
11 interest to have such a transaction take place?

12 MR. HURLEY: Yes, it is. CSX and
13 Norfolk Southern and Conrail all benefit from
14 traffic that's generated through the port.

15 COUNCILMAN NUTTER: What's stopping
16 it from happening?

17 MR. HURLEY: To a certain degree, as
18 I said, it's a negotiating process. We've heard
19 from the port in terms of what they feel is
20 necessary. We've responded once. We will
21 respond again. I think it's --

22 COUNCILMAN NUTTER: What's the main
23 obstacle, Mr. Hurley?

24 MR. HURLEY: I think the main
25 obstacle is -- I'm not sure that there is a main

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2 obstacle. I think that it's just a --

3 COUNCILMAN NUTTER: Well, that's nice
4 to hear. What's the problem?

5 MR. HURLEY: It's a question of each
6 party recognizing the needs and requirements of
7 the other party and then coming to some mutual
8 agreement.

9 COUNCILMAN NUTTER: What are your
10 needs and requirements?

11 MR. HURLEY: Well, I think CSX needs
12 to have -- as we are a public company and
13 responsible for shareholders, we need to receive
14 fair market value for whatever property we are
15 going to be conveying to the port.

16 COUNCILMAN NUTTER: What's the fair
17 market value of your property?

18 MR. HURLEY: We are currently having
19 that appraised.

20 COUNCILMAN NUTTER: Do you have a
21 ballpark figure?

22 MR. HURLEY: I don't really know.

23 COUNCILMAN NUTTER: Mr. Cuorato said
24 he had heard certain figures when we were asking
25 earlier questions. Have you heard any figures

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2 about your property?

3 MR. HURLEY: If you're talking about
4 the property on Snyder Avenue --

5 COUNCILMAN NUTTER: Mr. Hurley, I
6 have to admit to you, I'm not sure if my life
7 depended on it at the moment I would know where
8 any of these properties are. I'll be looking for
9 the big box with a name on it is the only way
10 I'm going to find any of these properties. I
11 don't know where any of that is down there. It's
12 just so far out of my universe.

13 MR. HURLEY: The Snyder Avenue
14 property is the one that's subject to rezoning
15 right now, in blue. And we had it appraised for
16 commercial uses and it appraised in the ballpark
17 of what our current contract with Goldenberg
18 Group is. We did not have it appraised as
19 industrial --

20 COUNCILMAN NUTTER: Obviously, I
21 don't have a copy of that contract. What are
22 you talking about?

23 MR. HURLEY: I think the Councilman
24 had indicated that the value of the property
25 commercially was around \$20 million. It wasn't

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2 the Councilman. I think it was Mr. Cuorato.

3 COUNCILMAN NUTTER: I think that was
4 Mr. Cuorato.

5 MR. HURLEY: Mr. Cuorato, yes.

6 COUNCILMAN NUTTER: That was one of
7 the numbers he had heard. And the other
8 properties you're having appraised now?

9 MR. HURLEY: That's correct.

10 COUNCILMAN NUTTER: But you don't
11 know what the values are on those?

12 MR. HURLEY: No, I don't.

13 COUNCILMAN NUTTER: Okay. So your
14 needs are to get fair market value for properties
15 that you don't necessarily have a figure on at
16 the moment?

17 MR. HURLEY: That's correct.

18 COUNCILMAN NUTTER: When do you
19 expect the appraisal to be done?

20 MR. HURLEY: We are told that they
21 will done around mid-January.

22 COUNCILMAN NUTTER: Mid-January. Mr.
23 Chairman, if you would accommodate me one last
24 time and then I'll go away, because my oatmeal is
25 wearing off. Could I have Mr. Cuorato and Mr.

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2 McDermott at the table with Mr. Hurley?

3 What I'd like to ask the three of you
4 -- and I'd like each of you to answer the same
5 question. One, have all three of you been in the
6 same discussions about the matters that are in
7 front of us today at the same time?

8 MR. MCDERMOTT: Yes.

9 MR. HURLEY: Yes.

10 MR. CUORATO: Yes.

11 COUNCILMAN NUTTER: And when do you
12 anticipate next having further discussions?

13 MR. MCDERMOTT: I was hoping today.
14 We had a meeting last night and there was
15 supposed to be a response from CSX.
16 Unfortunately, all they were able to get to us is
17 essentially a memo of what yesterday's meeting
18 accomplished. We have not heard back officially,
19 I don't believe, from the offer that you've all
20 heard here today.

21 MR. HURLEY: What CSX provided to the
22 port yesterday was a proposal that we were
23 willing to make to the port as to address some of
24 their needs, which involved discounting the
25 properties that CSX owns and the portions of the

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2 property that Conrail owns that CSX has a vested
3 interest in. We have been told that that's not
4 acceptable to the port and we are reevaluating
5 that situation.

6 MR. CUORATO: This afternoon.

7 COUNCILMAN NUTTER: I have obviously
8 no idea what is ultimately going to happen with
9 this bill. I guess any number of things can
10 happen between now and sometime Thursday when
11 Council's in session and we receive a report
12 potentially from this Committee, or not receive
13 a report from this Committee. Does it add
14 anything to the discussion if all the various
15 parties potentially understood that -- I mean, it
16 appears to me that the City's overall interest
17 -- Mr. Cuorato, I'll ask you to respond to this
18 directly -- is the City's overall interest best
19 served by having this work out in some way,
20 shape, or form as it's been laid out on the
21 diagram in front of us and based on the various
22 comments and discussions by all of the various
23 parties, whether it's the port, CSX, the ILA
24 union, the City's position? I mean, is it your
25 position that there is a win all the way around

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2 the board for all the parties involved if this
3 kind of transaction is put together?

4 MR. CUORATO: Yes.

5 COUNCILMAN NUTTER: Does the
6 legislation in front of us -- forget about the
7 size of the parcel and how many acres and the
8 like. I mean, we have a legislative matter in
9 front of us. We have basically a couple days
10 before a report would be made to Council. Is it
11 of any interest to anyone that this Bill could
12 serve as the vehicle that forces the various
13 parties to wrap up, in their best interest, these
14 negotiations to make a win for the entire City of
15 Philadelphia and that the fate of this Bill
16 ultimately determines what happens here?

17 MR. MCDERMOTT: Yes.

18 MR. HURLEY: I think that's correct.

19 MR. CUORATO: Yes.

20 COUNCILMAN NUTTER: Mr. Cuorato, let
21 me ask one last question and then I'll
22 relinquish.

23 If it's true that the Port Authority
24 has the authority that the statute would seem to
25 indicate, and this particular bill goes forward,

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2 let's say it was even for the expanded area that
3 you've requested, let's say it was for the entire
4 44 acre site, what is your perspective on the
5 possibility that Ikea, Lowes, Best Buy and
6 anybody else that wants to show up, that that
7 would actually happen if the port exercises
8 whatever authority the port believes that it has?
9 What happens then?

10 MR. CUORATO: Well, I believe -- and
11 this is in contrast to the testimony that was
12 presented earlier by Senator Fumo. I believe
13 that if there is a further delay in this process,
14 we will lose Ikea. Mr. Smith can testify or can
15 answer that question for himself and for his
16 company. But based upon the discussions we've
17 had, I believe that we will lose Ikea. And as I
18 testified, this all may come tumbling down. And
19 I've tried to make the point, Councilman, that we
20 support expansion of the port and we're working
21 to try to get this resolved.

22 But by the same token, I'm sitting
23 here today bringing you a project that will
24 create 1,000 new permanent jobs, over 300
25 construction jobs and \$4 million a year in new

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2 City tax revenues. That is a real project that's
3 right here in front of us. And I'm not saying we
4 shouldn't put pressure on the parties so that
5 this becomes a win/win for everyone, but I don't
6 want us to lose sight of that fact.

7 COUNCILMAN NUTTER: I understand that
8 and I would agree with that. But I will not take
9 it that your last statement means that you're
10 willing in any way, shape, or form to walk away
11 from, turn your back on or discount the
12 presentation as made by Mr. McDermott with regard
13 to what the port has on its drawing board. I
14 mean, do you feel that those ideas, interests,
15 concepts are any less real or represent any less
16 value to the City of Philadelphia or represent
17 less jobs or represents less economic
18 development? Aren't they both important?

19 MR. CUORATO: They are. And I
20 testified very clearly that they're both
21 important. And as I said during my testimony and
22 in response to questions, these are not mutually
23 exclusive goals. The port can be accommodated
24 and this development should be accommodated.

25 COUNCILMAN NUTTER: I understand

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2 that. But what I'm hearing today, and based on
3 the action that we're being asked to take, I'm
4 left with the impression that the result of our
5 action could quite possibly result in mutual
6 exclusivity; isn't that correct?

7 MR. CUORATO: I'm sorry, Councilman.
8 I don't understand the question.

9 COUNCILMAN NUTTER: Are you just
10 trying to buy more time or you just want me to
11 rephrase the question?

12 I'll give you another question. Do
13 you want another question? I'll give you
14 another question.

15 From your perspective, is it
16 possible for the port to do what the port
17 proposes to do if we take the action that we've
18 been requested to take? Are you saying that
19 there is no impact whatsoever on port proposals,
20 as laid out to us this morning or this afternoon,
21 if the full action is taken that you requested?

22 MR. CUORATO: Yes.

23 COUNCILMAN NUTTER: There's no
24 negative impact to the port; that's your
25 statement?

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2 MR. CUORATO: As far as the land use
3 for this site, I think the port will agree to
4 that. I'm saying the answer is yes and I think
5 the port will say that as well. The issue is not
6 the use of this site. The issue is their ability
7 to acquire all the remaining parcels that we've
8 been talking bout this morning.

9 COUNCILMAN NUTTER: Well, how does
10 today's action help or hinder that interest? Are
11 they in a better position to acquire this site if
12 this goes forward by itself, or are they in a
13 better position to get what they need if their
14 acquisition opportunities are tied to this?

15 MR. CUORATO: Do you want me to
16 answer that question or Mr. McDermott?

17 COUNCILMAN NUTTER: I want your
18 perspective first.

19 MR. CUORATO: I think they're in a
20 better position to acquire those properties
21 dependent upon what happens with this
22 legislation. But Mr. Hurley, who is sitting
23 right here to my left and can, again, speak for
24 himself, is not saying that CSX is not willing to
25 negotiate a fair price and sell these parcels to

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2 the PRPA. I mean, we're all saying basically the
3 same thing. It's just a matter of nailing down
4 a purchase price.

5 And what Mr. Hurley has said, is that
6 his company has shareholders that they have to
7 answer to and he needs to get fair market value.
8 I think if we can be in a situation -- and I
9 think I referenced this earlier -- where CSX can
10 agree to sell these properties to the port at
11 fair market value, I think we're there.

12 COUNCILMAN NUTTER: Mr. McDermott,
13 let me get your perspective on that and then I'm
14 finished.

15 MR. MCDERMOTT: As I testified
16 earlier, fair market value, from our perspective,
17 is something we already have. We have the
18 condemnation powers to purchase at fair market
19 value. What we're being asked to do is give up
20 forever and a day 44 acres of land that you can
21 all see is within 150 yards of at the active
22 marine piers. And forever and a day we're giving
23 up that land. This is our plan. This is a plan
24 we came up with to accommodate CSX's abilities to
25 sell that land and to attract Ikea.

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2 COUNCILMAN NUTTER: I look forward
3 to hearing about tonight's discussions between
4 the three of you.

5 COUNCILMAN KENNEY: Thank you very
6 much.

7 What I'd like to suggest, with the
8 approval of all the parties, is that we allow Mr.
9 Primavera to make his presentation and then
10 recess this hearing tomorrow to 10:00 a.m., which
11 is a scheduled Streets and Service Committee
12 hearing that the chairman, Councilman DiCicco,
13 has indicated he would recess his hearing in
14 order for us to do this with the hopes that over
15 the course of the evening we could come back with
16 some mutual agreement that we can move forward
17 with.

18 Mr. Primavera had asked to be able --
19 because we have a gentleman from Whitman doing
20 the Whitman Chocolate site here waiting and we'd
21 like to conclude that business.

22 Give you guys an opportunity to speak
23 over the evening and have Mr. Primavera make his
24 presentation. If there's no -- Councilman
25 DiCicco.

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2 COUNCILMAN DICICCO: The reason for
3 the recess until tomorrow morning as opposed to
4 later today is that -- and this speaks to
5 Councilman Nutter's question -- in addition to
6 the three gentlemen that are here and Senator
7 Fumo and myself, there are other entities that
8 need to be part of that discussion, Conrail,
9 Norfolk Southern, to name a few. And those are
10 the people we had the conference call meeting
11 with State Representative Keller last night, as
12 well. So it's not just three guys, putting them
13 in a room, working it out. There are other
14 people that we need to reach out to, and I think
15 by tomorrow we can do that.

16 COUNCILMAN KENNEY: Basically, what I
17 look for tomorrow at 10:00 a.m. is a status
18 report on whether the deal can be done or not.
19 I'm not looking for a document tomorrow morning
20 at 10:00. But if tomorrow morning at 10:00 the
21 parties, after a lengthy discussion this evening,
22 come back and say, "You know what, we're just
23 about there," we can get this thing done before
24 Thursday.

25 COUNCILMAN DICICCO: And I think,

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2 Mr. Chairman, that we all left yesterday's
3 meeting -- actually, we left last week's and
4 yesterday's meeting with the feeling that the
5 concept of what we've been talking about today is
6 something that is palatable to everyone. Fine
7 tuning it, getting to issues of the appraisal
8 values and other things were the things that we
9 just couldn't do in an expeditious time to have
10 that answer today.

11 What we were looking for -- and I'm
12 optimistic -- is that some sort of a memorandum
13 of understanding, at the very least, will be
14 produced for this Council Committee to look at
15 and make a decision on this Bill or any
16 amendments to this Bill or a different Bill
17 entirely. But that's basically what we've been
18 trying to do, and it's really only over the
19 course of the last three weeks. I think our
20 first meeting was the week before Thanksgiving.
21 So all this other talk about the 14 months,
22 really it came down to the last three weeks.

23 And before we recessed this -- and
24 Mr. Primavera I just want to take this
25 opportunity, and Mr. McDermott, Jamie, to thank

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1
2 you. I know you are in a position and could be
3 in a position, if you wanted, to be very
4 difficult, given the history of other issues that
5 you had to deal with the port before I came here
6 that were spoken to by Councilman Kenney and
7 Senator Fumo. And I really appreciate your
8 patience and your professionalism in
9 understanding that this has a much more global
10 impact on the citizens of this City and
11 development of the port and bringing high-end
12 retailers like Ikea here. You didn't throw your
13 hand down and say, "It's either my way or no
14 way." You have been extremely patient. I want
15 to take this opportunity to thank you and your
16 board members for your professionalism. Thank
17 you.

18 COUNCILWOMAN KENNEY: Councilmember
19 Mariano has a question.

20 COUNCILMAN MARIANO: Just one quick
21 question for Mr. McDermott. Mr. McDermott, the
22 map ends -- on the right-hand side of the map --
23 and, again, unless you count the Frankford Creek,
24 I don't know a whole lot about the port either.
25 I know it flows into the river and that's about

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2 it. But I think Councilman Nutter or Councilman
3 Clarke talked about this a little. Where the
4 homes are, the naval homes, I'm familiar with
5 that there. On the right-hand side is the rest
6 of the Navy Yard, correct?

7 MR. MCDERMOTT: Correct.

8 COUNCILMAN MARIANO: Now, not being
9 an expert on the Navy Yard or the port, that all
10 belongs -- the previous speaker spoke -- all the
11 good port facilities there for the defense to
12 start was kept by the Navy; is that correct?

13 MR. MCDERMOTT: That's correct.

14 COUNCILMAN MARIANO: Just a real
15 quick question on that. The United States
16 Government does a deal with the PPA to ship the
17 stuff out here in case we go to war instead of
18 using what the Navy Yard has?

19 MR. MCDERMOTT: That's correct.
20 They'll use -- Packer Avenue has been the
21 designated facility in Philadelphia to move the
22 military cargo.

23 COUNCILMAN MARIANO: I don't expect
24 you to answer for the Department of Defense, but
25 I just want to say this, I wonder why they

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2 wouldn't use what they already have. Are they
3 saving that for something else?

4 MR. MCDERMOTT: Well, first of all,
5 they've got a lot of old naval vessels laid up
6 down there for dismantling. And, secondly, this
7 is an active terminal with container cranes and
8 an active terminal operator and stevedore here,
9 with longshoremen. It has the capability of
10 doing this kind of work.

11 COUNCILMAN MARIANO: Thank you.

12 COUNCILMAN KENNEY: Thank you very
13 much. If there's no objection from Members of
14 the Committee, what I'd like to do is ask Mr.
15 Primavera to -- he tells me he has five minutes
16 to do, and without interruption.

17 MR. PRIMAVERA: No, I'll suffer
18 interruption. I get as good as I give, I hope.
19 Thank you, Mr. Chairman and Council President
20 Verna and Councilman DiCicco.

21 This has been one of the hardest
22 things that I've been involved with for two
23 reasons: One, its complexity. But also we have
24 what I would call friendly adversaries. We have
25 people like Jamie McDermott, who had been good

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2 friends; like Bill Keller, who has been a
3 wonderful friend; like the Councilpeople. It's
4 just a matter of trying to get everything lined
5 up in the same direction. I'm confident we'll
6 get there. But I just want to, rather than
7 reading a narrative, just address some of the
8 questions that were raised and put them to bed.
9 And then, hopefully, we'll come back and have
10 some good news to report, or at least some better
11 news than we currently have.

12 My involvement in this started when
13 CSX, having completed its \$20 million investment
14 in the intermodal yard and having spent the
15 \$10 million for Kvaerner, along with Norfolk
16 Southern spending an additional \$10 million,
17 realized that it had surplus property, meaning
18 property that was sitting fallow, vacant, not
19 being used.

20 We did an appraisal to show highest
21 and best value and it turned out that that was
22 really commercial. Plus, the community was
23 very anxious to see commercial use rather than
24 industrial use. So we went through a process
25 where we decided that we would have a rezoning

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opportunity. That happened, I guess, with an ordinance a year and a half ago which Councilman introduced for the whole site, but it was held back because port interests started to raise their head.

We had previously been to DRPA, PIDC, Commerce, Planning Commission and other groups. And everyone at the time, going back a year plus, was very much in favor of our rezoning. Unfortunately, the PRPA, with which I was then unfamiliar but now which I am intimately familiar, hadn't surfaced as a, quote, player in my mind although they had been doing wonderful things. I just didn't think of them in the zoning world.

So having gotten off to a very fast start, we realized that were some issues to be addressed. Then through just confluence of events, a developer was selected, the Goldenberg Group. So having an agenda, mainly changing the zoning, CSX as the seller and the Goldenberg Group as the buyer, work together. That's why I'm again in the picture.

Then through a series of events, Ikea

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2 wanted to come to town. I was representing them
3 at Bart's site and then at the incinerator. It
4 was only through mere happenstance and perhaps
5 good fortune that they found through process of
6 elimination that the last site will hopefully be
7 the best site, which is the CSX yard. So there's
8 no mystery in how the parties are working
9 together. They're all working together through
10 one counsel to get this rezoned. They have a
11 myriad of other lawyers who are doing their deal
12 work, either in-house or outside counsel.

13 I think Senator Fumo, who I would
14 love to have a better sense of his ethics, he
15 seemed to be willing to share that with all of
16 us. I would love to think that the reason he is
17 unhappy with me representing all three is he
18 can't kind of cut and separate and kind of do the
19 rope-a-dope.

20 But the good news for Philadelphia is
21 we have three parties on our side of the deal
22 that all want to make this thing happen, the
23 seller, the buyer and the lead tenant. Also, we
24 have Lowes. That would be the big story, except
25 for the fact that Ikea came in. And they're

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2 really the Super Bowl of all retailers. There's
3 a lot of goodwill and a lot of momentum to make
4 this deal happen.

5 With regard to the port, they came to
6 us and said, "We're having very little success in
7 working through the railroad's bureaucracy,"
8 because the railroad really reflects CSX, Norfolk
9 Southern and Conrail. So we said, "Put together
10 a wish list and we'll work with you." Well, the
11 wish list was put together.

12 We brought the Administration to the
13 table with James Cuorato, who worked through the,
14 quote, City issues, which were very important.

15 And then we started to work through
16 the rail issues. Kevin Hurley has been working
17 nonstop bringing the other players to the table.

18 Once the assets had been identified
19 and we determined who owned them and what shape
20 they were in and starting an appraisal process,
21 it then became very clear that the port would
22 like to have them, as you would expect, for as
23 little as possible. So it's really not just
24 about making them available, but it's trying to
25 find a financially viable way for the port to

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2 acquire them without digging into their own
3 pocket. They do have the power of condemnation.
4 I think if they had the money, they would have
5 condemned us, but they didn't. So this is a
6 convenient way for them to get assets which they
7 covet at a price that they can afford.

8 The zoning supersession is a myth.
9 They have preemption. I know Councilman Nutter,
10 who's a zoning expert, was testing that issue.
11 What happened is this: If City Council would bow
12 to residents and rezone property, which the port
13 is using residential to stop port activities,
14 then their supersession would work. It's really
15 a preemption the way the federal government could
16 come in and ignore local zoning. But in no way
17 can the port tell private property owners what
18 they can do with their property when City Council
19 speaks and zones the property.

20 So the reality is that the port has
21 very strong powers, but they have to exercise
22 them through eminent domain. They then have to
23 pay fair market value. Fortunately, for the
24 port, our needs for rezoning come at a time when
25 there's strong interest in our property also

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2 surfaces.

3 So I firmly believe that the public
4 will benefit, because they're going to get these
5 properties for far less than fair market value.
6 It will not be the dollar that they originally
7 wanted to give them a hundred acres. The
8 shareholders would sue CSX. Because if you're a
9 shareholder and you own property and you see it
10 given away, you would be upset. But we will find
11 a way to make the numbers work.

12 Senator Fumo was right. The auditing
13 and accounting is very, very arcane, but it's not
14 the surprise in the world of Enron that we on the
15 CSX side have to be responsible. And we can't
16 allow a feeding frenzy of people trying to, you
17 know, grab what they can, even if it's for the
18 public good. We still have to do things in a
19 viable business fashion.

20 So our commitment really is to
21 provide the public benefits which are in your
22 package, which are a thousand jobs for this
23 location, the \$100 million construction
24 investment, the taxes, taking property which is
25 currently unused, 44 acres, and taking it and

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2 putting it to a viable use.

3 We haven't talked about the
4 community. We won't because it's almost a given
5 that the community loves this project. I have
6 not been in any commercial development of this
7 size -- and I'll look again to all the
8 Councilmembers here -- where we have such strong
9 community support. They love it. This is the
10 best thing that happened. So I'm excited for
11 them. We take it as a given. But I just
12 thought, for the record, that we really would put
13 that together.

14 So I am very pleased that, despite
15 some very, I think, difficult questions being
16 asked and the fact that private enterprise is
17 being put in the middle of a public debate over
18 assets and the fact that this CSX property is, in
19 fact, CSX property. It's one thing if Ikea said,
20 we would like to condemn some Public Property
21 for our store. This debate might make more sense
22 about replacing it. But this is private
23 property. And I know that we're in America and
24 private property is private property. And if
25 every time we go to zone a property we're looking

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2 at what the other guy is getting, that's a very,
3 very dangerous way of trying to put a cost on
4 zoning.

5 And I know that's not what's intended
6 here, but I don't think that that's really what
7 it's all about. It's really about a way of
8 finding goals which we hope are going to all be
9 complementary of being satisfied so that CSX can
10 sell the property, which helps the City because
11 it's a good development, and then find a way to
12 not only identify and make available port
13 property, but also through this other process
14 finds a way to facilitate the compensation.
15 Because if we had all the money in the world, it
16 would be easy for the PARPA to come and say,
17 "Here's our checkbook. We'll buy those assets
18 that we very much would like to have." But
19 because they are not financially secure at this
20 point in time, we are going to try to find a way
21 to make that happen. But it can't be for one
22 dollar. It would be something between the one
23 dollar that they would like and the X dollars
24 that it would appraise at.

25 So with that, we hope to come back.

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2 We hope to have a memo of understanding, or at
3 least a betterment of position, and we hope to
4 take something which really should be good news
5 and tout it as good news, rather than have it
6 kind of caught in a controversy.

7 COUNCILMAN KENNEY: Mr. Primavera, I
8 just want to clarify your position. Part our
9 problem here is that we're -- I understand the
10 private property rights issue and I understand
11 that it's a very strong right. However, the
12 government here is being asked to take action
13 which would obviously create an opportunity for
14 Ikea, but also increase the value of the land.
15 So I think that we also have a civil
16 responsibility to the citizens and taxpayers,
17 that when we take this action and allow this
18 development to go forward and increase the value
19 of the land, that we have a responsibility to
20 look at the other interests, too. It's not
21 simply one property owner versus the other. If
22 this was zoned appropriately for this
23 development, you wouldn't be sitting here.

24 MR. PRIMAVERA: I agree.

25 COUNCILMAN KENNEY: So when the

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2 government is being asked to do something, I
3 think we have to look at all of the extraneous
4 factors and all of the other dynamics that goes
5 into it.

6 MR. PRIMAVERA: I would agree with
7 that. I would say this: What we all want is the
8 highest and best use because that allows the
9 property to generate taxes and to create jobs.
10 And we're asking you to zone it up. So you would
11 not get Ikea and Lowes but for your action. So
12 you're being rewarded by the development and the
13 resultant improvements. But you can't look
14 backward and say, every time I zone a piece of
15 property, what is that owner getting in his
16 pocket. That's going to be a slow or slippery
17 road to be into.

18 COUNCILMAN KENNEY: I understand the
19 highest and best use standard is different from a
20 person who is driving a Volkswagen off of a ship
21 into the Poshelot (ph) as opposed to a person
22 who needs a job working at Ikea or the developer
23 that wants to do it. So the highest and best use
24 standard, I think, varies based on where you
25 stand.

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2 MR. PRIMAVERA: I would say this,
3 Councilman -- and you're making a lot of
4 important points. I think that for reasons that
5 we don't need to get into, if this was critical
6 port property, then that would be a better
7 analysis. But the properties that we're going to
8 make available are to the south and are actually
9 far better for port purposes.

10 COUNCILMAN KENNEY: I think that's
11 all in agreement. I think Councilman O'Neill had
12 a question.

13 COUNCILMAN O'NEILL: I'd rather move
14 on.

15 COUNCILMAN KENNEY: Councilman
16 DiCicco, do you have anything else?

17 COUNCILMAN DICICCO: We're in a
18 recess until tomorrow. If you can, Mr. Primavera
19 -- I would assume that you'll be the spokesperson
20 for the rest of the group -- let me know either
21 by 9:00 a.m. tomorrow. You have my pager
22 number. And if you don't, I'll give it to you
23 again, not publicly. I will give it to you
24 privately, so I have a sense of what I need to do
25 for the 10:00 Streets and Services Committee, do

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2 I need to announce for those folks to come in
3 later or whatever. That would be helpful.

4 MR. PRIMAVERA: That would be great.

5 And I would hope that maybe we can even before we
6 leave -- I see Mr. Blackburn and Jamie, that
7 maybe we could even put together a conference
8 call or a meeting for later this afternoon.

9 COUNCILMAN DICICCO: And I am
10 available, as you know, for that conference call,
11 as the Senator is, and we'll make ourselves
12 available. Thank you.

13 COUNCILMAN KENNEY: Thank you very
14 much. And please, Members of the Committee, do
15 not leave. We have this poor gentleman waiting
16 here. He's been waiting for hours to deal with
17 this issue.

18 The next bill on the agenda is Bill
19 No. 020684, which is an Ordinance to amend the
20 Philadelphia Zoning Maps by changing the zoning
21 designations of certain areas of land located
22 within an area bounded by Roosevelt Boulevard,
23 Grant Avenue and Blue Grass Road.

24 Identify yourself for the record and
25 proceed.

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2 MR. CUORATO: Good afternoon, Mr.
3 Chairman and Members of City Council. My name
4 is James Cuorato and I'm City Representative and
5 Director of Commerce for the City of
6 Philadelphia. I'm here today to testify in
7 support of Bill No. 020684, which would change
8 the zoning for a parcel of land located at 9701
9 Roosevelt Boulevard.

10 This location is the site of the
11 former Whitman's Chocolates' factory. This
12 37-acre site has been vacant for the past 10
13 years. The proposed rezoning of this site would
14 permit a commercial development by the Goldenberg
15 Group.

16 The Department of Commerce takes very
17 seriously the issue of converting
18 industrial-zoned land to commercial use. We
19 believe that one of the strengths of our economy
20 is its diversity in that many different sectors
21 of employment are presented here. By no means
22 have we turned our back on manufacturing and
23 industrial-based jobs. To the contrary, we have
24 undertaken a number of initiatives to increase
25 and enhance our manufacturing and industrial

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base.

In order to maintain this strategy, we believe that it is important to have, as part of our inventory, an adequate supply of industrial land. Therefore, for any proposal to convert industrial land to commercial use, the City and the Philadelphia Industrial Development Corporation undertake a very careful analysis based upon a policy that guides our decision making. Basically, the criteria in this policy include the existing condition of a site, the attempts to market the site for an industrial use, the potential for industrial development on the site and any proposed new use which would replace the industrial use.

After having conducted an analysis of the Whitman site, we have concluded unequivocally that the commercial development that has been proposed would be the best use for this site. As I mentioned, the site has been vacant for approximately 10 years and attempts to market the property for industrial use have not been successful.

The site is presently under

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agreement of sale to the Goldenberg Group, a retail commercial developer who has experience in developing large commercial projects. The proposed project for the Whitman site is a 450,000-square-foot retail center. This complex would include potential tenants such as Lowes Home Improvement store, Wal-Mart, Barnes and Noble, Pier 1, Famous Footwear and stores like that. The proposed complex would bring a new high quality retail development to this area of Northeast Philadelphia.

As a lifelong resident of the Northeast -- I live less than five minutes away from this site -- I know firsthand that a development such as that which is being proposed has the potential for great success. Although the Northeast already has a number of shopping centers, there are certain uses which do not presently exist. For example, I have on several occasions noted that if I want to take my two sons to Barnes and Noble, I have to drive to Willow Grove. The proposed tenants for the shopping complex will fill a need in this area of the Northeast which is not presently being met.

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The proposed commercial project will generate 1,125 new permanent jobs. Based on similar projects, 75 percent of these employees will be full time. In addition, the project will create 236 construction jobs. New taxes generated for the City of Philadelphia will total approximately \$2.8 million per year. All of this will take place on land that is currently lying vacant and unused. We will replace an existing vacant industrial site with a vibrant commercial development that will serve the neighborhood.

We have been pleased to work with Councilman Brian O'Neill's office, and we thank Councilman O'Neill for introducing this legislation. We also have been working with the Greater Bustleton Civic League, which has indicated its support for this project.

Traffic circulation is a very important element for any proposed project in this area. As you may be aware, the Roosevelt Boulevard and Grant Avenue intersection has been cited as one of the most dangerous intersections in the region. The developer has committed to a comprehensive traffic study for this area that

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2 will include recommendations for improvements to
3 this intersection. In any event, the traffic
4 flow into and out of the new Whitman Square
5 Shopping Complex will be handled in such a way as
6 to minimize any potential problems.

7 For these reasons, we wholeheartedly
8 support the passage of Bill No. 020684 and
9 respectfully request a waiver of Council Rules
10 that would permit first reading this next Council
11 session and final approval on December 19th.

12 I'd be happy to answer any questions
13 that Councilmembers might have.

14 COUNCILMAN KENNEY: Thank you very
15 much for your testimony.

16 Councilman O'Neill.

17 COUNCILMAN O'NEILL: Mr. Cuorato,
18 again, Jim, I want to thank you for all your help
19 with this and also for creating what I thought
20 was a pretty good record, that we don't just go
21 in if somebody wants to change industrial to
22 commercial, because I've had some other requests
23 for this, that we have a consistent policy that
24 if something has been tried and failed over a
25 period of years, it's just no longer viable as

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2 industrial. And there is some good public policy
3 involved in it, not just who wants it or what
4 they want it for or who, you know, the parties
5 are. You can say to another party, you know, a
6 mile away, that is a good industrial property.
7 It's been industrial. While it may also be
8 attractive commercially, there's no reason to
9 change it. And I appreciate you putting that on
10 the record.

11 The other thing I'd like to do is
12 really thank the Bustleton Civic League and also
13 the Goldenberg Group, particularly Mr. Robert
14 Freedman. Bob's here. They worked really long
15 and hard and I believe did everything possible
16 to meet the community's wants and needs and
17 concerns under some pretty difficult
18 circumstances, because this wasn't built on a
19 corner, this Whitman Chocolate site. It's near
20 the third worst intersection in the country, not
21 just -- or the second. I'm sorry. The second
22 worst. Red Lion and the Boulevard is the third
23 worst. I'd hate to see that place in Florida
24 that's got number one.

25 But when I introduced this, I

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introduced it with the understanding that a landscaping plan would be worked out between the developer and the City through the Planning Commission before hearings were held, and that was worked out and this was listed. I would ask that the Planning Commission or the developer testify to that, put it on the record.

And I would also ask, not because I'm concerned about Mr. Freedman or his company, but because a future owner may not feel so committed, that the very excellent development agreement between the developer and the Civic Association be amended over the next nine days before final passage so that the landscaping agreement can be an addendum incorporated into the agreement. I'm sure the developer won't have any problem with that. I think it kind of ties all the strings on this that need to be tied. It's truly been a real serious, arduous and good faith process.

And Mr. Harry Abberkern (ph), the Zoning Chairman for the Bustleton Civic League, is here. I know they're in favor of it. He has a letter from the league outlining their agreement, including the development agreement

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2 that I am asking be -- have an addendum attached
3 to it so we can move with this. I think it's a
4 great project. And I don't know if Lowes is a
5 declared participant, but I know the community is
6 very hopeful that they are, and all the other
7 possible tenants so far that have been mentioned
8 have been very well received. And I know the
9 developer went the extra mile, because at one
10 point, it seemed impossible to accomplish the
11 different things needed from a traffic standpoint
12 on the Boulevard. And they just went and did it.
13 They're to be commended for that.

14 COUNCILMAN KENNEY: Thank you very
15 much.

16 Do you have anything to add, sir?
17 Would you like to be recognized? Please.

18 MR. FREEDMAN: My name is Robert
19 Freedman. I am with the Goldenberg Group. Mr.
20 Chairman, President Verna, Members of the City
21 Council, I appreciate the opportunity to be here
22 today.

23 We are a real estate development
24 company and requesting the rezoning of the
25 36-acre property at 9701 Roosevelt Boulevard, the

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2 property that we are the equitable owner of.
3 We've been working on the design, development,
4 and leasing of this project for almost two years
5 and believe it has turned out to be a very good
6 civics lesson as to how a private developer,
7 community association, and government agencies
8 can work together to address everyone's needs and
9 desires. And I'll just summarize these very
10 quickly.

11 From our standpoint, we're pleased to
12 have the opportunity to bring some very strong
13 national tenants to this area, such as Lowes Home
14 Improvement Warehouse, Wal-Mart, Barnes and
15 Noble, Linens and Things, Pier 1, Cracker Barrel
16 Restaurant and some others. And some of these
17 tenants are a bit shy about going into a large
18 City like Philadelphia. So we're very pleased
19 that we've been able to entice them to this
20 location.

21 From the neighbors' standpoint, we've
22 worked closely with the Greater Bustleton Civic
23 League and obtained their support by providing
24 them with a binding agreement committing to
25 landscaping, storm water controls, traffic

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improvements, union contracts, employment opportunities and supporting some local community programs.

Much of our effort, as Councilman O'Neill indicated, was working out the access to the site to avoid cars going through residential areas. From the City's standpoint, we were pleased to work with the Councilman's office, the Commerce Department, the Streets Department and the Planning Commission to make this project successful from everyone's standpoint. Of course, there's the taxes. We believe over \$2.8 million additional taxes annually, over 230 construction and a thousand permanent jobs.

But we've also worked with the Planning Commission to create a program of design elements and site amenities that we think will make this a very special project for the City. We've handed out a booklet indicating the site plan and some other ideas, and we have some boards if there are any questions.

In summary, we respectfully request City Council consider this property for rezoning from industrial to area shopping center so we can

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2 create a project that this developer, the
3 community association, and the City can all be
4 proud of. Thank you very much.

5 COUNCIL PRESIDENT VERNA: Thank you.

6 Are there any questions from Members
7 of the Committee?

8 COUNCILMAN O'NEILL: Again, I'd like
9 to thank Mr. Freedman personally for what was
10 involved in this and his cooperation with the
11 community.

12 MR. FREEDMAN: Thank you, Councilman.
13 I know the gentleman from the Greater Bustleton
14 Civic League has been waiting patiently.

15 COUNCIL PRESIDENT VERNA: Yes. We're
16 going to recognize him. Thank you. Thank you
17 so much for your patience.

18 Our next witness is Mr. Thomas
19 Chapman.

20 MR. CHAPMAN: Good afternoon, Mr.
21 Chairman, Madam President and Members of the
22 Rules Committee. My name is Thomas Chapman. I
23 am the Director of the Development Planning
24 Division of the City Planning Commission. I'm
25 here today to testify on Bill No. 020684.

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2 This bill was introduced by
3 Councilman O'Neill on October 21st of this year.
4 This bill amends the zoning maps by changing the
5 zoning designation of a parcel of land located in
6 the block bounded by the Roosevelt Boulevard,
7 Grant Avenue and Blue Grass Road. This bill
8 would change the zoning of the property from the
9 existing L2 limited industrial to the
10 designation, area shopping center commercial.

11 The purpose of this change is to
12 facilitate the development of the site with an
13 approximately 440,000-square-foot shopping
14 center. The center would also include
15 approximately 2,100 parking places. The
16 developer, the Goldenberg Group, plans to bring a
17 Lowes and a Wal-Mart to this location as anchor
18 tenants. This would be the first Lowes in the
19 City of Philadelphia.

20 The staff of the Planning Commission
21 have met with representatives of the developers
22 on several occasions, and the developers have
23 committed to implement a number of design
24 features as part of the development of this
25 shopping center. I believe that the developers

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in these negotiations recognize the importance of this site and sees the opportunity to create a real special environment for this shopping center. And along with Councilman O'Neill, I would commend the effort that they have put into site improvements -- proposed site improvements for the plan.

I am in receipt of a letter from Mr. Robert W. Freedman, Vice President and General Counsel of the Goldenberg Group, who testified earlier, outlining these features and would ask that it be incorporated into the record.

COUNCILMAN KENNEY: Thank you very much. Is that it?

Councilman O'Neill.

COUNCILMAN O'NEILL: Mr. Chapman, I hope, if needed, you would help facilitate that addendum to the agreement between the developer and the Civic Association.

MR. CHAPMAN: Yes, sir.

COUNCILMAN KENNEY: Okay. Thank you.

Any questions for Mr. Chapman?

(No response.)

COUNCILMAN KENNEY: This Committee

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2 will stand in recess --

3 Do you want to testify? Please
4 identify yourself for the record, first.

5 MR. ABBERKERN (ph): I'm not a winded
6 person. This is the first time I've ever been to
7 a Council meeting. My name is Mr. Abberkern,
8 Harry Abberkern. I am the Chairman of Greater
9 Bustleton Civic League Zoning Board.

10 Between Brian O'Neill's office and
11 the Greater Bustleton Civic League, we have met
12 with the Freedman group, which is the Goldenberg.
13 Very, very impressive. They were professional
14 from the first time we met with these people. I
15 wish and hope that the earlier session has been
16 as easy as ours. We have really gotten very
17 involved for the last 14 months. Everything
18 that we proposed and asked for the Goldenberg
19 Group has given us. Pertaining to everything to
20 your -- well, your literature there and so forth
21 and also with Mr. Freedman and his Group. Their
22 landscaping is superb. I can only hope that
23 every shopping center follows this pattern in the
24 City of Philadelphia.

25 COUNCILMAN KENNEY: Thank you very

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2 much.

3 MR. ABBERKERN: They have been very
4 good to us. And like I said, I wish the
5 Goldenberg Group success, and the Greater
6 Bustleton Civic League has backed them 100
7 percent.

8 COUNCILMAN KENNEY: Thanks for your
9 patience.

10 MR. ABBERKERN: Thank you.

11 COUNCILMAN KENNEY: Anyone else?

12 (No response.)

13 COUNCILMAN KENNEY: This Committee
14 will stand in recess until 10:00 a.m. tomorrow.
15 Thank you.

16 (Council adjourned at 1:50 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of December 10, 2002, were reported
fully and accurately by me, and that this is a
correct transcript of the same.

RE: COMMITTEE ON RULES

Lisa C. Bradley, RPR
and Notary Public