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

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Room 400, City Hall  
Philadelphia, Pennsylvania  
Tuesday, November 14, 2000  
10:45 a.m.

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BILL 000609 - An ordinance amending an ordinance  
approved February 3, 1999, (Bill No. 980705),  
which created the Jump Street Tax Increment  
Financing District.

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BILL 000610 - An ordinance creating the Avenue of  
the Arts Garage Tax Increment Financing District  
and approving the project plan of the Philadelphia  
Authority for Industrial Development for the  
redevelopment of the Avenue of the Arts Garage Tax  
Increment Financing District.

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PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair  
COUNCILWOMAN JANNIE BLACKWELL, Vice Chair  
COUNCILWOMAN BLONDELL REYNOLDS BROWN  
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COUNCILMAN RICHARD T. MARIANO  
COUNCILWOMAN DONNA REED MILLER  
COUNCILMAN MICHAEL A. NUTTER  
COUNCILMAN ANGEL L. ORTIZ  
COUNCILMAN FRANK RIZZO  
COUNCILWOMAN MARIAN B. TASCO

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

3 COUNCIL PRESIDENT VERNA: Good morning,  
4 everyone. This is the public hearing of the  
5 Committee of the Whole. I would ask Mr. McPherson  
6 to please read the title of the first bill, Bill  
7 No. 000609.

8 MR. MCPHERSON: Bill 000609, an  
9 ordinance amending an ordinance approved February  
10 3, 1999, (Bill No. 980705), which created the Jump  
11 Street Tax Increment Financing District by  
12 approving the amended project plan for the  
13 redevelopment of the district submitted to City  
14 Council by the Philadelphia Authority for  
15 Industrial Development.

16 (Witnesses come forward.)

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

20 Do all Councilmembers have a copy of  
21 Mr. Fina's testimony? If you do not. . .

22 (Councilmembers respond off record.)

23 COUNCIL PRESIDENT VERNA: You do not?  
24 Does everybody else have a copy of Mr. Fina's  
25 testimony?

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2 All right. Mr. Fina, I believe we have  
3 enough copies.

4 MR. FINA: All right, if you have  
5 copies, fine.

6 Good morning, President Verna and  
7 members of City Council. My name is Robert Fina.  
8 I am Senior Vice President with Philadelphia  
9 Industrial Development Corporation, PIDC, and I'm  
10 appearing on behalf of the Philadelphia Authority  
11 for Industrial Development, PAID. I'm here to  
12 provide testimony on Bill No. 000609 and Bill No.  
13 000610.

14 Before I continue my testimony,  
15 Mr. Cuorato, the Commerce Director, would like to  
16 provide his testimony because I believe he does  
17 have another engagement.

18 COUNCIL PRESIDENT VERNA: All right.  
19 I'm sorry. I do believe he did say that.

20 Mr. Cuorato, please identify yourself  
21 for the record, and I guess you could submit your  
22 testimony at this point in time regarding both  
23 bills, so maybe we ought to read the title of Bill  
24 000610 also.

25 MR. CUORATO: Thank you, Madam

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2     President.

3                   COUNCIL PRESIDENT VERNA:   Just a  
4     moment.  Mr. McPherson's going to read the title  
5     of Bill 610 in order for you to testify on the two  
6     bills.

7                   MR. MCPHERSON:  Bill No. 000610, an  
8     ordinance creating the Avenue of the Arts Garage  
9     Tax Increment Financing District and approving the  
10    project plan of the Philadelphia Authority for  
11    Industrial Development for the redevelopment of  
12    the Avenue of the Arts Garage Tax Increment  
13    Financing District.

14                  COUNCIL PRESIDENT VERNA:  Mr. Cuorato.

15                  MR. CUORATO:  Good morning, Council  
16    President Verna and members of City Council.  My  
17    name is James Cuorato.  I am City Representative  
18    and Director of Commerce for the City of  
19    Philadelphia.  I'm here this morning to testify  
20    regarding Bill No. 609, which would amend the Tax  
21    Increment Financing District for the Jump Street  
22    project on North Broad Street, and Bill No. 610,  
23    which would establish the TIF District for the  
24    Avenue of the Arts Garage at 15th and Spruce  
25    Streets.

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2                   As Mr. Fina said, he will be testifying  
3 as to the specifics of each of these bills. I  
4 wanted to provide the members of City Council with  
5 our basic strategy for presenting TIF proposals  
6 for your approval.

7                   While we are developing a specific set  
8 of criteria upon which to evaluate future TIF  
9 proposals, I believe that these two projects  
10 clearly meet all of the goals that we will  
11 establish for creating TIF districts. Our  
12 strategy will contain three basic guiding  
13 principles in evaluating projects for TIF  
14 designation:

15                   The first will be the, quote/unquote,  
16 but-for argument, which is to say that it must be  
17 clearly established that a project cannot proceed  
18 "but for" a TIF District being a part of the  
19 funding;

20                   The second major criterion will be that  
21 the project have a noticeable and positive impact  
22 on its surrounding neighborhood;

23                   The third criterion will be that a  
24 project be consistent with the overall planning  
25 for the community in which it is being developed.

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2 For both of the projects here before  
3 you today, these criteria will be met.

4 Regarding the Jump Street TIF, I would  
5 note that this is an amendment to a project that  
6 had been previously approved by City Council.  
7 Mr. Fina's testimony will address of the issue of  
8 the need for additional financing. As to the  
9 second and third criteria, the Jump Street project  
10 will have a very positive impact on the North  
11 Broad Street Avenue of the Arts north area. It is  
12 also consistent with our goal of revitalizing this  
13 area of North Broad Street.

14 As for the 15th and Spruce Streets  
15 parking garage, the parking is entirely consistent  
16 with our comprehensive Avenue of the Arts plan and  
17 will provide the much needed parking for the  
18 Avenue of the Arts in general and the Kimmel  
19 Center for the Performing Arts in particular.

20 These two projects represent what I  
21 expect will be the final two TIFs that the  
22 Administration will be presenting to City Council  
23 this calendar year. By the 2001 City Council  
24 session, we will be prepared to discuss in more  
25 specific detail our overall policy on tax

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2   increment financing. Inasmuch as these two bills  
3   are critically important to our developments on  
4   both North Broad Street and South Broad Street,  
5   and in that both projects meet the broad goals  
6   that will be a part of our overall strategy, I  
7   respectfully request your approval of these two  
8   bills in order that these two projects can move  
9   forward.

10                   Thank you very much for your  
11   consideration of this testimony, and I would be  
12   glad to answer any questions that Councilmembers  
13   may have.

14                   COUNCIL PRESIDENT VERNA: Thank you.

15                   Mr. Cuorato, you say you're developing  
16   a specific set of criteria to evaluate the TIFs in  
17   the future? It is my hope that you will  
18   definitely be in touch with Council's technical  
19   staff as you are developing the criteria so that  
20   we can have some input or knowledge about them in  
21   the future.

22                   MR. CUORATO: We absolutely will do  
23   that, Madam President.

24                   COUNCIL PRESIDENT VERNA: Thank you.

25                   The Chair recognizes Councilman Ortiz.



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2 COUNCILMAN ORTIZ: Yeah. I have only  
3 one question, Mr. Cuorato. The but-for question,  
4 it really needs a very amplified answer.

5 This is a locale that generally will be  
6 market-driven, as we say in the business. It is a  
7 locale that people would want to be at. Extensive  
8 building is going on, and will keep on going on  
9 there. It will not end with the arts center. So  
10 that traffic will be an ongoing -- I'm asking -- I  
11 don't care about the garage I thought they were  
12 both, open 'cause you testified to both.

13 MR. CUORATO: They are.

14 COUNCILMAN ORTIZ: You testified to  
15 both, so I'm -- I'm questioning as to the garage  
16 because -- I -- I question the necessity of  
17 subsidizing and giving tax benefits that really  
18 take away from the school in the long run to a  
19 business that will be self-sufficient, given the  
20 current and future development that will be going  
21 on in the area and -- and a very clear explanation  
22 as to what makes it unprofitable without the  
23 subsidy. What makes it that ten years and fifteen  
24 years from now, this will not -- or very clear in  
25 the very near future, this will be an unprofitable

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2 building situation? I guess I really do not  
3 understand it.

4 MR. CUORATO: Councilman, Mr. Fina's  
5 testimony is going to address the specifics of the  
6 but-for argument for the garage, and there are  
7 some provisions in this one that will enable us to  
8 have the TIF repaid even sooner if the garage is  
9 profitable, which Mr. Fina will explain to you in  
10 more detail.

11 My basic philosophy, though, as I had  
12 mentioned at a prior Council meeting, is going to  
13 be that TIFs should not be viewed as an  
14 entitlement by developers and that we are going to  
15 have to be absolutely convinced that the projects  
16 would not go forward if some sort of subsidy is  
17 not provided and that they are projects that we  
18 actually want to happen, which is to say they are  
19 consistent with our planning for the community and  
20 would have a very noticeable and positive impact  
21 on a neighborhood.

22 COUNCILMAN ORTIZ: But anyone would  
23 come forward and say, Well, I'm not going to build  
24 that unless you give me a TIF, it is not  
25 profitable, it is not doable, it is not -- and --

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2     and we keep on approving these because they were  
3     supposed to be going to the places where no  
4     development could be taking place. In front of  
5     the Arts Center, surrounded by the Wilma,  
6     surrounded by all of the other entertainment  
7     centers that are going on, all of the restaurants  
8     that are taking place, the Academy of Music, and  
9     so on down the line, I don't think that this is a  
10    place that is going to just lie there without any  
11    sort of interest from any developers.

12           MR. CUORATO: The specific proposal for  
13    the garage, we believe, did meet the but-for  
14    argument, and it is critically important to both  
15    the Avenue of the Arts development and --

16           COUNCILMAN ORTIZ: But I haven't heard  
17    the answer as to the but-for. That's --

18           MR. CUORATO: Mr. Fina is going to  
19    provide that as part of his testimony, which he  
20    can do now.

21           COUNCILMAN ORTIZ: Okay, I can wait.

22           Thank you, Madam President.

23           COUNCILWOMAN VERNA: Thank you.

24           Are there any other questions?

25           The Chair recognizes Councilman

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2 DiCicco.

3 COUNCILMAN DICICCO: Thank you, Madam  
4 Chair. I just want to pick up on what Councilman  
5 Ortiz was speaking to.

6 I think what -- I hear what he's saying  
7 and I think for the average person to look at  
8 what's going on out there, you would assume that  
9 because of all of the other development, yes,  
10 there's a higher interest to do developing in that  
11 particular community. But the question remains as  
12 to what the cost of doing the development is. I  
13 mean, I'd like to build a restaurant there  
14 tomorrow; I can't afford it. Well, let me say  
15 that again: I would never want to own a  
16 restaurant again.

17 But the point I'm making is that even  
18 though the area is a very attractive place to  
19 develop, it may not necessarily mean that you have  
20 the wherewithal to get it done, because the more  
21 attractive and more vibrant the community becomes,  
22 the more costly it is to do the project because --  
23 maybe not in the case of the garage, but the  
24 property values go up, the cost of acquisition go  
25 up and a lot of other things that you have to

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2 factor in.

3 And I think the financing piece to it  
4 is really what is at the heart of it this, not  
5 necessarily a community where people would want to  
6 develop versus a community where people would not  
7 want to develop. It's the cost of developing.

8 COUNCILMAN ORTIZ: Madam Chair, Madam  
9 Chair, if I may.

10 That is the market. I mean, that's the  
11 way that this society works. That's the free  
12 market system. That if you want to make some  
13 money, you invest, you put your own money in, and  
14 you take some risks. That is what capitalism is  
15 all about.

16 I mean, we -- we are -- we are now  
17 putting ourselves into this situation in which I  
18 agree with you, you know, that -- if a place  
19 develops and the Avenue of the Arts takes off,  
20 well, obviously, the land is going to cost more.  
21 But if it costs more than your investment and then  
22 the -- usually, the profit is greater down the  
23 line, because you have -- you have created the  
24 environment. That is what the market system is  
25 all about. I thought that, you know, the other

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2 way we go is towards the more socialistic type of  
3 system in which government begins to subsidize and  
4 give to the -- give to wealthy individuals.

5 And -- but if it is not needed, I can  
6 see it where there is a place in which -- in North  
7 Philadelphia, in American Street, in Kensington,  
8 in 25th and York, places where we would need  
9 attractive incentives. But in Center City, in  
10 front of the new -- new concert hall, right next  
11 door to the Academy of Music, the Wilma, all of  
12 the other restaurants, I just want to be convinced  
13 that this is a necessary subsidy from the  
14 taxpayers, that, in essence, takes away, down the  
15 road from the school system.

16 I -- I mean, who are we satisfying and  
17 who are we hurting down the line? And I think  
18 that question has to -- that is the question that  
19 really has to be answered, and I don't think we  
20 have answered that question in a satisfactory  
21 manner in this Council over the years.

22 That's all. Thank you, ma'am.

23 COUNCIL PRESIDENT VERNA: Councilman  
24 DiCicco, were you finished with your questioning  
25 or comments?

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2 COUNCILMAN DICICCO: Yeah. Again, and  
3 not to be argumentive, but I think when we look at  
4 the Avenue of the Arts, had it not been for  
5 \$300 million of State money, which is public  
6 dollars, invested into the Avenue of the Arts, we  
7 would not have the Avenue of the Arts, we wouldn't  
8 have the other development that has occurred as a  
9 result of that.

10 So government always plays a role, and  
11 I think it is appropriate for government to take a  
12 role to encourage development. And I don't think  
13 we're ever going to get away from that because  
14 there's just not enough money in the private  
15 sector, in most cases, for a developer to come  
16 along with his or her own money to make a project  
17 work. It would be great if they could, but  
18 there's always some sort of assistance that is  
19 going to be necessary, I think, in the majority of  
20 cases.

21 Thank you.

22 COUNCIL PRESIDENT VERNA: What is the  
23 projected cost for this development?

24 MR. FINA: Again, I identified myself  
25 previously for the record. I'm Robert Fina.

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2 The total costs is projected  
3 approximately \$32 million.

4 COUNCIL PRESIDENT Verna: Councilman  
5 Kenney, do you wish to be recognized?

6 COUNCILMAN KENNEY: Thank you. Thank  
7 you, Madam Chair.

8 I don't have as much problem with the  
9 but-for -- what was the cost -- but-for cost,  
10 'cause I do -- I do understand the numbers and I  
11 understand that this is a required mechanism that  
12 we use to spur on this kind of development.

13 I guess my general question is, I  
14 always thought the Parking Authority was  
15 established and created partly to control  
16 on-street parking and the movement and flow of  
17 parking on the street, but also to have the  
18 capability to issue bonds and to do other things  
19 to create structured parking and other types of  
20 off-street parking.

21 While I recognize that this is a  
22 private company and we're trying to work out this  
23 mechanism for them, why wouldn't the Parking  
24 Authority decide to do this type of development to  
25 build a structured garage, to have the retail



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2       spaced, and to plow some of the revenues that the  
3       Parking Authority would earn back into other  
4       City-type projects? I mean, obviously, we depend  
5       on the Parking Authority for a substantial amount  
6       of revenue from ticket-writing and other things  
7       and from the operation of off-street parking lots.

8           In this location, with this lucrative  
9       opportunity to make sure that -- obviously, this  
10      -- hopefully, this garage will be filled most  
11      evenings and during the day. Why wouldn't the  
12      Parking Authority, with less costs to the City, be  
13      doing this type of project?

14           MR. FINA: Councilman, that's a very  
15      good question, and we did consider that for some  
16      time and met with the Parking Authority on that  
17      subject.

18           There are several reasons why we  
19      concluded this would be a better mechanism. The  
20      first one is that the land is privately owned by  
21      Parkway Corporation, and it would require a  
22      process that would eventually lead to  
23      condemnation, the timing of which would not  
24      support the demand for parking that's associated  
25      with the completion of the Kimmel Center.

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2 The second one is that the Parking  
3 Authority would sell bonds that were guaranteed by  
4 action through the City Council, with the City  
5 guaranteeing those bonds, and we thought there  
6 would be a better mechanism to apply the TIF.

7 And as I will talk about the TIF in my  
8 testimony, we have what we're calling not just the  
9 but-for, but "a claw-back." And that claw-back  
10 means that if the garage does well, the public  
11 pays off its debt with profits from the developer  
12 early, or earlier than projected.

13 So we're trying to create mechanism  
14 that is the least onerous on the public to develop  
15 this garage in a timing that is most efficient for  
16 supporting the Kimmel Center.

17 COUNCILMAN KENNEY: Maybe you could  
18 explain to me the difference between this  
19 particular project and, say, almost a similar  
20 style project on Rittenhouse Square, where, I  
21 believe, the Parking Authority actually went out  
22 and bought the private land, which was -- the  
23 land, which was privately owned and was going to  
24 actually do -- well, I think was going to do the  
25 construction of a garage in a very -- probably a

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2 more lucrative area or a more expensive area. I  
3 will say Rittenhouse Square is a more expensive  
4 area than 15th and Locust at this day as we  
5 speak.

6 Why the difference there as opposed to  
7 here? Both are privately owned parcels, the  
8 Parking Authority could be involved in either or  
9 none, and they decide in one case -- and I know  
10 you're not speaking for the Parking Authority, in  
11 one case to be involved in the Rittenhouse Square  
12 project, which is similar in style and scope, I  
13 guess, probably the one at 15th and Locust is  
14 larger. But what's the difference between the  
15 two?

16 MR. FINA: Councilman, I appreciate  
17 you're noting that I can't really speak for the  
18 Parking Authority. They actually began that  
19 project prior to our planning for this particular  
20 garage. As you will note, they are still not  
21 proceeding with that project; I expect they will,  
22 but I'm not certain.

23 Also the bonds that the Parking  
24 Authority did use to acquire that in our proposal  
25 to build it are, again, guaranteed by the City of

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2     Philadelphia. We're trying to avoid that  
3     mechanism, and I can't really speak as to the  
4     validity of moving forward with that project  
5     presently or in its present form.

6                   COUNCILMAN KENNEY: I guess on this  
7     particular issue, 'cause I'm going to support this  
8     issue, but I think in the future, maybe we ought  
9     to be looking at the Parking Authority and the  
10    ability to use the Authority more than we do as it  
11    relates to the provision of off-street parking  
12    opportunities for our Center City and even  
13    neighborhood developments. It seems to me to be  
14    probably a better way to go and more direct  
15    benefit both in an increased revenue stream to the  
16    City through the Parking Authority and, as  
17    Councilman Ortiz suggests, an avoidance of the  
18    loss of down-the-road revenue for the schools.

19                  MR. CUORATO: I think that's right,  
20     Councilman Kenney. I think that the situation  
21     with Avenue of the Arts was such that because of  
22     the land ownership situation and the timing  
23     constraints, it was the prudent way to go, which  
24     is with the TIF and having it privately  
25     developed.

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2 But I certainly agree with you that we  
3 can look to have the Parking Authority more  
4 involved in developments like this.

5 COUNCILMAN KENNEY: And just one final  
6 question. You had mentioned -- you had told the  
7 Council President that you would be providing a  
8 cost benefit analysis on all of our TIFs? When do  
9 you think that that will be available?

10 Do you have a general time frame for  
11 how long it would take to get that? A couple of  
12 months, a month, two months?

13 MR. FINA: Councilman, what PIDC does  
14 is a routine, and we occasionally provide it to  
15 City Council, is that we do provide analysis on  
16 every TIF, and I could demonstrate, and I have the  
17 information available presently, that demonstrates  
18 that every TIF we've done so far, the City and  
19 School District would be better, as far as total  
20 tax revenue from those projects now than they did  
21 prior to the TIF and the development occurring.  
22 Every TIF we've done so far indicates that --  
23 every TIF that's closed and developed, and we have  
24 data on that available.

25 Every TIF we've done that's been

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2       approved by City Council we project will do  
3       better. A lot of them have not gone to  
4       construction yet and are not generating taxes, but  
5       those that are, there are more taxes to the City  
6       and to the School District than before the project  
7       was built and before the TIF was approved.

8                   COUNCILMAN KENNEY: And that analysis  
9       is based on the fact that there was nothing there  
10      to begin with, correct?

11                  MR. FINA: In many cases, that's  
12      correct.

13                  COUNCILMAN KENNEY: I mean, I  
14      understand that.

15                  MR. FINA: That is correct.

16                  COUNCILMAN KENNEY: Okay, thank you.

17                  COUNCIL PRESIDENT VERNA: I'm a little  
18      curious. This is an existing parking lot. How  
19      many cars are they able to park, do you know?

20                  MR. FINA: 128 automobiles are parked  
21      there at a maximum.

22                  COUNCIL PRESIDENT VERNA: 128?

23                  MR. FINA: Yes.

24                  COUNCIL PRESIDENT VERNA: I suggest  
25      Councilman DiCicco go into the parking business

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2 rather than the restaurant business. As I read  
3 from this printout that you gave us, with 128  
4 parking spaces, there is generated \$1.2 million?  
5 Am I incorrectly reading that? Operating cash  
6 flow?

7 MR. FINA: From the existing lot,  
8 that's correct.

9 COUNCIL PRESIDENT VERNA: With 128  
10 automobiles. How many automobiles will they be  
11 able to park with the garage?

12 MR. FINA: 660 automobiles.

13 Madam President, that's prior to taxes.  
14 There are a number of parking taxes associated  
15 with a parking lot or a parking garage, so that's  
16 gross revenue, I believe, the million 2. Oh, I'm  
17 sorry, you're -- I'm wrong. That's correct, it is  
18 a million 2 gross profit, gross profit.

19 COUNCIL PRESIDENT VERNA: That's what I  
20 thought.

21 MR. FINA: It may be helpful if I go  
22 into my testimony 'cause I think many of these  
23 questions would be answered.

24 COUNCIL PRESIDENT VERNA: I think that  
25 Mr. Cuorato has to leave and I think that there

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2       are a couple of members that haven't been  
3       recognized yet. So if you don't mind, Mr. Fina, I  
4       would like to recognize Councilman Goode.

5           COUNCILMAN GOODE: Thank you, Madam  
6       President.

7           I'll be very brief; I know you have to  
8       run to decide on who the next economic development  
9       head of PIDC is going to be, but since you are the  
10      Commerce Director, I'd like to discuss just  
11      briefly with you related to your testimony the  
12      whole issue of even coming up with a new TIF  
13      strategy.

14           Is it, in your opinion, better to come  
15      up with a strategy that will give tax incentives  
16      to individual developers rather than actually  
17      looking at the costs of dramatically cutting the  
18      wage tax and business privilege tax? I mean, what  
19      do you think the better strategy is? since I'm  
20      assuming that we couldn't do both.

21           MR. CUORATO: I'd like to do both,  
22      Councilman Goode. I think that -- my approach is  
23      going to be that TIFs only be used when absolutely  
24      necessary. I have had discussions within the  
25      Administration about the possibility of reducing



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2     the wage tax and the business privilege tax, even  
3     more so than the current five-year plan calls for  
4     because, frankly, in the three months that I've  
5     been on the job, I have met with dozens of  
6     businesses, and that is what I am hearing back  
7     from them, that the tax structure is onerous and  
8     pleas for help in that regard.

9                   So if your question is, where would I  
10    rather see the attention focused on more TIFs or  
11    reducing taxes, I would rather reduce taxes.

12                  COUNCILMAN GOODE: And with each TIF  
13    that we do, doesn't that dramatically impact our  
14    ability to cut the wage and business privilege tax  
15    because we're giving up revenues to individual  
16    developers rather than giving breaks across the  
17    board to actually change the business environments  
18    in the City?

19                  MR. CUORATO: Well, I wouldn't look at  
20    it as doing TIFs is only a revenue reducer; I  
21    would look at the positive aspects that we're  
22    getting from the TIF projects that we're  
23    supporting.

24                  And, I mean, I will speak for the TIF  
25    policy going forward, which is to say that it will

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2       be used when necessary as an economic development  
3       tool to get a project moving forward that we want  
4       to see, that is good for a neighborhood, that  
5       provides jobs, that's consistent with our planning  
6       for a neighborhood -- not necessarily because a  
7       developer comes forward and says, I want to do  
8       this project, I have a gap, I need a TIF and,  
9       therefore, we just do it.

10                  COUNCILMAN GOODE: But you would agree  
11       that with tens of millions, if not hundreds of  
12       millions of dollars, in TIFs that have been done,  
13       essentially, we have not changed the business  
14       climate in Philadelphia, we haven't changed the  
15       business climate within very narrow areas in which  
16       we've done several TIFs and that TIFs actually do  
17       not change the business climate or the business  
18       environment except for that individual developer.

19                  MR. CUORATO: Councilman, I would  
20       respectfully take issue with that. I think the  
21       TIF has been an enormously advantageous tool for  
22       us to have. I think for a number of projects and  
23       -- for a number of projects for which TIFs have  
24       been approved, I don't think that those projects  
25       would have been able to go forward without that

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2 specific tool.

3 COUNCILMAN GOODE: My specific question  
4 is simply that it does not change the business  
5 climate for anyone other than the individual  
6 developer.

7 MR. CUORATO: Well, it's -- the  
8 projects that we've approved TIFs for have  
9 provided hundreds of jobs for Philadelphians,  
10 which, I think is, certainly a positive benefit,  
11 and they pay wage taxes.

12 COUNCILMAN GOODE: I'm talking about  
13 the actual environment in which we do business,  
14 whether it's the Avenue of the Arts area, whether  
15 it's any other area in which we've done TIFs  
16 that's a specific geographic area. It has not  
17 impacted that environment for anyone other than  
18 the individual developer, or else we would  
19 continue to do TIFs in the exact same places.

20 MR. CUORATO: Well, I -- I just -- I  
21 mean -- while most of the TIFs have been in the  
22 broadly defined Center City area, I think you  
23 could argue that the projects for which TIFs have  
24 been supported have made this business district  
25 much more viable, much more vibrant. I know most

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2       of the projects have been hotels but, no, I -- I  
3       think it's had a very positive impact on the City.  
4                   COUNCILMAN GOODE: Okay, thank you.  
5                   I have no further questions.  
6                   COUNCIL PRESIDENT VERNA: Thank you.  
7                   Councilman Cohen, you're next to be  
8       recognized. Do you have questions of Mr.  
9       Cuorato? Because he had indicated that he had to  
10      be at a meeting. Or is it for Mr. Fina? Are you  
11      questions for Mr. Cuorato or Mr. Fina?  
12                  COUNCILMAN COHEN: I'm not getting your  
13      question.  
14                  COUNCILWOMAN KRAJEWSKI: Do you want to  
15      talk to Cuorato or the other guy?  
16                  COUNCILMAN COHEN: Probably both.  
17                  COUNCIL PRESIDENT VERNA: All right.  
18                  COUNCILMAN COHEN: And I am not  
19      promising to be brief.  
20                  COUNCIL PRESIDENT VERNA: Okay.  
21                  COUNCILMAN COHEN: And that's because  
22      I'm trying to struggle with the justification for  
23      TIFs, whether they're good for the City or whether  
24      -- and the developer or whether they're really  
25      only good for the developer.

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2 Mr. Cuorato, in your explanation as to  
3 the basis for giving TIFs, it seems to me that we  
4 have gone in a totally round circle. We no longer  
5 are interested in whether a developer needs TIFs;  
6 all we're interested in is whether or not it's a  
7 good project for the City. And if it's a good  
8 project for the City, you're saying that we should  
9 grant the TIFs, and you did not include at all the  
10 question of need by the developer. In fact, it  
11 seemed to me you went out of your way to say that  
12 that's kind of irrelevant.

13 Now, when we first started down this  
14 road, the total justification was the need for the  
15 developer, otherwise the project couldn't go  
16 through. You're saying now that we eliminate that  
17 totally as a factor. A developer who could make,  
18 say, what would be considered a good profit  
19 without a TIF, nonetheless, is entitled to a TIF  
20 if the project is good for the City. Do I  
21 understand you correctly?

22 MR. CUORATO: No, you do not,  
23 Councilman. In fact if you -- the testimony that  
24 I gave this morning, the very first point that I  
25 brought up, that the first criteria that would be

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2       used in judging TIFs is whether or not there is an  
3       actual gap, which is to say that if a developer  
4       comes in and has a project that it would be good  
5       for the City that we would want to support, they  
6       will have to prove that there's a funding gap, a  
7       financing gap that only a TIF could approve;  
8       otherwise, we're not going to support it.

9           So that -- that is not the case. That  
10       would be the first guiding principle that we would  
11       follow in evaluating TIFs. And in fact --

12           COUNCILMAN COHEN: Unless, I was wrong,  
13       you did not even mention it in your reply to  
14       Councilman Goode.

15           MR. CUORATO: I may not have mentioned  
16       it in my reply to Councilman Goode because I  
17       thought the question was a little different, but  
18       in my testimony, it's the first point that I  
19       mentioned, it's the first point that I brought up.  
20       And, in fact, there have been -- even in the  
21       several months that I've been the Director of  
22       Commerce, there have been a few developers who  
23       have come in with projects that I did not feel  
24       were able to demonstrate the financial need, and  
25       we have just said no, we're not going to support a

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2 TIF.

3 So that was the first point that I made  
4 in my testimony.

5 COUNCILMAN COHEN: So then you're  
6 stating the need of the developer is the first  
7 requirement that has to be shown, the need with  
8 respect to that particular project, I assume,  
9 rather than the need generally of the developer.

10 MR. CUORATO: The developer would have  
11 to demonstrate to us, through a very detailed  
12 proforma, that the project could not go forward  
13 without the subsidy, which would be a TIF funding.

14 COUNCILMAN COHEN: Now, how does a  
15 developer do that?

16 MR. CUORATO: They demonstrate to us,  
17 and you will see this morning, Councilman Cohen,  
18 in the specific details that Mr. Fina's going to  
19 present on these two projects that they would  
20 present to us their sources and uses of fund,  
21 which is to say the cost of a project, which we  
22 can evaluate and determine whether it's realistic  
23 or unrealistic, and the sources of funds that they  
24 have for the project, which are equity and debt  
25 financing in most cases, traditional debt

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2       financing.

3                   And we -- we do push; we do not simply  
4       accept what a developer presents to us. If an  
5       equity investment that a developer's proposing is  
6       too low, we will say that. If we believe more  
7       traditional financing can be secured, we will say  
8       that. We do not simply accept a developer's  
9       numbers. If they come to us with a project, we  
10      will push very hard.

11                  If we are convinced that traditional  
12      sources of funding have gone as far as they can go  
13      and there is still a gap and it is a project that  
14      we believe is good for the City, I think that  
15      warrants us presenting a TIF proposal or putting a  
16      TIF proposal together. But, otherwise, we would  
17      not.

18                  COUNCILMAN COHEN: And you're saying  
19      there has to be an equity involvement by the  
20      developer?

21                  MR. CUORATO: In virtually all of the  
22      projects that we have seen, or that I have seen,  
23      there is an equity investment by the developer,  
24      and then there's traditional debt financing or  
25      mortgage financing. And oftentimes for the



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2 projects that we look at, that does not equal the  
3 uses of funds in order to have a project fully  
4 developed. And if we think a project is good and  
5 worthwhile and good for the City, that's when I  
6 think we are warranted to step in and help.

7 COUNCILMAN COHEN: Now, when a  
8 developer prepares a financial statement for you,  
9 does the developer employ any experts in the  
10 financial field, or does the developer just put  
11 together his own figures as best he can and  
12 present them to you?

13 MR. CUORATO: Most developers that we  
14 deal with are experienced and have either in-house  
15 capability to do that or will have financial  
16 advisors or consultants working with them.

17 COUNCILMAN COHEN: Now, on the other  
18 end, how about the City? How does the City  
19 analyze the developer's requests?

20 MR. CUORATO: In similar fashion. For  
21 most of the requests, the expertise is in-house.  
22 For extraordinary circumstances, if we feel we  
23 need to go outside and get outside financial  
24 advice or consulting, we will. But in most cases,  
25 we have the expertise in-house to make those

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2 decisions.

3 COUNCILMAN COHEN: What is this  
4 expertise in-house that we have? Could you name  
5 names and tell us the backgrounds and tell us the  
6 training they've had to make financial  
7 evaluations?

8 MR. CUORATO: Well, Mr. Fina, who is  
9 seated right here with me, can describe his own  
10 qualifications and background. He's had extensive  
11 experience in very complicated financial  
12 transactions, and his ability to analyze a  
13 proforma is excellent. And I've worked with  
14 Mr. Fina on --

15 COUNCILMAN COHEN: He's a fine man, has  
16 great intentions, and does a great job. But what  
17 I'm interested in now is not in making a  
18 recommendation for Mr. Fina for some promotion to  
19 a higher position, which he undoubtedly deserves,  
20 but I'm just interested in knowing how the City of  
21 Philadelphia protects itself by having the most  
22 expert, knowleged people available to any  
23 government in evaluating developer' requests.

24 MR. CUORATO: We have, between the  
25 expertise at PIDC, at the Department of Commerce

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2 and the City Finance Department, I think we --

3 COUNCILMAN COHEN: I'll tell you why,  
4 Mr. Cuorato, I raise this question. It is common  
5 knowledge throughout the whole United States for  
6 years that regulatory agencies, for example, begin  
7 to seem almost like the regulated agencies after a  
8 while, and that the main interest of regulatory  
9 agencies generally becomes the interests of those  
10 agencies that they're regulating. The more people  
11 work together, develop working relationships, the  
12 more similar their views become, so that in  
13 effect, there is never any really objective  
14 analysis.

15 For example, it strikes me -- in this  
16 particular project, I don't know when it was  
17 acquired by Parkway, the lot, for example. Do we  
18 have figures, do we know what Parkway paid for the  
19 lot? Is the lot being considered at all as part  
20 of the equity investment? And when it is so  
21 considered, at what value is that lot listed as  
22 having equity value? And are the other resources  
23 of the developer ever considered in a project, or  
24 does each project have to stand on its very own?  
25 And if there is a period of time, as most projects

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2       require a period of time before the income is  
3       fully realized, whose burden is it to provide for  
4       that period of time.

5           My view would be that it's the  
6       developer's responsibility, not the City's  
7       responsibility. And the developer has had on  
8       opportunity over many years, in most cases, to  
9       develop that equity reserve.

10          But I would like the answers to those  
11       kind of questions that come not directly from me  
12       or from Mr. Fina but from people who are well  
13       recognized in the economic field.

14          So my question to Mr. Fina is, when a  
15       developer brings in these documents, who examines  
16       them? Because I don't think it ought to be the  
17       agency that makes the final decision. I think  
18       there ought to be a separate objective evaluation  
19       by an independent agency employed by the City  
20       seeking to represent the City's interests.

21          Mr. Fina, are you going to reply to my  
22       question or --

23          MR. FINA: Forgive me, Councilman, I'm  
24       not sure what the question was, but if you're  
25       asking --

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2 COUNCILMAN COHEN: The question was,  
3 what is the expertise that the City of  
4 Philadelphia employs in analyzing any developer's  
5 documentation in support of a project request for  
6 TIFs?

7 MR. FINA: I would only reiterate what  
8 Mr. Cuorato said, that the expertise exists at  
9 PIDC, the Commerce Department, and the Finance  
10 Department. At PIDC, my staff, I have -- just to  
11 go over their credentials, if I may, I have three  
12 people working for me. Two have MBAs from Penn in  
13 business that do financial analysis, another one  
14 has a Ph.D., a third person has a Ph.D. They have  
15 the academic expertise that you're looking for  
16 credentials to test that. At times, we will hire  
17 a consultant if we believe we need a consultant to  
18 further analyze a project if it's more complicated  
19 than our experience.

20 I've been doing this for approximately  
21 twenty years. By no means do I consider myself  
22 the best, but I have 20 years' experience in  
23 analyzing projects in various agencies, under  
24 various criteria, and I employ all of that  
25 expertise as well as the staff that I mentioned.

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2 I'd be more than happy to meet with you  
3 to go over the resumes of the people who work on  
4 this and how we go about analysis. My testimony  
5 will provide some insight into our analysis, and  
6 the information that I provide Council on a  
7 regular basis will provide some insight into our  
8 analysis, and I think, you know, it may provide  
9 some of the answers that you seek.

10 COUNCILMAN COHEN: Do you -- do you  
11 prepare -- for each project that's before you, do  
12 you prepare an analysis in written form supporting  
13 whatever recommendations you reach?

14 MR. FINA: We have a rather extensive  
15 analysis, some of which I've outlined with my  
16 testimony that was circulated. So to answer your  
17 question, yes, we provide written analysis for  
18 each project.

19 COUNCILMAN COHEN: Let me ask you, in  
20 this particular project, is the land itself that's  
21 currently being used as an open-lot parking  
22 surface -- parking area, is that part of the  
23 equity that the developer puts into the  
24 development?

25 MR. FINA: Yes, it is.

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2 COUNCILMAN COHEN: And can you tell us  
3 what the value is projected as the equity  
4 involvement?

5 MR. FINA: The value we project, based  
6 upon income and other appraisals in the area,  
7 \$7,950,000.

8 COUNCILMAN COHEN: What was the first  
9 number?

10 MR. FINA: \$7,950,000. This parcel has  
11 been acquired by the developer over the past 20  
12 years, and this represents the market value that  
13 we have applied to the parcel.

14 COUNCILMAN COHEN: And do we have any  
15 figures on what the cost of acquisition was when  
16 the developer first acquired it 20 years ago?

17 MR. FINA: We do have that information,  
18 yes. When the developer began acquiring the  
19 parcel some 20 years ago, the probably cash out,  
20 without carrying costs in any way, is somewhere  
21 close to \$4 million.

22 COUNCILMAN COHEN: And you have that in  
23 documentation?

24 MR. FINA: We have received  
25 documentation to that effect, yes.

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2 COUNCILMAN COHEN: And you say the  
3 value for equity purposes here has not quite  
4 doubled.

5 MR. FINA: That's correct.

6 COUNCILMAN COHEN: And do you apply  
7 that kind of evaluation to every aspect of a  
8 proposal presented by the developer? Do you go to  
9 that kind of an analysis?

10 MR. FINA: We do an analysis on every  
11 proposal from every developer, yes.

12 COUNCILMAN COHEN: Now, when you say,  
13 as you testified before, that every one of the  
14 TIFs we have granted you can document that the  
15 School District and the City did better after the  
16 grant of the TIF than before.

17 What do you mean by that? How did the  
18 City and the School District do better? What  
19 makes you say that? What do you conclude  
20 happened?

21 MR. FINA: That the taxes that inure to  
22 the benefit of City and the School District have  
23 increased and are substantially greater than they  
24 were before the project was built and before the  
25 TIF was approved.



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2 COUNCILMAN COHEN: Well, wouldn't that  
3 be in every case? Whenever there is a  
4 development, isn't there increased revenue coming  
5 from the project, no matter how it's financed?

6 MR. FINA: That's usually the case, but  
7 some of these parcels that were developed that  
8 were vacant and not generating any taxes for 40  
9 years, there was nothing ever happening before the  
10 TIF was approved and the project; therefore, we  
11 went forward. And we have statistical data that  
12 will --

13 COUNCILMAN COHEN: But wouldn't that  
14 have happened if the project had been developed  
15 without a TIF?

16 MR. FINA: But, Councilman, my point is  
17 that they weren't developed. For 40 years, a  
18 property in Eastwick, near the Airport, where the  
19 PNC building, was vacant. Since then, not only  
20 did that project get built, with 1100 jobs, but  
21 there are four hotels and two restaurants that  
22 have been built that are not in the TIF but that  
23 are there and would have never been developed, and  
24 those property owners will tell you without PNC  
25 Bank, as approved by this Council, that TIF

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2 occurring and that project being built.

3 So we do have statistics that prove  
4 that the specific TIF District has improved, and  
5 we have related data that indicates that develop  
6 has occurred surrounding the TIF District. At  
7 least in the PNC Bank operation facility, it's  
8 very clear.

9 COUNCILMAN COHEN: Do you have any  
10 standards as to how long property has to lie  
11 around being undeveloped in order to feel that  
12 you've got a case to prove that were it not for  
13 the TIF, the project would have been continued to  
14 remain undeveloped?

15 Like, for example, let me take the  
16 development of Northern Liberties in recent times  
17 as one community, or Old City. It seems to me  
18 that much of the development in those two areas  
19 occurred because developers saw the economic  
20 possibilities without respect to TIFs. There was  
21 some that recently we've given TIFs to before we  
22 gave abatements to in some cases, but that the  
23 vast majority of development occurred without TIFs  
24 and abatements.

25 I'm trying to find out what standards

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2 you apply to make a decision of the but-for the  
3 grant of the TIFs, this would not have developed.

4 MR. FINA: We look at the economics of  
5 the project that's proposed, and plus each TIF  
6 District must be a redevelopment area, certified  
7 by the Planning Commission as blighted and  
8 blighting under the State definition.

9 COUNCILMAN COHEN: Well, take this area  
10 of this development. Do you consider this now a  
11 blighted area surrounded by everything in Center  
12 City? That's desirable. And for that, maybe the  
13 Parkway deserves a good bit of credit for its past  
14 activities, but can it now be considered a  
15 blighted area in any way?

16 MR. FINA: Under the State definition,  
17 an underutilized property, which a parking lot is  
18 considered, it's considered blighted. That's  
19 under the State definition.

20 COUNCILMAN COHEN: Just underutilized  
21 property is considered blighted?

22 MR. FINA: That's one of the criteria  
23 for determining blight, yes, sir.

24 COUNCILMAN COHEN: Is that a definition  
25 that exists in the law?

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2 MR. FINA: Yes, sir.

3 COUNCILMAN COHEN: In the federal law?

4 MR. FINA: In the State, the  
5 Commonwealth of Pennsylvania.

6 COUNCILMAN COHEN: All right, that's an  
7 interesting concept.

8 Okay, thank you, Madam Chair.

9 COUNCIL PRESIDENT VERNA: You're  
10 welcome.

11 Are there any other questions of  
12 Mr. Cuorato?

13 The Chair recognizes Councilwoman  
14 Tasco.

15 COUNCILWOMAN TASCO: In looking at the  
16 bottom line of a project's development, when you  
17 look at the financial statement, you look at the  
18 projected profit income that would be generated  
19 from this project over the years? Do you look at  
20 that?

21 MR. CUORATO: Yes, Councilwoman, we do.

22 COUNCILWOMAN TASCO: So if you look at  
23 that and you see a large profit being generated  
24 from a project, couldn't that developer use the  
25 projected profit to increase the borrowing power

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2 for the project rather than asking for a TIF from  
3 the City?

4 MR. CUORATO: If the projected profit  
5 we believe is too large -- we make some reasonable  
6 determinations about what would be a sufficient  
7 rate of return for a project to succeed. If the  
8 proforma shows excess profits, we will question  
9 the developer about that, and more than likely, if  
10 a project looks like it can be successful without  
11 a TIF, we will not support it.

12 I think when Mr. Fina presents details  
13 of the 15th and Spruce garage today, you will see  
14 that there is a provision that if the garage is  
15 successful beyond a certain point, that the TIF  
16 would be repaid sooner.

17 But to answer your question, yes, we do  
18 look at a developer's projected return and take  
19 that into consideration.

20 COUNCILWOMAN TASCO: When you look at  
21 the garage and where it's located and the cost of  
22 parking, and it's across the street from the  
23 Avenue of the Arts -- what's the new building?

24 COUNCIL PRESIDENT VERNA: Kimmel  
25 Center.

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2 COUNCILWOMAN TASC0: The Kimmel Center,  
3 right. There's a lot of activity going on around  
4 there. And analyzing the financial statement,  
5 what does the profit look like. What does the  
6 bottom line look like? Does it look like the  
7 developer could, in applying for the loan that you  
8 talk about, be able to -- it's only, what,  
9 \$6 million they're asking for from the City,  
10 \$6 million?

11 COUNCIL PRESIDENT VERNA: Mm-hmm.

12 COUNCILWOMAN TASC0: I mean, that's a  
13 small amount when you look at the total cost of  
14 the project.

15 MR. FINA: Councilwoman, with my  
16 testimony, I had provided what is called a  
17 "project financing gap analysis" to each member  
18 of Council. There are outlines, our conclusions  
19 basically of how there is a gap that exists. Even  
20 with the revenue that's generated from the  
21 proposed garage that we project to be generated,  
22 there's a gap that exceeds the TIF, actually. The  
23 gap is about 7.84 million, the TIF is 6.2 million  
24 because the gap --

25 So the developer, even after equity's

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2       provided to a project in the form of the land, has  
3       to provide additional cash to this development as  
4       well as borrow \$15.6 million. The risk is on the  
5       develop to get a return for its equity and to  
6       repay that debt. So we attempt to maximize that  
7       -- the private investment. We look at the TIF  
8       more or less as a shallow subsidy program, one  
9       that attempts to encourage capital investment, not  
10      replacing it. We always look to the developer in  
11      the business to provide debt and equity first and  
12      then determine if there's a gap in how we would  
13      fund that gap.

14               And even then with our analysis and  
15      from discussions of me coming before City Council,  
16      we brought something -- a new concept that we  
17      started several months ago in continuing in our  
18      TIFs in our negotiation with the developer,  
19      something we call a "claw-back," where if the  
20      developer makes a certain return on its equity, a  
21      certain profit, we then share above that the  
22      return to pay off the TIF note early.

23               So if I'm wrong in my calculations, if  
24      I've made mistakes and overestimated the  
25      difficulty of a developer to earn a profit, we

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2     have a mechanism that we're creating that we  
3     document that the developer must share its profit  
4     with us until the TIF is paid off.

5           COUNCILWOMAN TASC0: Okay. My next  
6     question is, the efforts by PIDC and the Commerce  
7     Department to be supportive of the projects and  
8     come up with creative ways to help them, is it  
9     possible to get that same creative support for the  
10    children's fund in terms of me trying to try in --  
11    generating some dollars from these developments  
12    for a children's fund, but we don't get the same  
13    enthusiasm to invest in children that we get to  
14    invest in businesses.

15           What commitment can you make at this  
16    point to help us figure out how we can get this  
17    children's fund going? I want to see the same  
18    enthusiasm and support for helping us develop this  
19    fund, and I need some commitment from you.

20           MR. CUORATO: Councilwoman, I -- I  
21    fully support the idea of a children's fund.  
22    However, I -- I cannot support the idea that it be  
23    -- it be funded from our business assistance  
24    programs. And I -- I say that with all due  
25    respect. I understand the intent, and I think



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2       it's most noteworthy.

3                   I would just ask that you consider the  
4       fact that we are at a disadvantage in attracting  
5       business and development, and I am doing  
6       everything that I can to overturn this perception  
7       that Philadelphia is not a business-friendly  
8       environment, to overturn this perception that our  
9       tax structure is onerous and burdensome and what I  
10      -- what I'm trying to do is -- is do things that  
11      will make the situation more positive.

12                  I just don't think funding the  
13      children's fund from the basic programs that we  
14      use to help businesses is going to -- is going to  
15      further my goals to increase business. I am not  
16      saying that the children's fund is not important.  
17      What I guess I'm saying is that if -- if there are  
18      other ways that that can be funded, including  
19      direct appropriations, those are the ways that I  
20      think it should be done.

21                  COUNCILWOMAN TASC0: I --

22                  MR. CUORATO: I don't want to see us  
23      put at a further disadvantage, and my fear that is  
24      in the business assistance programs that we  
25      provide, if we're taking money out of that, it's

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2 going to further the disadvantage that we're  
3 working under.

4 COUNCILWOMAN TASC0: Well, I don't  
5 agree that we're disadvantaged. I have some land  
6 up on Cheltenham Avenue that I got developers  
7 standing in line to develop. They want to develop  
8 it. I mean, they got -- there's land over there  
9 on the Boulevard and Logan, 34 acres. Developers  
10 are standing in line to develop it. They don't  
11 seem to say that they don't want to invest. And  
12 that's in the community, it's not downtown.

13 So I don't agree with that argument. I  
14 think it's a safe argument to use to grant support  
15 for businesses, and they really do have to do  
16 that. But I think we ought to stop using the  
17 negative that Philadelphia's such a bad place and  
18 folks don't want to come in and develop. I think  
19 they will develop. If the folks who developed  
20 around PNC Bank developed, they didn't ask for a  
21 TIF, but they came in and developed.

22 So we do have to present City in a  
23 positive light, that we do have something to  
24 offer. If we don't have an adequate workforce and  
25 we continue to have an increase in crime, they're

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2       not going to want to come. So we ought to see the  
3       benefit inn the development of these projects to  
4       support the children so that we can grow children  
5       to be responsible citizens as a benefit as a  
6       result of the investment.

7                   So I -- I think that -- and then I just  
8       read in the paper this morning that we got a  
9       developer buying up everything in the City.  
10      Evidently, he wants to develop. He bought the  
11      Acme market, he's buying up everything. Nobody's  
12      giving him any TIFs yet, but he's got all this  
13      land and we can't seem to take it for ourselves.  
14      Did he get a TIF on the Acme market?

15                  I mean, you know, we get this argument  
16      all the time. We got to do it because the people  
17      are not coming to Philadelphia. I do not agree  
18      that, you know -- and, you know, I think that  
19      we're going to have to work on finding a way to  
20      fund these children, and it can't continue to come  
21      out of the general fund, and we ought to tie it to  
22      economic development, and people will pay because  
23      the folks who want to come and do business in  
24      Philadelphia want a crime-free City, they want a  
25      workforce that's skilled and capable, and if we

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2 tie the two and make it a positive argument, then  
3 it's better for everybody. It's better for  
4 Philadelphia and it's not the Oh-woe-is-me-  
5 Philadelphia argument that we continue to get over  
6 and over again. And I just don't buy into it.

7 So I'm going to call you because I want  
8 you to tell me how we can do it. I don't want to  
9 hear nobody telling me anymore that we can't do  
10 it. We're going to figure out how we do it.

11 And that's all I got to say. Thank  
12 you.

13 COUNCIL PRESIDENT VERNA: Thank you.

14 The Chair recognizes Councilwoman  
15 Brown.

16 COUNCILWOMAN BROWN: Thank you, Madam  
17 Chair.

18 I continue to be softly persuaded to  
19 support TIFs because of one compelling factor, and  
20 that is the ultimate benefit to the Philadelphia  
21 School District. And I -- Councilman Ortiz  
22 continues to raise it, an important question for  
23 me regarding the School District and when the  
24 benefit happens.

25 On Page 2 of your testimony, first

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2       paragraph, the quote is, project benefits include  
3       230 construction jobs, 57 permanent jobs, and new  
4       annual average tax revenues of \$275,000 to the  
5       School District.

6                   Explain to me when that happens. It  
7       does say "new" but "new" is relative. So could  
8       explain to me when that happens, one. And, two,  
9       what happens at the end of the 19 years, when,  
10      according to information, the loan dies?

11                  MR. FINA: Councilwoman, you're quoting  
12      my testimony, which I have not given yet.  
13      Mr. Cuorato had given his and he was going to try  
14      to go to another commitment.

15                  COUNCILWOMAN BROWN: That's fair,  
16      that's fair.

17                  MR. FINA: I'd be happy to answer that  
18      question maybe after I give the testimony.

19                  COUNCILWOMAN BROWN: Sure. Why don't  
20      we allow Council colleagues to continue to talk  
21      with the Commerce Director, and then you can  
22      answer the question after his departure.

23                  MR. FINA: Thank you.

24                  COUNCIL PRESIDENT VERNA: Councilman  
25      Nutter.

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2 COUNCILMAN NUTTER: Thank you, Madam

3 Chair.

4 Mr. Fina or Mr. Cuorato, if -- if you  
5 responded to this earlier, I apologize, either  
6 because I was delayed in getting here or I missed  
7 it. But one of the things I wanted to try to  
8 understand about this project was --

9 COUNCILMAN ORTIZ: I can't hear you.

10 COUNCILMAN NUTTER: Some people look  
11 forward to the opportunity not to hear me, so I  
12 appreciate my colleagues actually asking me to  
13 speak up.

14 One of the things that I've been  
15 intrigued about this particular project related to  
16 the larger project, which is, obviously, the  
17 Regional Performing Arts Center, now, I think,  
18 more officially, the Kimmel Center. Was a parking  
19 garage or a significant increase in parking spaces  
20 a part of the original project? I mean, when  
21 people conceived that center, what was their --  
22 what was the idea relative to parking? What's the  
23 seating capacity at the facility?

24 Was this gone through earlier?

25 MR. FINA: No, sir.

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2 COUNCILMAN NUTTER: Okay, all right,  
3 thank you.

4 MR. CUORATO: Councilman, the seating  
5 capacity is 2700 in the concert hall and 600 in  
6 the recital hall.

7 COUNCILMAN NUTTER: All right. So 3300  
8 new seats in a brand-new facility that takes up --  
9 the footprint of this building is what, from  
10 Spruce to Pine, Broad to 15th?

11 MR. CUORATO: Spruce to Delancey, Broad  
12 to 15th.

13 COUNCILMAN NUTTER: Okay, Delancey's  
14 the small street between Spruce and Pine, right?

15 So when the concept was put together,  
16 when this was envisioned, which -- I mean, I think  
17 the RPAC, Kimmel Center is a great project.

18 What did people say about where folks  
19 were going to park? I mean, what was the idea?

20 MR. FINA: Councilman, I believe there  
21 will be representative from RPAC that would like  
22 to speak and could probably address that question  
23 better than I.

24 It was considered -- earlier, maybe  
25 before you came in, we talked about why would not

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2     the Parking Authority do this rather than using  
3     the TIF to support this project and -- and our  
4     succinct answer was that the Parking Authority  
5     would take too long, there would have to be bonds  
6     guaranteed through City Council, guaranteed by the  
7     City, and we thought this was a better mechanism,  
8     particularly in the fact that there will be taxes  
9     generated from this project that if the Parking  
10    Authority created a parking garage, there would be  
11    less taxes generated; even with the TIF, there  
12    would be more taxes. And the fact, also, that we  
13    are basically putting a risk on the developer to  
14    do the garage as assume having the public risk the  
15    garage.

16                 So there's a number of answers, but if  
17    I can -- if you would be so kind to ask that  
18    question again of the RPAC representative when  
19    they give their testimony, I think that would only  
20    enhance my answer to you now.

21                 COUNCILMAN NUTTER: Well, I understand  
22    that but, I mean, I'm assuming that you would have  
23    asked that question yourself, right? I mean, if  
24    someone -- whenever somebody came to you with this  
25    proposal, didn't the thought occur to you that --



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2 I mean, why is this almost being looked upon as an  
3 add-on? I mean, 3300 seats, big new facility,  
4 where are people going to park, I mean, seems to  
5 be kind of the next natural question. I mean RPAC  
6 wasn't the secret.

7 MR. FINA: That's correct, Councilman,  
8 we did consider that -- always parking was thought  
9 about in the project. We -- the initial thinking  
10 that I'm aware of dealt with the Parking Authority  
11 providing parking in the structure, that they  
12 would acquire land probably through the  
13 condemnation process and build a garage.

14 COUNCILMAN NUTTER: When was that?

15 MR. FINA: When was that? That went on  
16 for the last two years that I'm aware of, those  
17 discussions with the Parking Authority.

18 COUNCILMAN NUTTER: You've had  
19 discussions for the last two years with the  
20 Parking Authority about this?

21 MR. FINA: About parking, yes.

22 COUNCILMAN NUTTER: And all during that  
23 time you couldn't figure something out?

24 MR. FINA: No, we could. We thought  
25 this was a better approach, Councilman, and that's

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2       why here today, to present that, and I will  
3       present that in my testimony. In answer to your  
4       question, we think this is a better approach for  
5       this particular site than going through that  
6       process of condemnation, than the Parking  
7       Authority exercise its ability to finance a garage  
8       through City-guaranteed bonds.

9                   COUNCILMAN NUTTER: Okay, I understand  
10      that. I mean, I'm just -- you know, I'm not an  
11      RPAC expert, it wasn't, you know, a project that I  
12      really had to do very much with.

13                  In the last few years, as it -- I mean,  
14      you've mentioned the Parking Authority on a few  
15      occasions. Has the Parking Authority done any  
16      projects in the past two years in the City?

17                  MR. FINA: Well, I think it was  
18      indicated earlier by one of your colleagues that  
19      there are proposals by the Parking Authority to do  
20      a number of projects, including the 18th and  
21      Rittenhouse Square area, but do I not believe the  
22      Parking Authority's commenced any parking garage  
23      since, except the Airport.

24                  COUNCILMAN NUTTER: And what they've  
25      brought in, I guess, under distress, for Eighth

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2           and Market some time ago -- I mean, that was kind  
3           of a last-minute thing. And, I mean, they  
4           seemingly got themselves together to figure out  
5           how to -- I mean, obviously, the rest of the  
6           project failed, but I think they're going to go  
7           forward with that, right? I mean, they responded  
8           in a crisis to -- I mean, I'm not -- this  
9           developer, the Parking Authority, I mean, I'm just  
10          trying to sort all through the stuff. I mean, I  
11          haven't articulated a particular view yet; I'm  
12          just trying to understand the background and the  
13          details.

14                   MR. CUORATO: Yes, Councilman Kenney  
15          had actually asked --

16                   COUNCILMAN NUTTER: There's a point of  
17          order?

18                   COUNCIL PRESIDENT VERNA: The Chair  
19          recognizes Councilman Clarke.

20                   COUNCILMAN CLARKE: Thank you. Thank  
21          you, Madam Chair.

22                   Councilman Nutter, I just wanted to  
23          respond to one question with respects to the  
24          Parking Authority's involvement. There was one  
25          issue at the time. If you recall, there was a

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2     bill that was requested from the last  
3     administration that would increase the cap on the  
4     number of spaces for the garage. And at that  
5     time, I believe the Parking Authority was  
6     considering going out and getting a bond for four  
7     -- three or four garages, but all of those  
8     garages would be more than the 500 parking space  
9     cap.

10           And at that time, members of Council,  
11     particularly members who represented parts of  
12     Center City, did not feel comfortable with taking,  
13     which is currently a zoning issue, out of the  
14     hands of the community. So we did not pass that  
15     bill, remember that? And that's one of the  
16     reasons why they felt uncomfortable with  
17     proceeding with that without having sense of being  
18     able to do a larger garage.

19           COUNCILMAN NUTTER: Councilman, is that  
20     the matter of the last administration? I think  
21     there was some attempt to exempt the Parking  
22     Authority from certain zoning regulations. Was  
23     that --

24           COUNCILMAN CLARKE: Exactly, yeah. And  
25     right now, in retrospect -- well, I don't want to

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2 -- currently, we're in a discussion about a  
3 garage at 19th and Walnut, and it is being  
4 litigated, so I think that that decision might  
5 have been prudent on that particular case.

6 COUNCILMAN NUTTER: I understand.

7 COUNCILMAN CLARKE: Thank you.

8 COUNCILMAN NUTTER: Okay. So, these  
9 discussions started a couple years ago, and the  
10 conclusion two years later, through this whole  
11 process, was to go this particular route.

12 Now, when did RPAC become a viable  
13 proposal?

14 MR. CUORATO: 1996.

15 COUNCILMAN NUTTER: 1996?

16 MR. CUORATO: (Nods.)

17 COUNCILMAN NUTTER: Okay. Why don't I  
18 save those issues for RPAC.

19 The project plan that we received back  
20 in September indicated that this is a  
21 \$31.3 million project, and it has in the project  
22 plan acquisition costs of \$7.9 million.

23 Now, I was under the impression that  
24 this ground is already owned by the developer who  
25 wishes to develop; is that correct?

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2 MR. FINA: Yes.

3 COUNCILMAN NUTTER: So what are the  
4 acquisition costs?

5 MR. FINA: It's maybe a misnomer by  
6 calling it "acquisition." It's the market value  
7 of the land in the existing parking lot today that  
8 the developer's contributing, as well as cash to  
9 the total development of the project.

10 COUNCILMAN NUTTER: I'm sorry, you lost  
11 me with that answer. I have no idea what you just  
12 said.

13 MR. FINA: The -- we've calculated the  
14 value of the land as it exists today --

15 COUNCILMAN NUTTER: Right.

16 MR. FINA: -- to be \$7.9 million.

17 COUNCILMAN NUTTER: Right.

18 MR. FINA: And when you do an analysis  
19 of a project, you look at what the developer's  
20 contributing. The developer is providing the land  
21 as part of the total development costs. In other  
22 words, if the Parking Authority had to buy the  
23 land, they would pay \$7.9 million, we anticipate,  
24 for this land.

25 COUNCILMAN NUTTER: But they're not in

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2 this, right?

3 MR. FINA: That's correct, Councilman.

4 COUNCILMAN NUTTER: I mean, we have  
5 done a few of these, so I don't mean to seem  
6 difficult or even particularly dense. I mean, I  
7 didn't have my yogurt this morning but -- I mean,  
8 this is listed as costs. It says acquisition,  
9 7.9; construction, 15.9; fees and expenses, 7.5;  
10 total project cost, 31.3. And that's matched up  
11 against financing, private debt and equity, 25.1;  
12 the TIF, 6.2.

13 Excuse me. I guess what I'm not  
14 completely understanding is, how does the  
15 developer, putting forward what's now estimated to  
16 be the value of the land in the project ends up  
17 either as a cost or -- I mean, doesn't the  
18 developer, I guess, have a particular incident to  
19 put up the land in order to make the project  
20 happen?

21 MR. CUORATO: The --

22 COUNCILMAN NUTTER: I mean, I just --  
23 maybe it's a terminology issue or --

24 MR. CUORATO: Well, the use of the word  
25 "acquisition" is not entirely accurate since the

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2 public is not acquiring this site. If you look at  
3 the sources and uses of funds --

4 COUNCILMAN NUTTER: I mean, I'm not  
5 unreasonable in having received this, and the word  
6 is written there. I mean, I didn't make it up.  
7 And in the context that we normally use the  
8 language, acquisition under costs means you have  
9 to pay for something in order to get that piece of  
10 property. Isn't that what that normally means? I  
11 mean, this is not an unreasonable reading of this,  
12 is it?

13 MR. CUORATO: Absolutely not.

14 COUNCILMAN NUTTER: Okay.

15 MR. CUORATO: But I guess the concept  
16 is that for a project to be developed, the land,  
17 you need to have the land as a part of the  
18 project. The land is assigned a value. The  
19 developer in this case is putting the land into  
20 the project and is given credit for that on the  
21 sources side as part of his equity investment.

22 COUNCILMAN NUTTER: But he's developing  
23 his own land. I mean --

24 MR. CUORATO: But he's putting the --  
25 he's putting the land into the project. I mean,



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2 we're listing sources and uses of funds here in  
3 trying to come up with all of the sources and all  
4 of the uses or the cost factors. The land is  
5 necessary in order to develop the project. The  
6 developer is putting the land into the project.

7 COUNCILMAN NUTTER: Okay. I mean, you  
8 know, I hear what you're saying. I guess when you  
9 think about you've got a project and you have  
10 construction activity, I mean, your hard costs are  
11 bricks, people, all of the appurtenances that go  
12 with it, I mean, the physical things that make  
13 this what you want it to be. I mean, I guess it's  
14 kind of naturally assumed that if you own it, you  
15 want it to happen on your property, as opposed to  
16 going and buying other land to make it happen.

17 I understand if you have to go acquire  
18 property. That is a cost.

19 MR. FINA: Councilman --

20 COUNCILMAN NUTTER: There is no cost.

21 MR. FINA: Well, it --

22 COUNCILMAN NUTTER: I mean, isn't this  
23 really a --

24 MR. FINA: Councilman, if the developer  
25 that owns it now, if the business that owns it now

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2       sells it to another business, that would be the  
3       acquisition. Even though both are corporations,  
4       one corporation sold it to the other. The  
5       ownership of that corporation could be the same  
6       people, but it would be one corporation to the  
7       other. That's why we did it this way.

8           This developer may very well sell the  
9       land to another limited liability corporation.  
10      That's what happens in these transactions. So you  
11      attribute -- and we do this always, you attribute  
12      a market value to the land. That's -- that's what  
13      -- we call it "an acquisition" because that's  
14      what the computer spits out in all of our other  
15      TIFs when we set this page up, but it should be  
16      market value.

17           And if this is sold by the existing  
18      corporation that owns it and the affiliate Parkway  
19      to another corporation, which is an affiliate of  
20      Parkway, it wouldn't be two separate corporations.  
21      There would be an acquisition and all of the  
22      associated taxes with that transfer would occur.

23           COUNCILMAN NUTTER: What does it  
24      actually cost to construct this garage?

25           MR. FINA: We calculate it at

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2 \$15,940,000.

3 COUNCILMAN NUTTER: And then you have  
4 the fees and expenses.

5 MR. FINA: That's correct.

6 COUNCILMAN NUTTER: To build the  
7 garage, it's really \$23.4 or so million; isn't  
8 that correct?

9 MR. FINA: That's correct.

10 COUNCILMAN NUTTER: And the sheet seems  
11 to indicate that as a part of this transaction,  
12 there is private debt and equity in the amount of  
13 \$25 million; is that correct?

14 MR. FINA: That is correct.

15 COUNCILMAN NUTTER: And so, you know,  
16 as they say, give or take a million or so, I mean  
17 the difference here is in the valuation of the  
18 existing land; is that correct?

19 MR. FINA: I'm sorry, Councilman. The  
20 difference is approximately the TIF, except that  
21 there's almost 2 million or a million 7 that the  
22 developer has to also provide to this development  
23 that the TIF has not. We're also providing the  
24 fact that the risk is on the developer, that if  
25 the project does not generate the revenue, that we

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2 are not obligated to pay the TIF note, except from  
3 the extent that the taxes are there.

4 COUNCILMAN NUTTER: Well, do you have  
5 any doubts about the viability of a multistory  
6 garage that is diagonally across from the Kimmel  
7 Center? Isn't there a parking shortage in Center  
8 City.

9 MR. FINA: My knowledge is not that of  
10 an expert on parking, but I'm aware that there's  
11 not a parking garage that has been built in Center  
12 City that has not received some form of subsidy,  
13 of late. I can't go back twenty years, but of  
14 late.

15 COUNCILMAN NUTTER: I understand that.  
16 I didn't ask you that question. I asked you about  
17 the viability of a garage at 15th and Spruce  
18 that's diagonally across from -- what was the  
19 total cost of the Kimmel Center? 230, 250, 280?

20 MR. CUORATO: \$245 million.

21 COUNCILMAN NUTTER: \$245 million?  
22 What's the most expensive hotel that's been built  
23 in the City in the last two or three years?

24 MR. FINA: That would probably be the  
25 Loews PSFS, at 135 million.

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2 COUNCILMAN NUTTER: So this is  
3 somewhere between the most expensive hotel in the  
4 City and probably the Convention Center in terms  
5 of construction costs, size-wise?

6 MR. FINA: Yes.

7 COUNCILMAN NUTTER: Do you know how the  
8 new garage at 15th and South Penn Square, the new  
9 underground garage, do you know how that was  
10 financed?

11 MR. FINA: No, I do not.

12 COUNCILMAN NUTTER: Did you have any  
13 involvement in that?

14 MR. CUORATO: I'm sorry, Councilman,  
15 what was the question?

16 COUNCILMAN NUTTER: Did you have any  
17 involvement in or do you know how the new garage  
18 at 15th and South Penn Square, under the former  
19 Meridian Building, the 305-parking-space garage,  
20 do you know who how that was financed? Did the  
21 City have any involvement in that?

22 MR. CUORATO: We did not.

23 COUNCILMAN NUTTER: That recently  
24 opened, right?

25 MR. CUORATO: Yes.

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2 COUNCILMAN NUTTER: All right. I think  
3 the rest of my questions are probably for Regional  
4 Performing Arts Center.

5 MR. MCPHERSON: Councilman Kenney?

6 COUNCILMAN KENNEY: Thank you very  
7 much.

8 Just one other comment or question  
9 regarding Councilman Nutter's line. I think  
10 Councilman Nutter was alluding to the fact that  
11 the underground garage was built without City  
12 subsidy. Was there another garage that's either  
13 being constructed -- I think it was very  
14 controversial. I think a guy by the name of Wayne  
15 Spiloff (ph.) was knocking down -- wanted to knock  
16 down historic buildings to build some retail and  
17 garage. Was there any subsidy on that one that  
18 the City was -- I mean, any TIF?

19 COUNCILMAN ORTIZ: That was the one on  
20 Sansom Street.

21 COUNCILMAN KENNEY: Oh, Sansom Street,  
22 I'm sorry, yes, Sansom Street.

23 MR. CUORATO: No public subsidy, to my  
24 knowledge, Councilman.

25 COUNCILMAN KENNEY: Okay. I just want

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2 to go back to a minute to -- is there something to  
3 add?

4 MR. CUORATO: Other than the standard  
5 tax abatement.

6 COUNCILMAN KENNEY: Okay, but no TIF?

7 MR. CUORATO: Right.

8 COUNCILMAN KENNEY: Okay. And the tax  
9 abatement would be obtainable by anybody who  
10 develops any new commercial property anywhere in  
11 the City, correct?

12 MR. CUORATO: Yes.

13 COUNCILMAN KENNEY: You talked earlier  
14 about a process that either you're employing now  
15 or that has been in place for this administration  
16 and the last administration, the process wherein  
17 the developer comes in and presents their ideas,  
18 their desires and needs and asks for a TIF, and  
19 it's either decided whether or not it's given or  
20 it's not given.

21 Who exactly sits on that process? Who  
22 are the people involved and what agencies are  
23 involved in the process of that analysis?

24 MR. CUORATO: Well, I can't speak for  
25 the prior administration.

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2 COUNCILMAN KENNEY: Well, you were  
3 there -- were you there during the past  
4 administration?

5 MR. CUORATO: I was, in 1992-1993. I  
6 don't think we were -- we had not been doing --

7 COUNCILMAN KENNEY: But Bob --

8 MR. CUORATO: Bob was there; Bob could  
9 speak to the prior administration.

10 For this administration, development  
11 proposals come directly to me, or oftentimes  
12 people will go to PIDC. The request gets  
13 generated. PIDC -- if the requests go to PIDC,  
14 they will bring them to me. If they bring them to  
15 me, I will talk to PIDC about it.

16 The ultimate decision as to whether or  
17 not we're going to support it would be a  
18 recommendation from myself to the Mayor. But that  
19 would be based on information that PIDC generates  
20 and --

21 COUNCILMAN KENNEY: But are there any  
22 other agencies involved in consulting you -- the  
23 Redevelopment Authority or the Parking Authority  
24 -- when it comes to projects for parking or  
25 anything like that? And does anyone from the



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2 Mayor's Office participate in this process or --

3 MR. CUORATO: I'm sorry, Councilman --

4 COUNCILMAN KENNEY: Does anyone from  
5 the Mayor's Office or from any other City agency  
6 participate in this process of determining whether  
7 or not a TIF is going to be recommended?

8 MR. CUORATO: The City Planning  
9 Commission is involved, although not in the  
10 economic analysis portion of the process. The  
11 Finance Department is certainly involved as far as  
12 the revenue ramifications, but the primary  
13 decision rests with the Department of Commerce.

14 COUNCILMAN KENNEY: Does the Mayor's  
15 Office participate?

16 MR. CUORATO: To the -- well, I am  
17 really the liaison with the Mayor's Office.

18 COUNCILMAN KENNEY: I mean, you're not  
19 on the second floor. Does the second floor or  
20 second-floor personnel participate in any way in  
21 this process?

22 MR. CUORATO: I -- I would, just as a  
23 normal matter of course, keep the Chief of Staff  
24 informed if we're in discussions or if we have  
25 proposals. That's the normal course of process.

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2 COUNCILMAN KENNEY: In your experience  
3 to date and in perhaps Bob's experience in this  
4 administration and the last, has anything come the  
5 other way? Has anything come from the second  
6 floor to your process? Or does all of what you  
7 decide come from your process to the second floor  
8 with either a signoff or knowledge? Does anything  
9 come the other way? That you're aware of.

10 MR. CUORATO: Councilman, I've only  
11 been on the job for a little over three months.  
12 In that three months, I cannot recall -- I cannot  
13 recall a specific request where anyone from the  
14 Mayor's Office called me and said there's a  
15 developer who's looking at a project that needs a  
16 TIF. It's really been -- it's generated more  
17 through PIDC and Commerce.

18 COUNCILMAN KENNEY: Okay. What's your  
19 experience?

20 MR. FINA: Councilman, there have been  
21 any number of times over the years where the  
22 Mayor's Office has referred a proposal that they  
23 received to PIDC. That doesn't mean that ever  
24 gets funded or particularly what program it gets  
25 funded from.

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2 We'll accept a proposal from any  
3 legitimate source or from any meaningful source  
4 that says there's an economic development proposal  
5 that creates jobs, taxes, and improves the City.  
6 We're not going to say that if doesn't come  
7 through PIDC, we're not going to consider it.  
8 We're open to anything. We've had referrals from  
9 Councilpeople at times on a particular project.

10 We've also -- as far as other people  
11 reviewing the TIF project, as early as we can, we  
12 do present the analysis to the technical staff of  
13 City Council for their input into it and review  
14 and discussion and sometimes negotiation.

15 COUNCILMAN KENNEY: Are there  
16 circumstances that you've been aware of personally  
17 that the process results in a decision not to do a  
18 TIF and that that has been urged to be reversed?  
19 Or urged to be relooked at?

20 MR. CUORATO: No we've -- we've made  
21 decisions not to do TIFs based on requests that  
22 we've gotten. And even in the several months that  
23 I've been director, we've gotten requests to fund  
24 TIFs for projects that that we did not think  
25 warranted a formal TIF proposal. And I certainly

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2 am not aware of any situation in which a TIF was  
3 proposed or to be turned down where we got advice  
4 otherwise.

5 COUNCILMAN KENNEY: And I'm taking you  
6 at your word 'cause I've known you for a long  
7 time, and I understand that the process that  
8 you're employing and trying to employ as we go  
9 forward. My concern is that, and my question is,  
10 what role do political considerations play, or can  
11 they play, in the decision whether or not to do a  
12 TIF or not to do a TIF?

13 And I know -- I mean, not just this  
14 administration, but the last administration, what  
15 kind of role do political decisions make? None,  
16 some, a large part, if in any way, as it results  
17 in your decision or in having in Council present  
18 it with legislation for a decision to do a TIF,  
19 which I don't think I've voted against any of  
20 them, in all fairness. What role that process  
21 plays or doesn't play?

22 MR. CUORATO: Councilman, I don't know  
23 that it -- I guess that I would characterize it as  
24 a political consideration. I think to the extent  
25 that the Administration wants to support a project

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2     for a certain area, that that expression of  
3     support would be forthcoming. But the fact of the  
4     matter is, a project, I think, still has to stand  
5     -- a project for which we are considering a TIF  
6     still has to stand on its own economic merits.

7           And I'll use just one example because  
8     I'm familiar with it from my prior position at  
9     Penn's Landing, and I know you are as well with  
10    the Penn's Landing Corporation. The Family  
11    Entertainment Center was a project that I think  
12    certainly the Administration was strongly  
13    advocating as the key to our waterfront  
14    development. We -- we entertained a proposal from  
15    the developer. I think we were all convinced that  
16    there was a gap. So to the extent that the -- it  
17    was a project that the Administration was  
18    supporting, there was certainly a will to get it  
19    done, provided the other factors, the economic  
20    factors, were in place.

21           COUNCILMAN KENNEY: I think the general  
22    concern on my part is that when you come to a  
23    project like the Family Entertainment Center,  
24    certainly a unique major need for a waterfront  
25    attraction and development of that scale and size

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2       with a national developer that can could anywhere  
3       in the world, let alone anywhere in the country,  
4       so I think in that particular perspective, I agree  
5       with you that it should be not only an  
6       Administration push but kind of an overall  
7       community push to get that kind of high-profile  
8       job-creation project done.

9           I guess on the other hand, when it  
10      comes to projects as mundane as a parking garage,  
11      which don't have the sex appeal or the panache  
12      that the FEC has, is there a political role or a  
13      consideration in the recommendation to do this  
14      kind of financing?

15           MR. CUORATO: I would say no.

16           COUNCILMAN KENNEY: Okay.

17           MR. FINA: I would reiterate  
18      Mr. Cuorato's position that there is no political  
19      consideration.

20           COUNCILMAN KENNEY: Okay, thank you.

21           MR. MCPHERSON: Councilman Cohen?

22           COUNCILMAN COHEN: Thank you.

23           What makes the decision to use a  
24      private developer rather than the Parking  
25      Authority? For example, when Disney World used

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2     Parking Authority, we had lots of concerns about  
3     it. I don't know why the Parking Authority should  
4     have been there. In that case, it seemed to me it  
5     cried out for the use of a private developer,  
6     especially when the Parking Authority's role  
7     became two-thirds of the developing interest, the  
8     entire interest.

9                   Here, if it's serving a public  
10    interest, I have such difficulty in seeing the  
11    future of Philadelphia if in this area surrounded  
12    by all of these wonderful things that we've spent  
13    hundreds of millions of dollars on to advance  
14    South Broad Street, it's necessary for us to feel  
15    we've got to induce some kind of -- with TIF money  
16    or abatement money to induce a developer to become  
17    involved. It would seem to me that any developer  
18    ought to be shouting with joy for the opportunity  
19    to participate in the development here,  
20    particularly developers that have had past  
21    experience with the City and who, despite the  
22    City's other problems, have prospered, in part  
23    because they've done good work, in part because of  
24    assistance from the City, in part because of the  
25    general upward spring of the City.

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2 I'm just troubled. If a TIF is needed  
3 here, tell me where it's not ever going to be  
4 needed. And that's a real problem I have with  
5 this issue.

6 So that's a question addressed to you,  
7 Mr. Cuorato. I sensed a negative feeling that you  
8 have, that we've got to erase this terrible image  
9 of the City being a place that overtaxes  
10 everybody, and apparently, maybe in that same  
11 image, gives nothing in return. I think we give  
12 so much in return and that we're an expanding,  
13 healthy community, and I don't think we have to go  
14 on our knees and crawl and beg for things and, you  
15 know, and just give away all kinds of tax funds.

16 It may be that the project is a good  
17 project if it meets a need, but -- but I can't  
18 understand why a private enterprise can't deal  
19 with this situation entirely.

20 Isn't -- I mean, have we changed our  
21 views? Does private enterprise now get redefined  
22 as being private investment, plus public  
23 guarantee? That nobody will lose any money if  
24 they invest their money, they can only have an  
25 increase? I mean, is that the direction that



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2       private enterprise is moving now? They want to be  
3       totally guaranteed that they're going to have  
4       profit and there is no risk?

5                   'Cause that's not what my  
6       understanding of the reason why a 15 percent  
7       return is indicated here on one of the forms as  
8       being currently the rate of return, and I don't  
9       know how they get 15 percent. It seems to me it's  
10      a much higher figure. But assuming it's only 15  
11      percent, are they guaranteed a 15 percent income  
12      on this other thing?

13                  I see somewhere, there's a figure of  
14      9 percent, and then there are these magical  
15      alphabetical words that make us feel we're  
16      incompetent. When we look at the papers, there's  
17      an NOI appearing, you know, and nobody asks what  
18      does NOI mean because we're afraid we might be the  
19      only Councilmember that doesn't know what an NOI  
20      means. And then you must have a reason for not  
21      wanting to tell us what NOI mean.

22                  And then you use other initials, DSCR,  
23      which you then put a dollar mark, and I haven't  
24      the faintest notion, despite serving so many years  
25      in City Council, I haven't the faintest of either

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2 what NOI is or DSCR, but I don't want to say so  
3 because people will say, What you been doing your  
4 last 33 years? You don't even know what these  
5 initials mean.

6 Is it to intimidate us that you put  
7 them in instead of describing what they are so  
8 that we'll know and don't have to ask you what  
9 they mean?

10 MR. CUORATO: Certainly not.

11 COUNCILMAN COHEN: Well, you know, it  
12 carries the look that you're defining for us what  
13 you want us to know about and you're hiding other  
14 things when you don't want us to know and you want  
15 to tend to discourage us from asking about it.

16 What does NOI mean?

17 MR. CUORATO: Net operating income.

18 COUNCILMAN COHEN: Net --

19 MR. CUORATO: -- operating income.

20 COUNCILMAN COHEN: Operating income.

21 And what does DSCR mean?

22 MR. CUORATO: Debt service coverage  
23 ratio.

24 COUNCILMAN COHEN: There must have been  
25 some letters missing on that. Debt service

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2 coverage ratio, what does that mean?

3 MR. CUORATO: The income that is  
4 generated from a project is matched up against the  
5 debt service, and what lenders look at is whether  
6 or not you're generating enough income to cover  
7 your debt service, and that's called the "coverage  
8 ratio." It's the ratio of income available to pay  
9 debt service to the debt service expense.

10 COUNCILMAN COHEN: And when you list  
11 \$1 here, what does that mean?

12 MR. CUORATO: 1.00, meaning it's the  
13 most conservative ratio that you can have, which  
14 is to say that the available income to pay debt  
15 service is just covering the actual debt service.

16 Councilman, I also just want to correct  
17 one another notion that you just said. I think  
18 you said that you -- you said that I said that I  
19 had a terrible image of the City, and I absolutely  
20 do not have a terrible image of the City.

21 COUNCILMAN COHEN: Well, because you're  
22 always complaining about the tax. You know,  
23 they should have --

24 (Unintelligible, parties talking over  
25 each other.)

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2 MR. CUORATO: Well, I just want to  
3 correct that because I do not have a terrible  
4 image of the City. I have lived in Philadelphia  
5 my entire life and I love the City and I have a  
6 very good image of the City; I'm working to make  
7 it better.

8 What I said was that we are not  
9 perceived as a business-friendly city because --  
10 primarily because of the current tax structure,  
11 and I believe that we should try to do something  
12 about that, and I want to try to do something  
13 about that because we are not competitive.

14 I fight these battles every day with  
15 businesses who are either here and are looking to  
16 move or they're outside the City and they want to  
17 come in and they say, I'd like to do it, you know,  
18 we love this area of the City, we like the  
19 workforce, but when we look at our bottom line,  
20 when we look at our proforma, it just doesn't  
21 match up. That's what I'm trying to overcome.

22 But that is not in any way disparaging  
23 to the image of the City; I'm just trying to make  
24 us more competitive from a business standpoint.

25 COUNCILMAN COHEN: Well, you know

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2     you'll never succeed because it never makes any  
3     difference. It is part of the rationale in  
4     getting more money from government for private  
5     groups, whether they're nonprofit or business  
6     groups, to point out their needs of money.  
7     Everybody always can develop a rationale for why  
8     they ought to participate, you know, in  
9     revenue-sharing with the taxing authority.  
10    Workman's Compensation rates will always be too  
11    high, even if they're almost 0. Every business  
12    tax will be burdensome, if no other there reason,  
13    if there isn't a complaint about the amount of  
14    dollars, then it's a complaint about the forms  
15    that have to be filled out.  
16                   But that's in the nature people who  
17    want to get things done more easily, so you're  
18    never going to get business people to stop  
19    complaining any more than you'll get labor to stop  
20    complaining or any more than you'll get folks in  
21    the neighborhood to stop complaining. Everybody  
22    needs certain improvements.  
23                   But I don't think that's a  
24    justification for distributing large sums of tax  
25    money. And I think that if there is a need for

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2       additional parking spaces there, that a system  
3       ought to be worked out that -- how about the  
4       patrons? I just don't understand that -- you  
5       mean, on ordinary business principles, a building  
6       garage cannot be successful? There are building  
7       garages around there, there's one at 15th and  
8       Sansom. Didn't we just approve certain garages  
9       that are going to be built? I don't understand  
10      why it can't be made to pay for itself. Certainly  
11      the rates are not low.

12                   Has there been any study made as to how  
13      a private enterprise could operate there on the  
14      building? What other methods are there of getting  
15      the necessary parking spaces?

16                   MR. FINA: We've done an analysis that  
17      determines that we think there needs to be this  
18      public support for the project.

19                   But as I mentioned earlier, Councilman,  
20      even if we're wrong, we've developed a claw-back  
21      mechanism. I know it's another phrase that maybe  
22      has not been used as often here at City Council.  
23      What that means simply is that after a return on  
24      the developer's profit at a tern interest rate, we  
25      then share in the profit to pay off the TIF note

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2       early, therefore reducing the taxes that would go  
3       to pay the TIF note in return into the City and  
4       the School District.

5           We've heard your position that you  
6       think that maybe these TIFs aren't necessary, that  
7       even if we prepare the numbers with certain  
8       assumptions, that maybe we could be wrong. For  
9       any number of reasons we could be wrong, so we've  
10      started to develop a mechanism where, if we are  
11      wrong for any reason, we then reduce the TIF by  
12      paying it off early out of profits that the  
13      developer would take and put in his pocket.

14           COUNCILMAN COHEN: Well, I tell you,  
15      that sounds awfully good in theory, but I believe  
16      in practice, nobody will ever pay the slightest  
17      bit of attention. You will accept from whatever  
18      developer you deal with his statement or her  
19      statement of what the situation is. And just like  
20      the City paid -- or was it at the ARA Building  
21      where we paid \$1 million a year, year after year,  
22      or I believe we're still paying to the Wyndham  
23      Franklin Plaza, when we pay them about \$1 million  
24      a year, because their statements always show that  
25      they don't quite reach the level at which there

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2       has been an agreement with the City whereby they  
3       will pay the full tax schedules.

4                   MR. FINA: Councilman, I am very  
5       pleased you brought up the Wyndham Plaza Hotel.  
6       There was a City guarantee on that that the City  
7       actually did pay on; however, the owners of that  
8       hotel two years ago came back to PIDC and said, We  
9       want to refinance the hotel. We said, Be our  
10      guest, you have to do two things: One, you have  
11      to repay the money that the City paid on the debt  
12      service that when you failed, we had that repaid;  
13      and, two, the City will be removed as a guarantor  
14      for your debt in -- going into the future. They  
15      agreed, we had those funds repaid, and there is no  
16      longer any obligation.

17                  So, sir, we do not continually pay year  
18      to year for the Wyndham property.

19                  COUNCILMAN COHEN: Well, I'm delighted  
20      by that news, but I'd like to have a letter from  
21      you outlining what was paid by the City, what's  
22      been repaid, because I think that's a great  
23      achievement, if you've done that, and then I would  
24      like to ask you about the ARA Building at 11th and  
25      Market, to see if we can achieve the same results,



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2 assuming if these results are as good as they  
3 sound.

4 Excuse my skepticism. We often find in  
5 the small print that what appears in the large  
6 print doesn't convey all of the facts, but I hope  
7 you're right, 'cause that would be a great  
8 achievement if it's. . .

9 MR. FINA: Thank you, Councilman.

10 COUNCILMAN COHEN: All right, thank  
11 you.

12 COUNCIL PRESIDENT Verna: You're  
13 welcome.

14 The Chair recognizes Councilman Rizzo.

15 COUNCILMAN RIZZO: Thank you, Madam  
16 Chair.

17 COUNCILMAN COHEN: Madam President, one  
18 more last question. What steps are you taking  
19 where you enter into this agreement that if the  
20 returns show that they're more than anticipated,  
21 and, therefore, the TIF, even by your standards,  
22 was either not needed at all or at least not as  
23 much? How is the City going to check on that?  
24 What apparatus are you creating to make sure that  
25 if that agreement is to mean anything, it's

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2       carried out?

3                   MR. FINA: We will require that an  
4       independent CPA review the financial statements  
5       from the project annually and that they will  
6       certify the amount of profits that are generated  
7       from this particular project.

8                   COUNCILMAN COHEN: Couldn't you have  
9       the City Controller do that instead of the -- an  
10      independent? 'Cause an independent CPA could be  
11      hired by the company. And the word "independent,"  
12      you know, can mean many different things. I'm not  
13      trying to criticize the integrity of the CPA, but  
14      I'd feel more confident if the City Controller was  
15      the auditing authority.

16                  MR. FINA: Certainly the Controller  
17      could take a look at the audit when it's  
18      completed, but I think standard practice of  
19      businesses across this country you do hire  
20      independent auditors to review and complete your  
21      financial statements on an annual basis. Then a  
22      controlling authority, like the controller, would  
23      then review that audit to see that it was  
24      performed properly and that the findings -- that  
25      they would agree with those findings.

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2 COUNCILMAN COHEN: Well, could you give  
3 the Council President a letter to the effect as to  
4 what the procedure was going to be on that  
5 regard? 'Cause I think only if you get some  
6 objective system in place will it be meaningful at  
7 all.

8 COUNCILMAN GOODE: Councilman, will you  
9 yield?

10 COUNCILMAN COHEN: Yes, I'll yield to  
11 Councilman Goode.

12 MR. FINA: Councilman, I just want to  
13 make sure I get the Councilman's request down and  
14 I'm -- just bear with me just one moment, please.  
15 Thank you.

16 Thank you.

17 COUNCILMAN GOODE: Can you tell me,  
18 just as a matter, we've been discussing audits and  
19 whether your clients are audited properly or not.  
20 What's the current status of the -- or what's  
21 PIDC's most current audit?

22 MR. FINA: Well, currently, the audits  
23 are underway. I don't recall the year,  
24 Councilman. I'll get that to you of our last  
25 completed audit.

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2 COUNCILMAN GOODE: Is it possible that  
3 PIDC does not itself have a current audit?

4 MR. FINA: I mean, it's possible. I'm  
5 not in the audit end or the accounting end of  
6 PIDC. I'll give you the information. I assume  
7 it's been in the last -- we have audits done --

8 COUNCILMAN GOODE: Is it possible that  
9 PIDC's most recent audit is 1998?

10 MR. FINA: It's possible, sir.

11 COUNCILMAN GOODE: Okay, thank you.

12 COUNCIL PRESIDENT VERNA: Thank you.

13 Councilman Rizzo, do you have a  
14 questions of Mr. Cuorato or for Mr. Fina?

15 COUNCILMAN RIZZO: One short question,  
16 Madam President.

17 COUNCIL PRESIDENT VERNA: And does  
18 anybody else have questions for Mr. Cuorato?  
19 Because he certainly has another commitment, which  
20 he told us about earlier.

21 The Chair recognizes Councilman Rizzo.

22 COUNCILMAN RIZZO: Thank you, Madam  
23 Chair.

24 I received a letter from the developer,  
25 and it points out some -- it makes some points

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2       that I'd like to talk about the process in  
3       reference to the Regional Performing Arts Center.  
4       It points out here, reduce attendance without the  
5       garage, at-risk dollars, jobs and taxes without  
6       this garage.

7                   When we plan a project and we know we  
8       are 700 spaces short, at least that's the  
9       projection that the developer has, to support  
10      needs of the Regional Performing Arts Center, if  
11      you were in the development process, did anyone  
12      realize that we were 700 spots short at the  
13      Regional Performing Arts Center? It amazes me  
14      that we build this big building and nowhere in the  
15      calculation -- and it was discussed earlier --  
16      that we weren't concerned about the 700-space  
17      shortfall.

18                  Could someone explain how we move  
19      forward in a project like this? Did we know that  
20      the developer was planning to develop this  
21      parcel? And it's starting to get to the point  
22      like anytime you do a project, you just -- part of  
23      the process is they ask for a TIF. If you get it,  
24      it's fine and it's great if you get it; and if you  
25      don't, you don't.

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2 But could someone explain to me how we  
3 could go forward with a project of this magnitude  
4 and not knowing -- and not dealing with the  
5 parking problem?

6 MR. CUORATO: Councilman, it -- the --  
7 there was an awareness that parking was going to  
8 be required. I think that the people from Avenue  
9 of the Arts Incorporated and the Kimmel Center can  
10 give you a more detailed answer on the planning  
11 that took place.

12 My understanding is that there have  
13 been discussions over the past couple of years  
14 about this need to fill the parking need and that  
15 what we are bringing you today here with this  
16 project is the way to solve it. But the people  
17 from Avenue of the Arts and the Kimmel Center can  
18 tell you more about those specific discussions  
19 that took place over the last couple of years.

20 My point is, the awareness was there,  
21 and it wasn't as though we built this project --  
22 it's two-thirds of the way completed -- and all of  
23 a sudden, there was a realization that we need  
24 parking.

25 COUNCILMAN RIZZO: The point that I'd

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2 like to make is that most projects, I assume, for  
3 permits and for final approvals, Licenses and  
4 Inspection, Planning Commission, isn't there a  
5 scenario of parking? Isn't that a part of getting  
6 the permit to start putting the foundation in?  
7 Doesn't that issue have to be addressed by  
8 government to deal with what impact this project's  
9 going to have if there's not enough parking  
10 available? Can you manual the gridlock, and can  
11 you imagine the confusion that would be caused by  
12 people parking illegally without having the  
13 parking issue addressed before there's even  
14 permits issued to begin construction?

15 MR. CUORATO: The zoning code does  
16 require parking for certain uses, but I don't  
17 believe that was applicable in this case.

18 COUNCILMAN RIZZO: So you build an  
19 auditorium with -- I forget the exact number --  
20 600 for the concert -- 3,000, let's say, for the  
21 sake of speaking, 3,000 potential vehicles coming  
22 to that facility -- I mean, that's not a realistic  
23 number when we say a thousand and not -- and  
24 that's not a part of the zoning code?

25 MR. CUORATO: Not from a zoning

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2 standpoint, no. The people planning the project  
3 were aware that parking had to be addressed, and  
4 it is being addressed.

5 COUNCILMAN RIZZO: Did they know of  
6 this developer's proposal before the project  
7 began? Did they know that there was going to be  
8 the potential for a -- a project of this magnitude  
9 to support their need? And did they know that  
10 there was going to be a TIF requested?

11 MR. CUORATO: I don't think that they  
12 knew that there was going to be a TIF requested.  
13 There were discussions with the Parking Authority  
14 about providing the parking. The ultimate  
15 decision was that this was a more prudent way to  
16 go, to have a privately developed garage, and they  
17 have made what we believe is a very compelling  
18 argument for a TIF.

19 COUNCILMAN RIZZO: Again, I don't want  
20 to go back over territory that was already covered  
21 but, again, having a facility like this to  
22 accommodate 700, whatever the number of vehicles,  
23 at this location, I've heard of riskier  
24 businesses. This is -- but I was more concerned  
25 about the process and the fact that this, like the



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2 light bulb, went off in the eleventh hour, and I  
3 hope that's not the case.

4 MR. CUORATO: I believe it's not the  
5 case, and the people from the Kimmel Center and  
6 the Avenue of the Arts can describe that process  
7 for you in more detail.

8 COUNCILMAN RIZZO: Great. Thank you,  
9 sir.

10 Thank you, Madam.

11 MR. MCPHERSON: Councilman Goode.

12 COUNCILMAN GOODE: Thank you. I'll be  
13 very brief, Mr. Cuorato, I know you have to go.

14 Following to what Councilman Cohen was  
15 saying about how financial information is  
16 presented to Council, as I think we had some  
17 discussions about before. On TIF projects in the  
18 past, a few that I have had the pleasure of voting  
19 against, we received only a one-page summary.  
20 While this is much more substantial information  
21 it, is sort of strange the way it is presented.  
22 It does not have a simple sources and uses  
23 statement; instead, we have deals with the sources  
24 in the project in a very non-traditional way. It  
25 says sources, when it talks about HUD 108 money,

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2     it will say: The Philadelphia Industrial  
3     Development may provide a HUD 108 loan of up to  
4     20 million, of up to 20 million. When it speaks  
5     about TIFs, it says that the developer is expected  
6     to obtain money for a TIF up to 23 million. Then  
7     it says it is expected the developer will obtain  
8     39.4 million in debt and equity financing.

9           It seems that the private debt and  
10    equity here is a fixed number; the rest of the  
11    money is not fixed. I know why that is and I will  
12    question Mr. Fina about that extensively, but  
13    don't you think that this information could be  
14    presented not only a little bit more simpler in  
15    terms of sources and uses, but a lot more direct  
16    and, I will say, a lot more honest in terms of  
17    what it essentially means? I mean, does that  
18    actually mean to the extent that we can use HUD  
19    108, the developer's not going to have to seek  
20    private financing?

21           MR. CUORATO: We will work with you,  
22    Councilman Goode, and any other members of Council  
23    and technical staff to come up with a format that  
24    you think is more informative and works better for  
25    you. If you think it needs to be clear and more

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2       direct, we'll work to do that.  
3                   COUNCILMAN GOODE: Thank you.  
4                   A second question is, very briefly, you  
5       are a board member of PIDC?  
6                   MR. CUORATO: I beg your pardon?  
7                   COUNCILMAN GOODE: Are you a board  
8       member of PIDC?  
9                   MR. CUORATO: Yes, I am.  
10                  COUNCILMAN GOODE: Are you aware of  
11       what its most recent audit is?  
12                  MR. CUORATO: No, I'm not. I've only  
13       been a board member of PIDC for three months.  
14                  COUNCILMAN GOODE: Could you forward to  
15       the Chair that information?  
16                  MR. CUORATO: When the last --  
17                  COUNCILMAN GOODE: -- audit was done.  
18                  MR. CUORATO: Of PIDC? Sure.  
19                  COUNCILMAN GOODE: The most current  
20       completed audited.  
21                  MR. CUORATO: Sure.  
22                  COUNCILMAN GOODE: Thank you.  
23                  COUNCILMAN KENNEY: Mr. Chair?  
24                  MR. MCPHERSON: Councilman Kenney?  
25                  COUNCILMAN KENNEY: Thank you.

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2 Just one general, kind of philosophical  
3 question maybe, and it's a hypothesis. If we are  
4 getting to -- and I sense in this body, we're  
5 getting to the point where we may be kind of TIFed  
6 out. Again, I didn't vote -- I haven't voted  
7 against any of these TIFs; I do recognize the  
8 value of them and -- but I do sense that there's a  
9 general feeling in Council that we may be at the  
10 end of our TIF road in many ways.

11 Theoretically, if we were to eliminate  
12 or put a moratorium on TIFs from Spring Garden to  
13 South, river to river, which is generally  
14 considered our Center City area, what potentially  
15 would that dynamic do to Girard Avenue, to all of  
16 the areas on the fringe of Center City? Would  
17 that create a dynamic that would push developers  
18 to those areas that are maybe underdeveloped now,  
19 close to Center City, and create perhaps a  
20 movement north and west, southwest and south?

21 I mean, Center City is an economic  
22 engine and hub in the City that we need to  
23 maintain and make sure it is very vibrant and  
24 productive, but if we started, after all these  
25 years of TIFing predominantly Center City

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2       projects, with the exception of others we've done  
3       in other neighborhoods, and concentrated our TIF  
4       efforts on the fringe of Center City and then in  
5       neighborhood areas, would that, in fact, change  
6       the dynamic of perhaps revitalizing our  
7       neighborhoods to a larger degree than we're doing  
8       now?

9                   MR. CUORATO: I don't have a problem  
10       supporting TIFs outside the Center City area.

11                  COUNCILMAN KENNEY: That's not my  
12       question. My question is, if we, for a period of  
13       two years, three years, said, We're TIFed out in  
14       Center City, we will do TIFs, but we will only do  
15       TIFs in areas outside this generally regarded area  
16       as Center City, what would that do to Northern Old  
17       City and the Girard area? What would that do to  
18       parts of West Philadelphia outside of the Center  
19       City area? What would that do to North  
20       Philadelphia? Would it create zones that would  
21       allow the Center City positive to expand into  
22       other areas that it maybe isn't expanding as  
23       quickly as it is now?

24                  MR. CUORATO: Councilman, my personal  
25       opinion, I don't think it would necessarily have

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2       that effect. The presumption, I guess, would be  
3       that we're only going to do a limited number of  
4       TIFs; and, therefore, they're only going to be  
5       done outside the Center City area.

6                   I would not want to put a moratorium on  
7       Center City TIFs because I think there may be  
8       projects that come along that we really want to  
9       support. I don't think it necessarily would have  
10      that effect. I am certainly open to encouraging  
11      development in those areas outside Center City and  
12      encouraging the use of TIF, if it will make a  
13      project happen, but I don't think we need to say  
14      that we will do it at the expense of Center City.

15                  COUNCILMAN KENNEY: I think, though,  
16      that some of the consideration Councilmembers have  
17      -- or some of the concern they have is that  
18      Center City seems to be the major focus, and we  
19      all agree it is, and that everybody seems to want  
20      a TIF. And regardless of how well Center City's  
21      done in the past ten years, shouldn't that  
22      progress be spurring on development on its own  
23      without the TIF? And I guess that's the question  
24      we need to ask and answer at some point in time.

25                  And will that slowing up of the Center

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2 City area create some opportunities in fringe  
3 areas of Center City and in other neighborhoods  
4 throughout the City to expand the progress and  
5 benefits that an improved Center City has brought  
6 on for the City as a whole? And I think that's  
7 worth looking at.

8 MR. CUORATO: Okay.

9 COUNCILMAN KENNEY: Thank you.

10 MR. MCPHERSON: Councilman Nutter?

11 COUNCILMAN NUTTER: Thank you.

12 One question with regard to the  
13 construction activity. What is the role of PIDC  
14 with regard -- or the Commerce Department with  
15 regard to monitoring who actually works on these  
16 projects and the composition of workforce, where  
17 people are from, and those kinds of issues?  
18 What's your role in that as it relates to a TIF  
19 project?

20 MR. FINA: Councilman, I think at your  
21 committee meeting of the Economic Development and  
22 Commerce subcommittee of City Council, you asked a  
23 very similar question, and it had to deal with the  
24 reporting requirements of certain pieces of  
25 legislation that were passed concerning monitoring

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2       job creation and TIF projects. And I believe my  
3       response was that we were remiss in getting that  
4       information; we expect to have it by year's end.  
5       We are gathering that data now for all of the  
6       TIFs, and we have asked.

7           But to answer it more specifically --  
8       you did phrase it somewhat differently -- we've  
9       requested three different entities in the City to  
10      basically divide the TIF projects among them and  
11      do the job monitoring: There are OHCD for  
12      projects of which OHCD funding, CDBG funding is  
13      also involved; the Redevelopment Authority on  
14      projects in which the Redevelopment Authority has  
15      some type of participation or had participation in  
16      land assemblage; and, finally, if neither of those  
17      have jurisdiction, we've asked MBAT (ph.) to do  
18      the monitoring on those projects.

19           COUNCILMAN NUTTER: Now, there's a  
20      garage, I guess it's going up at 12th and  
21      Filbert. Were you involved in that project?

22           MR. FINA: There is -- City Council  
23      approved a TIF District for that project.

24           COUNCILMAN NUTTER: Okay. And -- I  
25      mean, would it surprise you that based on reports



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2 we've received recently that 80 percent of the  
3 people who worked on that project live outside of  
4 Philadelphia?

5 MR. FINA: I think that would be  
6 disappointing to me, but I know there is a lot of  
7 construction going in the general region, that  
8 there's -- demand for labor is significant,  
9 particularly in areas that are considered union  
10 towns, such as Philadelphia, so the labor force is  
11 being basically gleaned from other parts of  
12 country at times, not only outside of the City of  
13 Philadelphia, to meet the demands.

14 COUNCILMAN NUTTER: Are there not  
15 employment demands in the City? I mean, is  
16 unemployment down to zero in Philadelphia  
17 recently?

18 MR. FINA: Councilman, I believe there  
19 is legislation that's been introduced by a number  
20 of Councilpeople who addressed this very issue of  
21 trying to encourage more employment in  
22 construction by Philadelphians in any project  
23 that's publicly assisted.

24 COUNCILMAN NUTTER: Well, I mean,  
25 again, under the circumstances, whether it's the

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2   project in front of us or a past project, I mean,  
3   I appreciate your sense of personal  
4   disappointment, although I don't necessarily  
5   charge you with being personally responsible, but,  
6   I mean, it is a little astounding that we go  
7   through all we go through, these are City dollars  
8   that are going to fund this particular project or  
9   assist in the funding; yet, you have 80 percent of  
10   the people working on it that are  
11   non-Philadelphians.

12           I mean, isn't there -- there must be a  
13   better answer than personal disappointment. I  
14   mean, what -- what is the solution to this  
15   particular problem? Or do you -- is that a  
16   problem? Does anyone think that that's a problem,  
17   or is that just fine?

18           MR. CUORATO: I think it's a problem.

19           COUNCILMAN NUTTER: Okay, and do we  
20   have a game plan as to what we're going to do  
21   about it?

22           MR. CUORATO: Councilman, I agree with  
23   you that it's an issue. I'd like to ask if I  
24   could just look at this issue a little more  
25   closely and see if we can get back to you with

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2       some proposed solutions.

3                   COUNCILMAN NUTTER: Well, I mean, do we  
4       have any idea what might possibly happen with  
5       regard to the project that's in front of us? I  
6       mean, what will the numbers look like on that? Or  
7       what's been discussed, or what's been negotiated,  
8       or what do we know? Or, I mean, when we get the  
9       reports, is it going to be the same?

10                  MR. FINA: Councilman, what this  
11       Council requires --

12                  COUNCILMAN NUTTER: How would anyone  
13       here explain that at next week's neighborhood  
14       meeting that you're walking down the street,  
15       you're going to the terminal, and 80 percent of  
16       the people working on the job at 12th and Filbert  
17       are not from here? And there are -- I mean,  
18       again, unless you're prepared to tell me that  
19       there was a recent announcement this morning by  
20       the Bureau of Labor Statistics that we have  
21       eliminated unemployment or people are not  
22       unemployed -- underemployed by skills set in  
23       Philadelphia, that this project and a whole bunch  
24       of others that are in the 60, 70, 80 percent  
25       range, and we have people who don't have jobs,

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2       don't have health care, have no ability to  
3       legitimately take care of themselves or their  
4       families.

5                   MR. CUORATO: Well, Councilman, I think  
6       the bill that you introduced several weeks ago,  
7       whereby for any TIF proposals, we will be working  
8       with the developer to provide more opportunities  
9       for Philadelphians, is a good start. And I don't  
10      know if that bill's -- I believe it's up for final  
11      passage, but with some minor modifications, we did  
12      support that bill, and we will work with the  
13      developers towards those goals.

14                  COUNCILMAN NUTTER: Well, I appreciate  
15      that and, yes, that bill is coming up and we did  
16      make some changes in committee. There are some  
17      other bills floating around having to do with City  
18      projects and other opportunities.

19                  I mean, I just -- I guess at the  
20      moment, I don't-- and maybe the Commerce Director  
21      hasn't been here that long, although Mr. Fina is a  
22      -- I don't want to call him an institution,  
23      'cause he's a nice guy, but, I mean, he's been  
24      around for a while. I mean, I guess I just wonder  
25      from time to time if there are any signs of

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2       distress amongst the people who engage in this on  
3       a regular basis to try to figure out some  
4       legitimate answers to these problems.

5                   I mean, it is -- it would be virtually  
6       impossible for me to explain this legitimately to  
7       anybody who really care about it when we get calls  
8       and letters from people on a fairly regular basis,  
9       trying to figure out how to improve their lives.  
10      And you tell me that there is an explosion of  
11      activity around the City, which forces then the  
12      importing of people not only from our nearby  
13      suburbs from but other states to do work in our  
14      jurisdiction, for which we are helping to pay; and  
15      yet, they get to go somewhere else at the end of  
16      the night and send their kids to other school  
17      systems and a whole host of very positive factors,  
18      while the people here are still paying the tab.

19                  MR. FINA: Councilman, you pose a very  
20      important issue with these questions, and there  
21      isn't an easy response to any of these; these are  
22      very complex issues. I'm not dismissing it; I'm  
23      saying we are focussed on it. You raise that  
24      issue time and again and more forcibly recently,  
25      and we want to address them.

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2 What we have addressed is the fact that  
3 every TIF we've created results in jobs, every TIF  
4 you've approved results in jobs. The vast  
5 majority of those permanent jobs are held by  
6 Philadelphians. We are focused on that issue  
7 primarily, we have been. It doesn't mean we don't  
8 -- should not now and even before focus on the  
9 issue of the construction jobs that you're  
10 alluding to, and we will.

11 COUNCILMAN NUTTER: I appreciate that  
12 every TIF has generated jobs. Have you done a  
13 comparison by jobs between the construction  
14 activity and the value of those jobs versus the  
15 permanent jobs and what they've resulted in? Most  
16 of TIFs have been either hotels or retail; is that  
17 correct?

18 MR. FINA: That's correct. With the  
19 exception of PNC, which --

20 COUNCILMAN NUTTER: The PNC Center,  
21 which I would still hold out as the best TIF ever  
22 did.

23 MR. FINA: And, of course, the  
24 Philadelphia Naval Business Center of Kvaerner.  
25 So I would say the two biggest job-producing TIFs

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2       that are actually underway right now are the  
3       Kvaerner project at the Philadelphia Naval  
4       Business Center and the PNC Bank Operation Center.

5                   COUNCILMAN NUTTER: I'm glad you  
6       mentioned Kvaerner, 'cause that's been on my mind  
7       recently, but I've been a little distracted. What  
8       is the analysis of the Kvaerner project some --  
9       what is it, two years -- some two years later?  
10      There was supposed to be a thousand new jobs down  
11      there?

12                  MR. FINA: I believe jobs are being  
13      created there and they probably are somewhat  
14      behind schedule but not drastically behind  
15      schedule.

16                  COUNCILMAN NUTTER: I'm sorry?

17                  MR. FINA: They're not drastically  
18      behind schedule, and I'll get that information to  
19      you.

20                  COUNCILMAN NUTTER: How many jobs?

21                  MR. FINA: I don't have -- I don't know  
22      off the top of my head, sir.

23                  COUNCILMAN NUTTER: Okay. If you would  
24      forward to the Chair the number of jobs, an  
25      analysis of the jobs, and if you could give us

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2     some demographic information about the jobholders,  
3     gender, race, and jurisdiction, I would be very  
4     interested to see what the analysis of that in  
5     reality is compared to what the original proposal  
6     was.

7           So let's go back to the more recent  
8     discussion. Do I have any reason to believe that  
9     some answers to these very complex questions will  
10    be forthcoming shortly to try to address what I  
11    look at when I read these reports that I get from  
12    OHCD as they monitor these activities? You know,  
13    80 percent outside Philly, 62 percent, 71 percent,  
14    53 percent. Are we going to deal with this  
15    particular issue?

16           MR. CUORATO: We are.

17           COUNCILMAN NUTTER: In a relatively  
18    timely fashion?

19           MR. CUORATO: We will do our best, yes.

20           COUNCILMAN NUTTER: That's a little  
21    better. Thank you very much.

22           COUNCIL PRESIDENT VERNA: Councilman  
23    Cohen.

24           COUNCILMAN COHEN: I'm lost in one of  
25    the questions, I think, raised by Councilman



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2       Nutter directly or indirectly, and it's plagued  
3       me. And that's, why do you include the number of  
4       construction jobs that would be created by any  
5       project when the evidence is very clear that those  
6       jobs are not going to Philadelphians, when we get  
7       reports that are different from in the past, when  
8       we were told that Philadelphia was the preferred  
9       place for construction workers to work, when we  
10      raise questions sometimes, why is it that minority  
11      workers seem to get assigned out of the City and  
12      are overwhelming denied the right to work in  
13      Philadelphia?

14                   We were told year after year after year  
15      that Philadelphia was the preferred place to work,  
16      and now the very same people who told us that are  
17      saying that many of the skilled workers don't want  
18      to work in Philadelphia because of the wage  
19      taxes. Since they don't live in Philadelphia to  
20      begin with, they're not subject to the wage tax,  
21      'cause if they lived in Philadelphia, they'd have  
22      to pay it wherever they worked. So we have to  
23      assume that skilled workers who are concerned  
24      about a wage tax problem are people from outside  
25      of Philadelphia and that skilled workers don't

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2 want to work in Philadelphia.

3 Why is it significant to Philadelphia  
4 that there are construction jobs being developed?  
5 We're told there are shortages of construction  
6 worker all over and that that's one of the major  
7 reasons why so many workers apparently have  
8 license plates from other states, let alone those  
9 from Pennsylvania that, you know, may live outside  
10 of the Philadelphia County, but, you know,  
11 actually from out of the State.

12 I get very, very confused by all of  
13 these mixed signals. Like if this is a project  
14 that we're pushing hard and we want to make sure  
15 the construction unions are going to be for it  
16 then, then we use this line of arguments. If it's  
17 something else, we use another line of arguments  
18 that may be separate.

19 Well, why is construction jobs now a  
20 relevant figure if there are not going to be any  
21 Philadelphians working on the stadiums, or any in  
22 any significant numbers. Then the question of job  
23 creation in Philadelphia doesn't mean much when  
24 you're talking about stadiums or anything else.  
25 So I'm very confused on this whole issue of

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2       construction workers.

3                   And then we're still told there are  
4       vast numbers of unemployed in the minority  
5       communities in Philadelphia and that's where the  
6       unemployment rate is highest at a time when  
7       construction jobs are difficult to fill because  
8       the scarcity would seem to be the ideal  
9       opportunity to develop all kinds of approaches to  
10      developing a skilled group of workers in the  
11      minority communities. Why doesn't that happen?

12                  And what is your role in the  
13      Redevelopment Authority and in PIDC and the  
14      Department of Commerce generally? You're the  
15      agencies that are most involved in the  
16      construction and the promotion of new projects.  
17      Why -- why don't you really make this a major  
18      issue so that ten years from now -- and I'll  
19      probably still be here. I will it to leave it to  
20      the lord and to the voters, but within those  
21      limits, I don't want to hear these same kinds of  
22      question from Councilman Nutter or any other  
23      Councilmember. We ought to have resolved this  
24      problem.

25                  What is your comment on that?

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2 MR. CUORATO: Well, we agreed that it  
3 was a major issue. We think that Councilman  
4 Nutter's bill will help. We're certainly willing  
5 to work with the developers to encourage the use  
6 of Philadelphians on these projects. There are  
7 certain things that we can control and there are  
8 certain things we can't.

9 COUNCILMAN COHEN: What can't you  
10 control?

11 MR. CUORATO: We can advocate more  
12 training for Philadelphians, but we can't force  
13 the unions to automatically hire Philadelphians.  
14 We can encourage it, we can encourage their  
15 training, we can be advocates for that. And we  
16 can, at the other end, we can work with the  
17 developers to utilize as many Philadelphians as  
18 possible on these development projects. And  
19 that's what we've said we will do. It's a matter  
20 of working with the unions to see if we can  
21 increase their Philadelphia membership, and we've  
22 said we will do that.

23 COUNCILMAN COHEN: Well, Councilman  
24 Clarke introduced a bill, which has been passed  
25 now and it was amended with an amendment that he

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2       introduced, with that goal in mind, to increase  
3       the opportunity for minority workers to get these  
4       jobs, then to get into the apprenticeship programs  
5       and then to get into the unions and then to have  
6       fair assignments by the unions.

7                   Well, why can't we have an aggressive  
8       program to support that activity rather than to  
9       just kind of when you come to Council hearings  
10      say, Well, we support that program, we'll urge  
11      that. Don't we have weapons in the City's  
12      arsenal? One, we propose increases several times  
13      and extended the width of prevailing wages. Why  
14      can't we really come to grips --

15                  And you know what's needed are the  
16      folks that you work with all the time: We need  
17      help from the business community. There ought to  
18      be voices not just from those of us that are  
19      identified with working folk and the labor unions,  
20      but we need voices from the business community  
21      saying, This would be good for Philadelphia, it  
22      would really increase the skilled workforces in  
23      Philadelphia and make it attractive for other  
24      companies to come and join us.

25                  Why can't not we have a real effective

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2       program run by Redevelopment Authority, PIDC, and  
3       the Commerce Department that's really aimed at  
4       doing this? Is there any -- you know and you  
5       would learn as you tried to work out in what ways  
6       you had to improve the program.

7                   I think all we're getting from you  
8       gentlemen -- you know, I don't mean any of this  
9       personally, but I think we just get lip service  
10      from you. When somebody raises a question you  
11      say, yes, oh, they're fine, laudable objectives,  
12      oh, yes we would like to kind of help on that  
13      thing. And nothing ever happens.

14                  I see Councilman Clarke has entered the  
15      room and he might want to -- I'm talking about  
16      your amendments to the prevailing wage bill and  
17      the efforts to increase the skill of folks in the  
18      minority community and their eligibility for  
19      getting into the various apprenticeship classes  
20      and then getting into the union and becoming  
21      full-fledged skilled workers that help the City,  
22      not only help them in their lives, but also help  
23      the City with attracting a real skilled work base.

24                  COUNCIL PRESIDENT Verna: The Chair  
25      recognizes Councilman Clarke.

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2 COUNCILMAN CLARKE: Thank you,  
3 Councilman Cohen.

4 I was actually going to speak of that.  
5 Councilman Cohen and Councilman Ortiz and myself  
6 had actually been talking about that particular  
7 prevailing wage amendment. This is a city that,  
8 frankly speaking, will always be a union town. I  
9 mean, there's no getting around that. And we  
10 legislatively require that most of the  
11 developments that take place, now we have entered  
12 into housing, will be required to pay prevailing  
13 wage and prevailing wage is essentially a code  
14 word for "union job."

15 One of the things that I'd like to  
16 speak and ask you to commit as a part of being the  
17 Commerce Director because a good job is in fact  
18 commerce-related, and, Mr. Fina, in your capacity  
19 as vice president of the PIDC, we have  
20 consistently gotten from union members that if  
21 they have qualified individuals, they would be  
22 willing to take them into the trades.  
23 Unfortunately, there's currently no mechanism in  
24 place, with the exception of a couple of entities,  
25 that can adequately train and prepare people for

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2 the appropriate apprenticeships.

3 We will be hearing a bill later on  
4 today to increase the level of hires on various  
5 developments that are OHCD- and CDBG-related, but  
6 the reality is, if we don't have the workforce to  
7 go into those particular trades, it doesn't really  
8 matter. You know, they're going to be required to  
9 be union.

10 I need somebody in the City of  
11 Philadelphia, you know, with all of these -- these  
12 creative-type mindsets, as Councilwoman Tasco  
13 spoke of earlier, to create a mechanism that we  
14 can get people in these communities trained to  
15 participate in the trades across the board and not  
16 continue to load them up in the 332 Labor Union to  
17 make your quota numbers, you know. And I've said  
18 that, the membership of the various trades have  
19 said that, that we can adequately train people,  
20 and they would be willing to do that.

21 Now, we don't know if that's factual,  
22 but at this point, we can't call them to the task  
23 because we don't have the people to funnel into  
24 those types of trades. So I'm asking you to come  
25 up with a strategy, create a mechanism, be it a



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2       school, be it in conjunction with the School  
3       District of Philadelphia, be it in conjunction  
4       with the building and trades union, so we can have  
5       some type of opportunity to have people go and get  
6       trained, and then we can require that these  
7       developers take these people into these various  
8       projects.

9                   And I'm asking you all to do that for  
10       me, 'cause this is very important to me. I mean,  
11       this has been a pain in my -- oops, sorry, a pain  
12       the in my backside.

13                   (Laughter.)

14                   COUNCILMAN CLARKE: A pain in my  
15       backside for quite some time.

16                   And I'm telling you, as Councilman  
17       Nutter said earlier, I mean, the unemployment rate  
18       is not zero. I mean, in some parts of my  
19       district, it was 40 percent, you know, and people  
20       say they want to work, so I need to give them an  
21       opportunity to go to work. So I'm going to ask  
22       you guys to please work with us on this, okay?  
23       Thank you.

24                   Thank you, Madam Chair.

25                   COUNCIL PRESIDENT VERNA: Okay, the

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2 Chair recognizes Councilman Goode.

3 COUNCILMAN GOODE: I'll be brief. Just  
4 following up on Councilman Cohen and Councilman  
5 Clarke's comments. You've talked about  
6 instituting new procedures such as the claw-back  
7 if there is additional profit or revenue gained in  
8 the project that was unanticipated. Would you  
9 foresee, looking at it and responding to concerns  
10 raised here, a claw-back related to public benefit  
11 or a claw-back related to minority participation?  
12 Setting goals in projects, and if those goals are  
13 not reached, changing interest rates, calling  
14 loans, some punitive measures because a lack  
15 participation is not reached?

16 MR. CUORATO: What were the two areas  
17 that you mentioned, Councilman, the minority  
18 participation and --

19 COUNCILMAN GOODE: Just the claw-back  
20 in general in terms of public benefit, whether it  
21 be job creation or whether it be minority  
22 participation regarding contracting or jobs,  
23 whatever the public benefit beyond even -- I mean,  
24 this is not just for me and I think several of the  
25 members of Council a matter of whether there is a

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2 gap in terms of access to capital or a gap in  
3 terms of appropriate capital in terms of whether  
4 this deal works at certain levels, but if we're  
5 going to invest public dollars, there should be  
6 some public benefits to it, and perhaps there  
7 should be a claw-back related to whether we reach  
8 those goals as well.

9 MR. CUORATO: I think we can look at  
10 punitive measures. Some of these you get into  
11 areas where the commitment is best faith or  
12 good-faith development, so it requires some sort  
13 of a subjective judgment as to whether or not  
14 that's actually been the case, but in cases where  
15 it hasn't, I think we can look at punitive  
16 measures.

17 COUNCILMAN GOODE: Thank you.

18 COUNCIL PRESIDENT Verna: The Chair  
19 recognizes Councilwoman Brown.

20 COUNCILWOMAN BROWN: Thank you, Madam  
21 Chair.

22 I simply I want to be put on record as  
23 underscoring and echoing the issues that my  
24 colleagues have raised. And good faith is  
25 important and it counts, but when we can still

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2 look at existing projects here in the City that  
3 have been financially supported by the City and  
4 not see local persons employed, it continues to  
5 beg the question.

6 So there is a chorus now singing the  
7 same song, and a year from now, as we continue to  
8 look at TIFs, we're going to continue to ask the  
9 same question and we'll move persons who softly  
10 support TIFs to an individual who strongly opposes  
11 TIFs because the chorus that we're singing is not  
12 being heard.

13 COUNCIL PRESIDENT VERNA: Are there any  
14 other questions regarding this bill?

15 (No further questions.)

16 COUNCIL PRESIDENT VERNA: Seeing none,  
17 Mr. Fina, you now have an opportunity to give us  
18 your testimony on Bill No. 609.

19 MR. FINA: My testimony will be for  
20 Bill No. 609 and 610 together, if I may --

21 COUNCIL PRESIDENT VERNA: Okay.

22 MR. FINA: -- provide it that way. And  
23 I may say many of the issues that I'll present in  
24 my testimony have already been discussed through  
25 the questions raised by this Council.

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2                   Bill No. 610 will create the Avenue of  
3 the Arts Garage TIF to assist in financing the  
4 development of approximately a 660-car parking  
5 garage, with approximately 15,000 square feet of  
6 retail at the street level, at the northwest  
7 corner of 15th and Spruce Streets to accommodate  
8 the parking needs of the Avenue of the Arts, as  
9 well as the Kimmel Center for the Performing  
10 Arts.

11                  The City and the School District are  
12 being requested to approve a \$6,250,000 TIF note  
13 for the \$35 million project. The TIF note would  
14 be repaid from new real estate, City sales,  
15 business privilege taxes, and half of the use and  
16 occupancy taxes generated from this project.

17                  The developer, Parkway Corporation, or  
18 its affiliate, will be requested to make certain  
19 prepayments of the TIF note if the revenues exceed  
20 17 percent of its investment, which will be  
21 calculated on an annual base. Project benefits  
22 include 230 construction jobs, 57 permanent jobs,  
23 new annual average tax revenues of \$257,000 to the  
24 School District, and \$1.1 million to the City.

25                  Another benefit would be the

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2       satisfaction of the parking needs of the currently  
3       under-construction Kimmel Center. Without such  
4       parking, the Performing Arts Center would border  
5       on disaster.

6                   With my testimony, a copy of PIDC's  
7       project financing gap analysis was circulated to  
8       Councilmembers. I have additional copies with me  
9       should anyone require such. The analysis  
10      indicates a gap exceeding the TIF note that would  
11      be funded by the developer. However, should the  
12      analysis be incorrect for any reason, and the  
13      project would do better than anticipated, PIDC has  
14      proposed the previously-mentioned claw-back to  
15      reduce the public TIF funding.

16                  Representatives of the developer and  
17      the Kimmel Center for the Performing Arts are here  
18      to answer any questions you may have. Further, I  
19      believe representatives from the Kimmel Center and  
20      the Avenue of the Arts, Inc. Have prepared  
21      testimony to provide information on the need for  
22      parking.

23                  On Bill No. 609, this particular  
24      ordinance amends the Jump Street TIF District,  
25      which was previously created by Council under Bill

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2       No. 980705. It extends the term of the TIF  
3       District from 20 years to 26 years, it revises the  
4       project plan to include the business privilege  
5       taxes in the TIF revenue, and it increases the TIF  
6       note from \$16 million to \$23 million.

7           The Jump Street USA will be on a  
8       five-acre parcel located on the west side of North  
9       Broad Street between Cecil B. Moore Avenue and  
10      Oxford Streets on the Avenue of the Arts North.  
11      This site is also within the North Central  
12      Empowerment Zone. The Philadelphia Redevelopment  
13      Authority has acquired the parcels comprising this  
14      largely vacant or underutilized site to convey to  
15      Grid Properties, Inc., or its affiliate.

16           Grid Properties has successfully  
17      developed Harlem USA in New York City. Grid, or  
18      its affiliate, proposes to develop a three-story  
19      289,000 square foot retail and entertainment  
20      center, including a movie theater complex and  
21      approximately a 200-plus-car parking facility or  
22      more. Construction of the parking facility may be  
23      funded from other public or private sources and is  
24      not included in the project. The project would  
25      include national tenants offering goods and

1           11/14/00 - WHOLE - BILL 000609, 610  
2   services presently not available to residents in  
3   North Philadelphia, such as Magic Johnson  
4   Theaters.

5           The City and the School District are  
6   being requested to approve the \$23 million TIF  
7   note, an increase of \$7 million from the  
8   \$16 million TIF previously approved. The TIF  
9   revenue will include new real estate taxes, City  
10   sales, business privilege, use and occupancy taxes  
11   over a 26-year term.

12           The total project cost is approximately  
13   \$62 million. The project benefits include 520  
14   construction jobs, 560 permanent jobs, new annual  
15   average tax revenue of \$382,000 to the School  
16   District, and \$1 million to the City. With my  
17   testimony, a copy of PIDC's project financing  
18   analysis was circulated to Councilmembers. Again,  
19   I have additional copies if anyone requires such.

20           The analysis indicates that there's a  
21   gap beyond the TIF note of \$7.5 million. The City  
22   has provided such funding for the gap through the  
23   acquisition of the property. To assure the public  
24   is fairly compensated for the acquisition, the  
25   developer will be required to include in the



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2       ownership of the project a community organization  
3       that will also receive a participation in the net  
4       cash flow from the project.

5           Representatives from the developer and  
6       the community organization are here to answer any  
7       questions. I also believe Mr. Alston from the  
8       Beech Corporation would like to provide formal  
9       testimony.

10           The two TIF projects designs have not  
11       been finalized, and the figures presented here are  
12       based on estimates. The total amount of the line  
13       items may vary as the project design for each TIF  
14       project is redefined and are not intended to be  
15       limitations. The initial project costs and/or  
16       size of the project are also not intended to be  
17       limitations. The initial project costs and size  
18       of the project, excluding the additional  
19       structured parking for Jump Street, if any, may  
20       change up to 15percent prior to settlement on the  
21       financing, without amendment to the project plan.  
22       Additional increases shall not be funded from any  
23       public financing source. Structured parking,  
24       again, may be added to the Jump Street project,  
25       without amendment to the project plan. After

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2       settlement on the financing, no further amendment  
3       shall be required.

4           The language, as presented, was agreed  
5       to by the District Councilman, the technical staff  
6       of City Council, PIDC, the developers, and their  
7       legal counsel. The School District of  
8       Philadelphia has agreed by resolution to  
9       participate in both TIF projects, as presented to  
10      you and delineated in the project plans. The  
11      project plans are on file with the Clerk of City  
12      Council for review by the public.

13          In closing, I would like to remind  
14      members of City Council that today's hearing is  
15      required by the Pennsylvania Tax Increment  
16      Financing Act, and the Act requires Council to  
17      wait at least three weeks from this hearing date  
18      for final consideration, which would imply action  
19      at Council's meeting of December 7th but, in any  
20      event, no later than December 14th.

21          I respectfully request favorable  
22      consideration of Bill No. 000609 and Bill No.  
23      000610 by City Council acting as the Committee of  
24      the Whole for the recommendation for approval to  
25      City Council in accordance with the aforementioned

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2 time frames.

3 I'll be happy to answer any questions.

4 COUNCIL PRESIDENT VERNA: Mr. Fina,  
5 what was the funding source that the RDA used to  
6 acquire the Jump Street site?

7 MR. FINA: They were economic stimulus  
8 funds from prior years.

9 COUNCIL PRESIDENT VERNA: So will the  
10 RDA be reimbursed for their acquisition costs?

11 MR. FINA: Well, what's proposed, since  
12 it came from the City, is that some mechanism with  
13 the community organization would be set up for  
14 ownership, and those funds would be shared between  
15 the community organization and the public, meaning  
16 the City, or its designee. It could be the  
17 Redevelopment Authority.

18 COUNCIL PRESIDENT VERNA: You're saying  
19 yes? Are you saying yes?

20 MR. FINA: Yes.

21 COUNCIL PRESIDENT VERNA: How and what  
22 happens in the event they are unable to repay the  
23 RDA?

24 MR. FINA: Well, it's -- the mechanism  
25 that's proposed is that it would be cash flow from

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2 the project or profit from the project. If  
3 there's no profit, the developer doesn't have  
4 profit; if there is profit, the developer shares  
5 the profit.

6 COUNCIL PRESIDENT VERNA: Under the TIF  
7 Act, what is the maximum allowed duration of a TIF  
8 project?

9 MR. FINA: The TIF Act permits a  
10 20-year term, unless an amendment is approved,  
11 going through the exact same process as originally  
12 approving the TIF. We've originally approved Jump  
13 Street by the bill I mentioned earlier for twenty  
14 years. Now, under the Act, we could go back  
15 through the same process, which we are doing, to  
16 amend the TIF Act to increase the term.

17 COUNCIL PRESIDENT VERNA: These  
18 proposed amendments will extend the TIF period by  
19 six years. I believe we will now include the BFT  
20 tax as TIF revenues, which will increase the value  
21 of the TIF note or loan from \$16 million to \$23  
22 million; is that correct?

23 MR. FINA: That is correct.

24 COUNCIL PRESIDENT VERNA: Will the  
25 developer be increasing their private equity

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2 and/or debt from the previously approved amount?

3 MR. FINA: Those amounts are not  
4 increasing at this point. The risk, however, is  
5 on the developers to cover any cost overruns, or  
6 they're going to assume at this point the  
7 obligation to repay the TIF note if tax revenue is  
8 not available.

9 COUNCIL PRESIDENT VERNA: Do you have a  
10 breakdown of the \$18.3 million in fees and  
11 expenses category?

12 MR. FINA: I do have that but not with  
13 me.

14 COUNCIL PRESIDENT VERNA: You do or do  
15 not?

16 MR. FINA: I have it, but not with me,  
17 Madam President.

18 COUNCIL PRESIDENT VERNA: Well, that  
19 doesn't help. Could you forward it.

20 MR. FINA: I could forward it to you,  
21 I'm sorry. I will forward it to you.

22 COUNCIL PRESIDENT VERNA: Okay. Would  
23 you please walk us through the project financing  
24 gap analysis for the Jump Street project?

25 MR. FINA: Yes, I will.

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2 Basically, what the Jump Street  
3 financing gap analysis indicates is that the total  
4 project costs for all elements of the project is  
5 \$62.3 million, that the cash flow, based upon the  
6 proforma that PIDC and others have reviewed,  
7 indicates that the revenues would be \$5.2 million,  
8 the expenses would be \$1.7 million for the net  
9 operating income again, the NOI, is \$3.5 million.  
10 We believe that this amount would support debt of  
11 approximately \$27.9 million. That is done by  
12 assuming a debt service coverage ratio of 1.25,  
13 which results in a payment from that net operating  
14 income of \$3.8 million over 25 years at 9 percent,  
15 which is probably conservative and it may even be  
16 a higher interest rate, which would then reduce  
17 the debt that the developer could borrow and,  
18 therefore, increase its obligation to find other  
19 funds, particularly the equity.

20 Now, the estimate of supportable equity  
21 would result from the remainder after the debt  
22 service is paid of \$568,000. Based on an equity  
23 cap of 15 percent, that means that that amount  
24 could support \$3.8 million of equity. The result  
25 then from the equity and the debt is that there's

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2       -- there's a gap of \$30.7 million. We believe  
3       the TIF, at its maximum level, could support  
4       \$23 million resulting in a \$7.5 million gap beyond  
5       the TIF that I mentioned earlier that is being  
6       funded by the Redevelopment Authority through the  
7       acquisition.

8           COUNCIL PRESIDENT Verna: Mr. Fina, if  
9       additional public funding were required, would you  
10      be required to come back to City Council for  
11      another amendment?

12           MR. FINA: Yes.

13           COUNCIL PRESIDENT Verna: Okay. The  
14      Chair at this time recognizes Councilman Goode.

15           COUNCILMAN GOODE: Thank you, Madam  
16      President.

17           Mr. Fina, we can save some time. Can  
18      you tell me if you're classifying HUD 108 as  
19      private or public money.

20           MR. FINA: No, HUD 108 money it would  
21      be considered public monies.

22           COUNCILMAN GOODE: Within these  
23      documents here, you're classifying HUD 108 as  
24      private or public money?

25           MR. FINA: You're talking about the

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2 project plan?

3 COUNCILMAN GOODE: Yes, the amended  
4 project plan.

5 MR. FINA: No, I think we refer to a  
6 category of private and public funds, and we've  
7 put that in there, we add the two.

8 COUNCILMAN GOODE: On Page 7A of the  
9 amended project plan, it says private financing  
10 \$39,350,000, tax increment financing 23 million.

11 MR. FINA: That's correct. That's what  
12 it says.

13 COUNCILMAN GOODE: But you don't really  
14 have 39,350,000 of private money in this deal, do  
15 you?

16 MR. FINA: Well, there's no money  
17 committed to the deal, but that's what's expected.  
18 We will not be using HUD 108 financing for this  
19 project. The amount here does include the  
20 7.5 million of the RDA funds, which should be  
21 broken out of that 39.

22 So you're correct from that standpoint,  
23 Councilman.

24 COUNCILMAN GOODE: Yeah. That sounded  
25 very interesting that you're willing to admit that



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2 there is no private money actually committed to  
3 this project yet, but let me run through a few  
4 other questions.

5 How did this project originate?

6 MR. FINA: How did this project  
7 originate?

8 COUNCILMAN GOODE: How did this project  
9 originate?

10 MR. FINA: I believe that staff of the  
11 City had read and visited the proposed Harlem USA  
12 a number of years ago. They invited the developer  
13 to come to Philadelphia and meet with at that time  
14 the then- President of City Council, the  
15 Then-mayor, and the -- and then other people,  
16 including PIDC, to talk about trying to replicate  
17 that Harlem USA in Philadelphia at this location,  
18 as well as looked at -- as well as reviewing other  
19 locations. The developer was encouraged to do  
20 that and it was interested in doing that, and  
21 that's how the project basically originated.

22 And then we put together, with the  
23 developer, a review of his financial analysis and  
24 program and to come up with what we think were the  
25 needs of the project that would not be met by

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2 private investment and debt.

3 COUNCILMAN GOODE: Let's speak about  
4 how the developer was encouraged. You actually  
5 offered to buy the land for the developer; is that  
6 correct?

7 MR. FINA: I'm sorry, Councilman?

8 COUNCILMAN GOODE: The City actually  
9 offered to buy the land for the developer; is that  
10 correct?

11 MR. FINA: I think not initially, but  
12 eventually that evolved.

13 COUNCILMAN GOODE: Okay. And how much  
14 was spent in economic stimulus dollars?

15 MR. FINA: Approximately \$7.5 million.

16 COUNCILMAN GOODE: Seven and a half  
17 million to buy the land. And then you entered  
18 into an exclusive agreement with that developer?

19 MR. FINA: Yes.

20 COUNCILMAN GOODE: And this was all  
21 based upon replicating a project that was done in  
22 New York?

23 MR. FINA: Well, prior to that,  
24 Councilman, there was a number of discussions with  
25 other movie companies to create other --

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2 COUNCILMAN GOODE: But I'm asking, did  
3 you pay \$7.5 million in economic stimulus funds  
4 that I'm assuming came from tax lien sale to lure  
5 this developer here to replicate this project  
6 based on a project that was done in New York?

7 MR. FINA: Well, there were a number of  
8 incentives that were provided. The TIF --

9 COUNCILMAN GOODE: You gave this  
10 developer an exclusive agreement and you bought  
11 the land with \$7.5 million of taxpayer money.

12 MR. FINA: That's correct.

13 COUNCILMAN GOODE: Based on the fact  
14 that you were replicating a project in New York.

15 MR. FINA: Yes.

16 COUNCILMAN GOODE: Can you tell me a  
17 little about the financing of that project in New  
18 York?

19 MR. FINA: I don't have that  
20 information, but I can get it to you, Councilman.

21 COUNCILMAN GOODE: Actually, I do have  
22 that information. The project is a very  
23 comparable project, it's about 280,000 square  
24 feet, it's about \$65 million, but the project in  
25 New York -- and I'm reading from a Chase Manhattan

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2 Bank publication out of winter '98 -- done by the  
3 community develop says that Chase provided a  
4 \$407.7 million construction loan while an  
5 additional \$11.2 million loan was from the Upper  
6 Manhattan Empowerment Zone Development  
7 Corporation. Shortly after the closing of the  
8 construction loan, Chase sold participations to  
9 Fleet Bank, City Bank, Diamond Savings Bank in New  
10 York, and Caldwell Federal Savings Bank.

11           In other words, it was 70 percent of  
12 this money that came from Chase and then their  
13 interest was sold to other banks; is that  
14 correct?

15           MR. FINA: I haven't read that  
16 article. I don't refute those --

17           COUNCILMAN GOODE: But you were  
18 involved in this project.

19           MR. FINA: Not the Harlem project, no,  
20 sir.

21           COUNCILMAN GOODE: You were involved in  
22 the Jump Street project.

23           MR. FINA: Yes.

24           COUNCILMAN GOODE: And you were  
25 involved in luring the developer here.

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2 MR. FINA: Yes.

3 COUNCILMAN GOODE: Based on the  
4 development in New York.

5 MR. FINA: No. We looked at this  
6 particular project. That was what interest --

7 COUNCILMAN GOODE: This project is a  
8 complete replica of the project in New York. The  
9 project here has a square footage of 280,000, the  
10 project in New York is 270,000 square feet. The  
11 project here is \$62.35 million, the project in New  
12 York was \$65 million.

13 Why is the financing different? Why is  
14 their \$47.7 million coming from initially one bank  
15 and then a series of banks, another \$11.2 million  
16 coming from the Empowerment Zone. Yet in this  
17 project, we have no commitments for private  
18 financing, and the private financing numbers here  
19 are actually cooked.

20 In essence, you have \$23 million in tax  
21 increment financing, but in terms of private  
22 financing, when we go to the sources and uses  
23 statements in this document, when we get down to  
24 the sources, it's very shaky, it's not listed as  
25 absolute amounts. I mean, in fact, what it says

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2       is that in terms of HUD 108, which you say you  
3       will not include HUD 108 financing in this  
4       project, but it says here within this document you  
5       gave to us, PIDC may provide a HUD 108 loan of up  
6       to \$20 million. And it says clearly within this  
7       document that \$39.4 million in private debt equity  
8       includes that HUD 108 money.

9           Now, which is it? Where's the private  
10       money coming from? And if you have private money  
11       in this project, in terms of documentation you've  
12       given to us, it amounts to \$39,350,000, tell me  
13       what that is this terms of sources of private  
14       financing.

15           MR. FINA: Chase has provided me with a  
16       letter of interest, but not with a commitment  
17       letter as such, and that probably won't happen for  
18       months yet on this process. The HUD 108 will not  
19       be utilized in this project, Councilman. That was  
20       what we had originally proposed; it should have  
21       been deleted from this amended project plan. We  
22       are not considering using HUD 108 --

23           COUNCILMAN GOODE: But you don't have a  
24       private financial commitment, yet you're  
25       absolutely coming to this Council for an increase

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2 in public dollars after \$7.5 million was spent to  
3 buy the land.

4 Actually, let's talk about some other  
5 sources. Are there any neighborhood development  
6 fund dollars in this?

7 MR. FINA: No, sir.

8 COUNCILMAN GOODE: Are there any  
9 Empowerment Zone dollars?

10 MR. FINA: No, sir.

11 COUNCILMAN GOODE: Okay, thank you.  
12 That concludes my questioning.

13 I'll just say for the record, I don't  
14 see how we can provide an additional amount of  
15 public money before there's a private financial  
16 commitment. That's completely ridiculous to me.

17 MR. FINA: Councilman, we're not  
18 providing; we're getting authorization provided  
19 should the other dollars materialize. None of the  
20 funds -- of the TIF funds are provided until the  
21 project closes with all of its funding.

22 COUNCILMAN GOODE: Thank you.

23 COUNCIL PRESIDENT VERNA: Thank you.

24 The Chair recognizes Councilman Ortiz.

25 COUNCILMAN ORTIZ: Just one question,

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2 Madam Chair.

3 I wasn't here yesterday, but we did  
4 have a discussion, my staff kept me informed about  
5 a bill about the children's fund. And I just want  
6 to know how we can configure that 1 percent, or if  
7 we finally enact legislation that is now in the  
8 books, whether this -- all of the TIFs that we are  
9 talking about will be exempted from that 1 percent  
10 or not.

11 MR. FINA: Councilman, if it's  
12 legislated by you, then we are obligated and the  
13 developer would be obligated to --

14 COUNCILMAN ORTIZ: I'm talking about  
15 this TIF and the other TIFs that we're discussing  
16 today.

17 MR. FINA: How --

18 COUNCILMAN ORTIZ: They would probably  
19 be exempted?

20 MR. FINA: If they want to voluntarily,  
21 there's no legal obligation or ability for the  
22 prior TIFs to come back and legally obligate them  
23 to pay something.

24 COUNCILMAN ORTIZ: And I imagine that  
25 you have looked at the legislation about the



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2 1 percent of the children's fund. And what, if  
3 any, negative effect will it have on the actual  
4 development of any projects if the 1 percent is  
5 actually legislated?

6 MR. FINA: I think Mr. Cuorato had  
7 provided a response.

8 COUNCILMAN ORTIZ: I wasn't here  
9 yesterday. I'm trying --

10 MR. FINA: No, no, today, he was here  
11 today and he provided a response to that very same  
12 question concerning the 1 percent, and he thought  
13 that it was inappropriate to put that obligation  
14 on businesses that are seeking public financial  
15 assistance to do the project as it is.

16 COUNCILMAN ORTIZ: Why is it  
17 inappropriate? They are getting something from  
18 the taxpayers, we are taking money from the school  
19 system. Why is it inappropriate for them to  
20 contribute a very insignificant sum to a  
21 children's fund?

22 MR. FINA: Well, our --

23 COUNCILMAN ORTIZ: Yet, it would be  
24 appropriate for them to take away -- it would be  
25 inappropriate for to us pass legislation that

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2       takes money away from the school tax base. How  
3       would it be inappropriate? I -- I -- that's a  
4       curious choosing of words.

5                   MR. FINA: I think how it would be  
6       inappropriate, sir, is that we're reducing taxes  
7       right now that go to the School District because  
8       there's a gap; otherwise, without that gap being  
9       funded, the project can't proceed. The only thing  
10      we could actually do is take even more tax revenue  
11      to cover that because the economics of this  
12      project do not warrant the project proceeding  
13      without public assistance. So you're adding  
14      another economic burden on the project.

15                  And I am for -- as Mr. Cuorato said, I  
16      am supportive of a children's fund and children,  
17      but if you add that burden, it would only be asked  
18      -- the developer would only ask the public to  
19      assist even further.

20                  COUNCILMAN ORTIZ: You know, Councilman  
21      Goode just finished detailing a project that is a  
22      total identical, and they have -- they don't have  
23      the same sort of financial contributions that are  
24      expected from the City.

25                  And I just don't see why it would be

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2   inappropriate. Again, I don't see where it makes  
3   it uneconomical, unprofitable. I think every  
4   project we have legislated and have given a TIF to  
5   almost here in the last two years in Center City  
6   could have been done without -- would have been  
7   successful, would have been profitable. And I  
8   think I think we keep fooling ourselves. We --  
9   this is an entitlement that people now believe  
10   they have, and we keep on giving it.

11           We're now asking the necessary and  
12   requisite questions about the impact that it has  
13   on our tax base. I think several questions have  
14   been asked here that really go to the point. One,  
15   does it hurt us in reducing the wage tax in the  
16   long run? Also, it hurts us in terms of the  
17   school funding as it goes. It seems like the  
18   return that the people are getting is really  
19   minuscule in return for the benefit that the  
20   individuals are receiving -- the developers are  
21   receiving.

22           And I question the issue about the  
23   construction jobs because I don't think most of  
24   the construction jobs are going to Philadelphians.  
25   And I question where, you know, where it is that

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2 the citizens of Philadelphia benefit in the long  
3 run overall by these largesse that we keep giving  
4 with the taxpayers' money. I just question that.

5 I still have not received in the last  
6 two hearings a very clear answer because I see  
7 nothing in front of me in terms of economic  
8 analysis, just rhetoric that is presented to us at  
9 every hearing, but nothing, nothing that gives us  
10 what has been done before, what has been the  
11 benefit, and what it is it's going to be, nothing.

12 Thank you, Madam Chair.

13 COUNCIL PRESIDENT Verna: You're  
14 welcome.

15 Councilman Cohen has a question. He's  
16 out of the room at the moment.

17 Are there any other members who would  
18 like to ask a question?

19 (No response.)

20 COUNCIL PRESIDENT Verna: Would you  
21 check if Councilman Cohen is on his way back?  
22 'Cause we're waiting.

23 COUNCILMAN Nutter: Madam President?

24 COUNCIL PRESIDENT Verna: Yes.

25 COUNCILMAN Nutter: I know I went out

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2       of the room on a couple of occasions. Were the --  
3       have the representatives of the Kimmel Center or  
4       the Regional Performing Arts Center -- did I miss  
5       them, were they up at the table?

6                   COUNCIL PRESIDENT VERNA: No. Do we  
7       have anyone else to testify on either of the  
8       bills, Bill 609 or Bill No. 610? Please approach  
9       the witness table.

10                  (Witnesses come forward.)

11                  COUNCIL PRESIDENT VERNA: Kindly  
12       identify yourself for the record and proceed with  
13       your testimony.

14                  MS. SOLMS: Good morning, City Council  
15       President and City Council members.

16                  COUNCIL PRESIDENT VERNA: Good morning.

17                  MS. SOLMS: My name is Ellen Solms. I  
18       am Executive Director of Avenue of the Arts, Inc.,  
19       the private nonprofit agency whose sole mission is  
20       to coordinate and support development on the  
21       Avenue of the Arts, both north and south.

22                  I am here to express Avenue of the Arts  
23       Inc.'s support for the legislation now before this  
24       committee to create a tax increment financing  
25       district at 15th and Spruce Streets and to amend

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2       the existing Jump Street TIF District at Broad and  
3       Cecil B. Moore Avenue. Avenue of the Arts Inc.  
4       believes both initiatives will be key factors in  
5       the ongoing success of the entire Avenue of the  
6       Arts, solidifying and extending the Avenue's role  
7       as an economic engine for the City.

8                   On South Broad, an independent study  
9       has clearly shown that the 660-car garage proposed  
10      at 15th and Spruce Streets is essential to the  
11      successful operation of the spectacular new Kimmel  
12      Center. The endorsement of this project by the  
13      Center City Residents Association is an indication  
14      of how important this garage is to the entire  
15      district and to its successful integration with  
16      the adjoining neighbor on North Broad.

17                  On North Broad, the development of the  
18      now-vacant and largely underutilized site by Grid  
19      Properties into exciting an retail and  
20      entertainment center will be a terrific boon to  
21      the local community, providing services and jobs  
22      to neighborhood residents. Its completion in  
23      between the Liacouras Center and Freedom Theater  
24      will truly create an entertainment center on North  
25      Broad, with the power and diversity to attract

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2 cultural consumers and their dollars to the Avenue  
3 of the Arts on North Broad Street.

4 Thank you.

5 COUNCIL PRESIDENT VERNA: Thank you.

6 Good afternoon. So nice seeing you  
7 again.

8 MR. ALSTON: How are you.

9 COUNCIL PRESIDENT VERNA: Fine, thank  
10 you. Mr. Alston, please kindly identify yourself  
11 for the record.

12 MR. ALSTON: Good afternoon my  
13 testimony will be brief and succinct. Here are  
14 copies.

15 Council President Verna and members of  
16 City Council, good morning. I am Floyd W. Alston,  
17 President and CEO of Beech Interplex, Inc., a  
18 member of the Board of Directors of the Avenue of  
19 the Arts, and Co-Chair of the North Broad Street  
20 Planning Force for the Avenue of the Arts. I am  
21 here to express my support of Bill No. 000609 and  
22 Bill No. 000610 to amend the Jump Street TIF and  
23 to create the Avenue of the Arts Garage TIF.

24 It has been my privilege to be directly  
25 involved with PIDC in a number of positive

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2       economic development projects in North Central  
3       Philadelphia adjacent to or on the North Broad  
4       Street -- on North Broad Street. Most recently,  
5       we are on the verge of the successful restoration  
6       of the internationally known Blue Horizon, located  
7       on North Broad Street. In addition, as a part of  
8       the work of the Avenue of the Arts Board and the  
9       North Broad Street Planning Task Force, you will  
10      see mid-2001 the construction of an exciting  
11      streetscape from City Hall up to North Broad  
12      Street Station. This will mark the beginning of  
13      an aggressive new renewal effort for North Broad  
14      Street and the continued refinement of the  
15      now-exciting South Broad Street.

16                   I thank you all for your support as we  
17      pursue our efforts to make the Broad Street  
18      corridor and its adjacent neighborhoods  
19      convenient, safe, accessible, entertaining, and  
20      economically viable.

21                   Thank you.

22                   COUNCIL PRESIDENT VERNA: Thank you  
23      very much.

24                   Good afternoon, sir. Please identify  
25      yourself for the record.



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2 MR. SCHAEFFER: Good afternoon,  
3 President Verna and members of City Council. My  
4 name is George Schaeffer (ph.). I'm the Project  
5 Manager for the Regional Performing Arts Center.

6 Thank you for giving me the opportunity  
7 to appear before you to speak in favor of granting  
8 the tax increment financing sought for a proposed  
9 660-car pack parking garage to be constructed by  
10 Parkway Corporation on the corner of 15th and  
11 Spruce Streets.

12 I have some brief remarks in which I  
13 hope to make clear the critical importance of this  
14 garage for the success of the Avenue of the Arts  
15 in general and the Regional Performing Arts Center  
16 in particular, and then I will be pleased to try  
17 to answer any questions you may have.

18 Over the past 25 years, I've been  
19 involved in the designing and construction of many  
20 important civic projects, such as the Gallery at  
21 Market East, the Center City Commuter Rail  
22 Connection, the reconstruction of the Schuylkill  
23 Expressway, and the Pennsylvania Convention  
24 Center. Almost 13 years ago, I got involved in  
25 another uniquely challenging project: building a

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2       home for the performing arts especially for our  
3       city's great cultural treasure, the Philadelphia  
4       Orchestra.

5           Today, I serve as RPAC's construction  
6       project for the Kimmel Center for the Performing  
7       Arts. And just when I thought I had seen and  
8       heard it all, I learned about the demands of  
9       constructing a 2500-seat symphony hall, a 650-seat  
10      recital theater with a resolving stage,  
11      restaurants, box office, education center,  
12      entertainment and gathering places, and a huge  
13      glass dome. I learned about noise and  
14      reverberation protection, acoustical demands,  
15      audience and performer flexibility and comfort,  
16      and access within and to the building. It is this  
17      latter issue that brings me before you today.

18           I don't think there's any real doubt  
19      about the benefit RPAC will bring to the City and  
20      region, even besides the obvious ones, a much  
21      needed new home for the Orchestra and an  
22      opportunity to bring back long missing performers  
23      and groups in dance, classical, pop, and world  
24      music.

25           The non-cultural -- the nonprofit

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2       cultural business is big business, bigger on a  
3       national basis than all major sports combined.  
4       Studies show that Philadelphia, which is already a  
5       \$300 million-per-year cultural market, will, with  
6       RPAC, become a \$564 million yearly market. RPAC  
7       alone is expected to generate jobs, nearly 4800  
8       just from construction and another 3,000 in Art  
9       PAC-related economic activity.

10                  Tax revenues: About \$10 million every  
11       year in City and State and income, sales and wage  
12       taxes, more than half of it in the City of  
13       Philadelphia.

14                  Economic development: The Pennsylvania  
15       Economy League says that the dollars and jobs  
16       created and sustained by RPAC, quote, will  
17       circulate well beyond the arts and hospitality  
18       sector, end quote, and that RPAC will play a vital  
19       role in attracting today's kinds of businesses and  
20       employees to our city at a time when the City's  
21       quality-of-life assets are as important as its tax  
22       and infrastructure.

23                  Education: RPAC will provide  
24       capability for expanded programs for all of our  
25       resident companies and linkages with the schools

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2       throughout the region, as well as increase  
3       diversity in audience and programming. In RPAC's  
4       first year of operation, we project 100,000 seats  
5       will be occupied by school-aged children attending  
6       a full slate of youth education programs and  
7       performances.

8                   Why am I tell telling you all of this  
9       instead of talking about parking. Because one is  
10      the prerequisite of the other, because none of  
11      this will happen unless people feel comfortable  
12      about coming to RPAC. How to get there, how to  
13      get in and out of a building in the City. Is it  
14      safe, is it convenient? In short, where to park?

15                  Virtually every person and group I  
16      speak to about RPAC asks the same question: Where  
17      can I park? Any concern or hesitation about RPAC  
18      is not about paying for it. About 94 percent of  
19      the construction costs has already been raised.

20                  Not, will it be beautiful? Raphael  
21      Vignioli's design has been acclaimed all over the  
22      world.

23                  And not, will be playing great music  
24      and dance? The list of performers, starting with  
25      the Orchestra and the other resident companies,

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2       Philadanco, the Opera Company of Philadelphia, the  
3       Chamber Music Society, the Pennsylvania Ballet,  
4       the American Music Theater Arts for Youth, the  
5       Concerto Soloists assures its artistic greatness.

6                   The question is always: Where to  
7       park? This is not really surprising. RPAC will  
8       attract many area residents who do not regularly  
9       come to Center City. It will attract overnight  
10      guests from the surrounding region, from across  
11      the country, and from around the world. Where  
12      will they stay, where will they eat, where will  
13      they park?

14                  The first two questions are answered.  
15      Hotels and restaurants are everywhere and are  
16      enjoying Philadelphia's great new civic  
17      renaissance, but the parking questions have not  
18      yet been answered. Everything is in place,  
19      Philadelphia is a great city again, and people are  
20      coming from everywhere to be part of it. But  
21      without this last piece, where to work? we put it  
22      all at risk.

23                  This Council stood four square behind  
24      the City's remarkable rebirth. Your vision,  
25      foresight and courage have made it possible, but

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2       there is one more vital piece, and it may sound  
3       small compared to some of the things you have  
4       done, but it's not. The success of all of the  
5       rest of it depends on your answer to one more  
6       question, where to park? For RPAC and others at  
7       the heart of Avenue of the Arts, parking at 15th  
8       and Spruce is critical. It's close, it's  
9       familiar, it's safe, it makes the whole thing  
10      easy.

11                   This Council has made its mark on  
12      history with its support of the revitalization of  
13      Philadelphia. There are a few more steps to be  
14      taken to ensure the lasting success of that  
15      legacy. This seemingly small step, approval of a  
16      TIF for a 660-car garage at 15th and Spruce must  
17      be taken before the journey can be completed. We  
18      are 56 weeks and 3 days from opening. I urge you  
19      to take this last step and assure that safe and  
20      reliable parking is in place by their opening  
21      night.

22                   Thank you.

23                   MS. RIVERS: Good afternoon.

24                   COUNCIL PRESIDENT VERNA: Good  
25      afternoon.

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2 MS. RIVERS: Council President and  
3 members of the Council, I am Marilyn Rivers. I am  
4 the Executive Director of Women's Christian  
5 Alliance, an agency serving North Philadelphia for  
6 50 years or more.

7 We are located on the 1600 block of  
8 North Broad Street where the Jump Street is now  
9 proposed to be, and I just want to say a few words  
10 on behalf of the Jump Street project because I am  
11 involved with families in the community and I know  
12 that they take a great deal of pride in their  
13 community, and I see this project as adding to  
14 their lives, enriching the job opportunities, and  
15 enriching the environment by providing a front  
16 that they can be proud of.

17 COUNCIL PRESIDENT VERA: Thank you so  
18 much.

19 MS. RIVERS: Thank you.

20 COUNCIL PRESIDENT VERA: Are there any  
21 questions from members of the committee for any  
22 one of the witnesses at the table?

23 The Chair recognizes Councilman Nutter.

24 COUNCILMAN NUTTER: Thank you, Madam  
25 Chair. Good afternoon.

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2 My questions have to do with the Avenue  
3 of the Arts Garage. I think many of the  
4 representatives for the Regional Performing Arts  
5 Center or the Kimmel Center were in the audience  
6 earlier today when I asked about the garage and  
7 the proposed construction of the center. And I  
8 just wanted to get a better understanding of what  
9 the thinking was at the time with regard to  
10 parking provisions versus just the construction of  
11 the center.

12 MR. SCHAEFFER: I'll try to take a  
13 whack at that, Councilman.

14 COUNCILMAN NUTTER: And I'm sorry, I --  
15 I --

16 MR. SCHAEFFER: I'm George Schaeffer,  
17 from the Regional Performing Arts Center.

18 COUNCILMAN NUTTER: Okay.

19 MR. SCHAEFFER: When the Kimmel Center  
20 for the Performing Arts opens, there will be 8,000  
21 seats in a one-block area: The Academy of Music,  
22 the Meriam Theater, the Wilma Theater, the  
23 2500-seat symphony hall, and the 650-seat recital  
24 theater. I would guess that 70 to 75 percent of  
25 the people attending those performances will



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2 drive. So 5500 people will arrive by car in any  
3 one given evening. And, therefore, you have a  
4 need for about 2500 parking spaces.

5 We did not feel that we intended to  
6 build a 2500-car parking garage in addition to our  
7 \$250 million project. We were able to provide  
8 within the design of the Kimmel Center 135 spaces,  
9 and we are hoping that the private community  
10 and/or the Parking Authority fills that  
11 much-needed gap.

12 COUNCILMAN NUTTER: There was no  
13 discussion, though, back at the time that -- I  
14 mean, I guess, beyond a hope that somebody  
15 somewhere might possibly think about, contemplate,  
16 and maybe just do something? I mean, within the  
17 confines of We're going to build a facility that  
18 has 3300 seats and we know that there are other  
19 venues around us -- I mean, most of the time when  
20 people build large projects like this, they try to  
21 look out for the patrons who are going to come to  
22 the facility and they're going to try to  
23 accommodate some significant number.

24 Now, I mean, obviously, you've tried to  
25 do what you could. I'm assuming your 128 spaces

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2 are on the site. I mean, I know that you must  
3 have known that 128 spaces were not going to take  
4 care of 3300 people.

5 So, I mean, how do you go forward on --  
6 what's the project, \$240 million?

7 MR. SCHAEFFER: 250 million.

8 COUNCILMAN NUTTER: A \$250 million  
9 project, for which, I believe, the State is in for  
10 some amount and I believe the City.

11 MR. SCHAEFFER: 53 million.

12 COUNCILMAN NUTTER: All right. I mean,  
13 how do you go forward with a project like that not  
14 knowing, with any apparent level of certainty,  
15 from 1996, how you were going to accommodate 3300  
16 patrons at the facility? I mean, how do you know  
17 that?

18 MS. SOLMS: You hit some very  
19 interesting and important points. It's an issue  
20 that Avenue of the Arts, Inc. Has been dealing  
21 with for a number of years, and a couple of --  
22 approximately 18 months ago, we did commission a  
23 study called "Getting to the Show on Time" that  
24 analyzed what the parking demand would be once the  
25 Kimmel Center is open.

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2 COUNCILMAN NUTTER: Well, did you have  
3 parking concerns before the Kimmel Center?

4 MS. SOLMS: Yes, we've had concerns,  
5 not just about parking, but about accessibility  
6 and traffic within the area, and that's what I  
7 wanted to address. It's not just a question of  
8 parking. Parking is absolutely essential, and the  
9 study did show that once the Kimmel Center opened,  
10 there would be an immediate need for about 700  
11 additional spaces, if you counted up all of the  
12 spaces that are available on the Avenue.

13 And it also made about 22  
14 recommendations in addition to parking that affect  
15 how traffic should move on the street, traffic  
16 regulations, recommendations that have to do with  
17 public transit. And all of these we are exploring  
18 and moving on very aggressively with RPAC, with  
19 representatives of the other venues, and with many  
20 of the restaurateurs, for example, and the other  
21 private parking operators in the district.

22 So it's an area that I think we're all  
23 concerned about, and we're trying to deal with it  
24 on many different levels.

25 COUNCILMAN NUTTER: Was there a

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2 feasibility study done prior to moving forward,  
3 going into the creation of the Kimmel Center?

4 MS. SOLMS: On parking specifically? I  
5 mean, there were many, many feasibility studies --

6 COUNCILMAN NUTTER: Parking and how  
7 we're going to do it, how we're going to raise  
8 money, all of those kinds of issues.

9 MS. SOLMS: Well --

10 MR. SCHAEFFER: I would say yes, there  
11 were studies on all of those areas.

12 COUNCILMAN NUTTER: And in any one of  
13 those studies, was it ever indicated that not only  
14 was there a need for parking because of the Center  
15 and all of the other venues around it, but any  
16 recommendation as to how you should help ensure  
17 that people who specifically want to come to the  
18 Kimmel Center, or at that time, it would have just  
19 been the RPAC, where are they going to go, and  
20 what was the recommendation?

21 MR. SCHAEFFER: The Parking Authority  
22 convened a study, I believe, in '97 and indicated,  
23 as Ellen testified, a shortage of about 700 to  
24 1200 spaces, depending on how many things come on  
25 line and when and whether more parking facilities

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2 come on line. So there are 3900 existing parking  
3 spaces within 3 blocks of the new Kimmel Center.

4 But with all of the things that are  
5 going on in the Avenue and all of the things that  
6 we're projecting to occur in the future, there's a  
7 shortage of about 1,000 spaces. So you look at  
8 all of the real estate in town and say, How can  
9 you provide -- how can you fill that gap?

10 COUNCILMAN NUTTER: Right.

11 MR. SCHAEFFER: And there's a lot on  
12 the corner of 15th and Spruce, with a parking  
13 garage developer, with a desire to build a parking  
14 garage. There is some discussion going on that  
15 perhaps two additional levels of parking will be  
16 created on the Double Tree Hotel. The Union  
17 League has purchased the Egglund (ph.) managed  
18 facility next to the Prince Theater and, I gather,  
19 is renovating that, and that would provide 300  
20 more parking spaces. A new underground parking  
21 structure has just come on line in the old  
22 Meridian site, with about 300 spaces. We are  
23 working with PIDC to see whether on a short term  
24 basis, before major development occurs south of  
25 the Performing Arts Center, where we can create an

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2       additional surface parking lot in case this garage  
3       doesn't happen.

4                   (Unintelligible, parties talking over  
5       each other.)

6                   MR. SCHAEFFER: So there are many other  
7       areas that we're looking at.

8                   COUNCILMAN NUTTER: Right. It's  
9       obvious that you're working to try to solve the  
10      problem. Again, my whole purpose in wanting to  
11      hear from you was primarily in the realm of I  
12      didn't really understand how someone goes forward  
13      and do serious fund-raising activity from private  
14      individuals, governments and anyone -- foundations  
15      and anybody else, not knowing how your own parking  
16      concerns were going to be addressed and now find  
17      yourself in a situation where -- I mean, what, the  
18      building is probably half-built?

19                  MR. SCHAEFFER: We're about 40 percent  
20      completed.

21                  COUNCILMAN NUTTER: Right. And we're  
22      now just kind of coming to grips with something  
23      that everyone knew was a need back then, and it's  
24      probably increased. It's just, I could say,  
25      intriguing, fascinating, you know kind of going up

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2   to the line of a little strange that you would go  
3   through all of this and not have secured for  
4   yourself -- I don't know anyone that builds a  
5   building of this magnitude or an office building  
6   or anything where you're going to have large  
7   numbers of people and they don't take into  
8   consideration how they solve their own parking  
9   problem as opposed to hoping that, you know, maybe  
10   the wind blows right one day or somebody  
11   somewhere's going to come save you.

12                   MS. SOLMS: There's a delicate  
13   balance. Certainly, none of us wants to see huge  
14   massive parking structures all along the Avenue of  
15   the Arts to accommodate patrons, so we've been  
16   working carefully to find adequate parking for  
17   those who do drive and an alternative means for  
18   people to get there so that we don't destroy the  
19   pedestrian quality of the district and the  
20   neighborhood.

21                   COUNCILMAN NUTTER: Okay. I appreciate  
22   your explanation and your responses. They've  
23   certainly been very helpful.

24                   Thank you.

25                   MR. MCPHERSON: Councilman Rizzo.

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2 COUNCILMAN RIZZO: Thank you.

3 Do you have any -- do you have  
4 reservations, any doubt at all that this project  
5 would go forward without this TIF?

6 MR. SCHAEFFER: The parking garage? I  
7 don't know.

8 COUNCILMAN RIZZO: Does anyone at the  
9 table believe this project is dead without the  
10 TIF?

11 (No response.)

12 COUNCILMAN RIZZO: No comment?

13 MR. SCHAEFFER: Bob, I guess that's for  
14 you.

15 COUNCILMAN RIZZO: Again, I want to ask  
16 the question of everyone at the table. Do you  
17 have any doubts that this project would move  
18 forward without this TIF?

19 MR. FINA: Yes, I have grave doubts  
20 that this project could move forward without a  
21 TIF. That's the analysis we did, that the parking  
22 garage will not be built without the tax increment  
23 financing.

24 COUNCILMAN RIZZO: So the developer  
25 said basically the deal's off if there's no TIF?



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2 MR. FINA: The developer asked for much  
3 more and we negotiated with them for a substantial  
4 amount of time (inaudible) proposed the  
5 claw-back. The developer said if we could not  
6 meet minimally this amount, they would not do the  
7 project. They presently operate a surface parking  
8 lot there that's profitable but which doesn't  
9 provide additional parking spaces that everyone at  
10 this table believes is actually necessary for the  
11 Kimmel Center to be successful.

12 So, yes, Councilman, your question's  
13 appropriate. Without the TIF, this project will  
14 not proceed not a parking garage.

15 COUNCILMAN RIZZO: I guess I'll ask  
16 this of the folks from the Regional Perform Arts  
17 Center. When the building was designed, did any  
18 of the architectural plans include parking on the  
19 site? And could you tell me how many VIP or  
20 employees' or management parking spaces are  
21 incorporated into the design? And could it have  
22 been built with parking garage associated with  
23 it? The facility at Temple University, I believe  
24 the arena there has a garage associated with the  
25 facility.

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2 Was there any consideration of having  
3 your own parking as a source of revenue?

4 MR. SCHAEFFER: Councilman, part of the  
5 design includes a second-level parking structure  
6 with about 135 parking spaces within the project  
7 that we're building. To go any deeper than that,  
8 it would have been extraordinary expensive  
9 construction. We barely are above ground water  
10 right now, so to go any lower than that would have  
11 made it a very uneconomical parking garage.

12 COUNCILMAN RIZZO: I guess that's all  
13 the questions I have.

14 Thank you, Madam Chair.

15 COUNCIL PRESIDENT VERNA: Councilman  
16 Cohen.

17 COUNCILMAN COHEN: Thank you, Madam  
18 President.

19 The concept of that \$7.5 million gap --  
20 I think this question's addressed to Mr. Fina --  
21 made up by the purchase of land and the community  
22 organization involvement, somehow that gap is  
23 being made up by the City's purchasing land and  
24 involving a community organization. And I don't  
25 know, that's new concept, like the children's fund

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2 that was discussed yesterday is a new concept, and  
3 it has a certain attraction. Could we hear more  
4 about that? What is the community organization?

5 Because I know in neighborhoods  
6 throughout the City, community organizations feel  
7 like they're left out and the idea of getting a  
8 headquarters or whatever sounds great and the idea  
9 of helping meet the objectives we all have for  
10 children is great and it seems like redevelopment  
11 might be an answer.

12 I'd just like to know first what it is  
13 in the Jump Street project.

14 MR. FINA: Councilman, what we're --

15 COUNCILMAN COHEN: First the financial  
16 part of it. I don't clearly frankly understand  
17 the \$78.5 million gap.

18 MR. FINA: Well, there's basically  
19 dollar figures. One is that we're increasing the  
20 TIF from 16 to 23 million.

21 COUNCILMAN COHEN: I understand that.  
22 But there's still the \$7.5 million after you  
23 increase it.

24 MR. FINA: And that money is provided  
25 by the City to the Redevelopment Authority to

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2 acquire the land and the buildings that exist by  
3 the parcel today.

4 COUNCILMAN COHEN: Because why should  
5 -- why is the City providing that?

6 MR. FINA: Because the project does not  
7 work without that public financing.

8 COUNCILMAN COHEN: When we raised the  
9 issue of children's money there isn't any money,  
10 and suddenly here, this -- I've never -- I've  
11 never been aware of the City's munificence before.

12 MR. FINA: This additional money comes  
13 from the City, it's economic stimulus funds that  
14 have been appropriated by City Council for  
15 economic development purposes, that those funds  
16 are going into this project. They're not coming  
17 from the developer back to the City, providing for  
18 the project because even with a TIF, the economics  
19 still doesn't work.

20 COUNCILMAN COHEN: You mean the City  
21 thinks that the economic health is more  
22 strengthened by buying this land than it would be  
23 if they gave that 7.5 million to various projects  
24 that will help the children in this City? I'm  
25 trying to figure out what this means. We've been

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2 told that we needed a strong school system for a  
3 lot of purposes but one very important purpose is  
4 to see that there are skilled people in the City,  
5 and I'm just troubled by these kinds of concepts  
6 coming in and suddenly disappearing in other areas  
7 like in the children's fund and here in economic  
8 development we're told this is a very important  
9 development.

10 MR. FINA: It's a fund appropriated by  
11 City Council for economic development.

12 COUNCILMAN COHEN: Well, isn't  
13 education an economic development?

14 MR. FINA: I assume you could  
15 appropriate funds for the children's fund. You  
16 can do that, you have that authority to do so.

17 COUNCILMAN COHEN: We can't interpret  
18 the education of children as part of the economic  
19 development strategy of the City?

20 MR. FINA: I think you certainly can.  
21 It's certainly very important, and no one that's  
22 testified before you today has indicated anything  
23 but that being very important.

24 COUNCILMAN COHEN: Let me ask you, in  
25 this particular TIF, is the School District a part

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2 of the TIF or is it separate?

3 MR. FINA: They've reviewed that and  
4 in-house voted to participate in the TIF, as I  
5 presented to you.

6 COUNCIL PRESIDENT VERNA: I'm sorry,  
7 we're having difficulty hearing you. There are so  
8 many different conversations going on in the  
9 room. Anybody having conversations, please do so  
10 in the corridor.

11 Please proceed, Mr. Fina.

12 MR. FINA: Thank you.

13 COUNCILMAN COHEN: Mr. Fina, everybody  
14 knows that having a term of office means the  
15 School Board always reflects the Mayor's wishes.  
16 Councilman Nutter here, I've asked him to confirm  
17 that under the amendment that City Council adopted  
18 apparently means the Mayor favors --

19 MR. FINA: I'll respond with the fact  
20 that --

21 COUNCILMAN COHEN: I said we have these  
22 (inaudible) on the TIF changing nuances that seem  
23 to appear when we talk about children as opposed  
24 to what about the community organization. Who is  
25 it? What are they going to do and why?

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2 MR. FINA: The District Councilperson  
3 is basically very much in the negotiations with  
4 the developer and with what that entity will be in  
5 the community. Also some of the dollars come back  
6 to the public for economic development  
7 participation.

8 COUNCILMAN COHEN: What is the outside  
9 line that you understand now with the arrangement  
10 that the community organization get the free rent  
11 or free service?

12 MR. FINA: The community will basically  
13 be the owner in part of the project. They will  
14 most likely own the land or be a partner in owning  
15 the land and they will return 25 percent of the  
16 net cash flow after a preferred return of  
17 approximately -- I think it's 10 percent to the  
18 developer in its initial equity. Then after  
19 that's completed, 25 percent of the net cash flow  
20 would go to the community organizations.

21 COUNCILMAN COHEN: To help support it.

22 MR. FINA: To support economic  
23 development activities in the area. And this  
24 could include educational activity.

25 COUNCILMAN COHEN: Mm-hmm. Is the

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2       community organization a community development  
3       corporation? What's the concept? I asked for  
4       details.

5                   MR. FINA: The concept would be a  
6       community development corporation.

7                   COUNCILMAN COHEN: You say it would be.

8                   MR. FINA: It's proposed to be, yes.

9                   COUNCILMAN COHEN: All right, thank you  
10      very much. But the School District will not get  
11      revenue for a certain number of years?

12                  MR. FINA: The School District would  
13      get --

14                  COUNCILMAN COHEN: Is that right?

15                  MR. FINA: -- certain taxes that you  
16      approve, which will go to pay to the TIF notes  
17      that's been proposed, such as the tax on liquor  
18      served from restaurants and bars associated with  
19      the project. That tax cannot be TIFed that would  
20      enure to the benefit of the School District.

21                  COUNCILMAN COHEN: How about the  
22      greater real estate tax?

23                  MR. FINA: The 55 percent increment the  
24      new tax will pay the TIF note for 26 years and in  
25      effect only be 26 it will be 23.



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2 COUNCILMAN COHEN: What's the School  
3 District going to lose in real estate taxes during  
4 the life of the TIF?

5 MR. FINA: \$10.4 million during the  
6 life of the TIF.

7 COUNCILMAN COHEN: How much?

8 MR. FINA: \$10,400,000.

9 COUNCILMAN COHEN: How long would it  
10 take the School District to make up for what it  
11 loses?

12 MR. FINA: From what? Which sense  
13 would it make up from this particular project?

14 COUNCILMAN COHEN: Isn't that one of  
15 the figures we must have in this project? When  
16 you get to the School District, don't you tell  
17 them they're going to lose 10 million or more over  
18 the length of this? And after passage of a  
19 certain amount of time, you'll get that back plus  
20 get extra money back because of the development?  
21 How long will it take the School District to get  
22 that 10 million back?

23 MR. FINA: Well, during the life of the  
24 TIF, the School District will receive \$5.4  
25 million. I would say it would take approximately

1           11/14/00 - WHOLE - BILL 000609, 610  
2   25 years for it to get the additional 10 million  
3   more.

4           COUNCILMAN COHEN: That --

5           MR. FINA: Just going on the back of  
6   the (unintelligible) calculation, Councilman.

7           COUNCILMAN COHEN: I don't think the  
8   School District, even with a 10-day term, would  
9   have voted for that if they understood how much  
10   money they would be losing and how long it would  
11   be before they ever even got it.

12           Now I can yield to Councilman Goode if  
13   you'd like. I just wanted to finish that  
14   question.

15           COUNCIL PRESIDENT VERNA: The Chair  
16   recognizes Councilman Goode.

17           COUNCILMAN GOODE: Thank you, Madam  
18   President. The economic stimulus fund used for  
19   this project, what's the source of those funds,  
20   from a tax lean sale?

21           MR. FINA: It's basically a funded  
22   amount of money appropriated by Council out of the  
23   economic -- out of the surplus and that came to  
24   PIDC.

25           COUNCILMAN GOODE: There are two

1           11/14/00 - WHOLE - BILL 000609, 610  
2       sources of those funds proceeds. One was  
3       (inaudible), and the other was from the tax lien  
4       sale. The point I'm making is the timing of this  
5       project. The source is actually from a tax lien  
6       sale and those funds are split between economic  
7       development projects after half of that money went  
8       to the School District; is that correct?

9           MR. FINA: I'm not certain,  
10       Councilman. I don't know what happened to those.  
11       That's a City question.

12           COUNCILMAN GOODE: City questions which  
13       I choose to delve into a pot of money from the tax  
14       lien sale split between the School District and  
15       for economic development projects. So essentially  
16       any time we spend money on economic development  
17       projects out of that money, the money you're  
18       pulling is from the School District; isn't that  
19       correct?

20           MR. FINA: Councilman, again, I won't  
21       refute what you're saying.

22           COUNCILMAN GOODE: A second question.  
23       The \$7.5 million being spent on that property,  
24       rather than going to the School District, how many  
25       different owners of property does that go to?

1 11/14/00 - WHOLE - BILL 000609, 610

2 MR. FINA: The 7.5 million? That went  
3 to whatever the ownership that was there.

4 COUNCILMAN GOODE: Who's the primary  
5 owner of the real estate?

6 MR. FINA: The primary owner of the  
7 real estate?

8 COUNCILMAN GOODE: Yes.

9 MR. FINA: There are three that I  
10 recall.

11 COUNCILMAN GOODE: Do you have working  
12 knowledge of this project or not?

13 MR. FINA: Working knowledge of the TIF  
14 and the development, Councilman.

15 COUNCILMAN GOODE: Were you involved  
16 with the acquisition?

17 MR. FINA: No, I was not.

18 COUNCILMAN GOODE: Mr. Alston, do you  
19 know who the primary owners were?

20 MR. ALSTON: Except for being  
21 acquainted in the neighborhood, I know there was a  
22 gasoline company that owned -- Clinic Alliance was  
23 the center and there was a series of owners,  
24 McDonald's and some other.

25 COUNCILMAN GOODE: McDonald's owns a

1 11/14/00 - WHOLE - BILL 000609, 610

2 major piece of this real estate there, correct?

3 MR. ALSTON: One-third of the block,  
4 maybe less than one-third.

5 COUNCILMAN GOODE: Do we know how much  
6 was paid?

7 MR. ALSTON: I have no idea.

8 COUNCILMAN GOODE: I'm asking Mr. Fina  
9 that question.

10 MR. FINA: I can get that information  
11 from the Redevelopment Authority for you.

12 COUNCILMAN GOODE: A significant piece  
13 of this real estate was owned by a major company  
14 or several major companies that found economic use  
15 for it in the past. From my understanding, having  
16 sat on the other side of the table as well, the  
17 only reason why McDonald's was not developing  
18 there was not because it's not a prime piece of  
19 real estate. They decided they'd simply sell it  
20 rather than compete with other businesses within  
21 North Philadelphia; is that correct?

22 MR. FINA: I've heard that from the  
23 Redevelopment Authority, but that wasn't a part of  
24 the negotiation so I can't give you --

25 COUNCILMAN GOODE: If we're going to do

1                   11/14/00 - WHOLE - BILL 000609, 610  
2       TIFs in those neighborhoods, as the Commerce  
3       Director said, in terms of the new strategies laid  
4       out for TIFs, that there be a neighborhood benefit  
5       strategy and that it be that all TIFs be  
6       incorporated as part of neighborhood plan, which  
7       is a serious issue. If you have major  
8       corporations like McDonald's who simply  
9       (inaudible) major corporation, then this land  
10      might have been developed otherwise.

11                   Thank you, Madam Chair.

12                   COUNCIL PRESIDENT Verna: You're  
13      welcome.

14                   The Chair recognizes Councilwoman  
15      Brown.

16                   COUNCILWOMAN BROWN: Thank you, Madam  
17      Chair.

18                   I've actually tried to follow the line  
19      of questioning from Councilman Cohen regarding the  
20      School District. And you recall that I posed a  
21      question to the Commerce Director referencing Page  
22      2, the fifth line down. Could I trouble you to  
23      please turn to that page.

24                   The quote says: Project benefits  
25      include 230 construction jobs, 57 permanent jobs

1           11/14/00 - WHOLE - BILL 000609, 610  
2     and new annual average tax revenues of \$275,000  
3     for the School District. Again, I state that I  
4     softly support the TIFs because of the prospective  
5     potential benefit to the School District. When  
6     does this 275,000 kick in? And how do you get  
7     that figure?

8           MR. FINA: You multiply 26 times the  
9     275, which gets you the aggregate amount of tax  
10    revenue that the School District would not receive  
11    if the property stays the way it is. This is an  
12    increase to the School District over those 26  
13    years, that's the average amount over this 26  
14    years. If the property stayed the way it is  
15    today, the School District would get an amount  
16    less than 275, and I provided that in the project  
17    plans that you receive.

18          COUNCILWOMAN BROWN: Okay. My comment  
19    is that the upside is that it's \$2.1 million; the  
20    down side is that in the life of a TIF, it's very,  
21    very, very little. Why is it that the School  
22    District reviews these proposals before they come  
23    to City Council? Is that a practice by statute,  
24    is it legislation? Why is it done that way?

25          MR. FINA: That's by statute. The TIF

1 11/14/00 - WHOLE - BILL 000609, 610

2 Act, as it's referred to, requires that the School  
3 District indicate its participation by resolution  
4 in the TIF by the date of the public hearing.

5 COUNCILWOMAN BROWN: And my final  
6 question would be, and now I'm asking for your  
7 opinion. Does the School Board support these TIFs  
8 because of this very, very nominal benefit or what  
9 would be your opinion, your observation, response  
10 on their support of TIFs? I'm interested in your  
11 opinion.

12 MR. FINA: You're interested in my  
13 opinion. Well, they vote unanimously and  
14 enthusiastically because they understand that the  
15 benefits outweigh the negatives of the project.

16 COUNCILWOMAN BROWN: Thank you.

17 COUNCIL PRESIDENT VERNA: And as a  
18 former member of the board, I think that  
19 Mr. Alston is very able to respond.

20 COUNCILWOMAN BROWN: Thank you very  
21 much, Madam Chair.

22 MR. ALSTON: I just thought I would add  
23 a footnote to what Mr. Fina has indicated with  
24 regards to the presentation of TIFs to the Board.  
25 Having been through that a number of times during



1           11/14/00 - WHOLE - BILL 000609, 610  
2   my tenure on the Board, let me say that it has  
3   been -- each time that Mr. Fina comes with a  
4   presentation, we have had a very healthy  
5   discussion, a very exciting, I might say,  
6   discussion and some disagreement at times. And  
7   we've been -- we went through -- the time I was on  
8   the board, we went through these TIFs word by word  
9   and line by line to ensure that the School  
10   District's position was at its best. And in each  
11   case, we came to some unanimous decisions, not  
12   without discussion and study. They were very  
13   educated decisions about TIFs from the Board's  
14   perspective.

15           COUNCILWOMAN BROWN: Thank you very  
16   much.

17           COUNCIL PRESIDENT Verna: Thank you.  
18           Are there any other questions from  
19   members of the committee?

20           (No further questions.)

21           COUNCIL PRESIDENT Verna: Shelly, I  
22   believe you're next. Would you please identify  
23   yourself for the record.

24           MS. YANOFF: Thank you. I'm Shelly  
25   Yanoff, with the Philadelphia Citizens for

1 11/14/00 - WHOLE - BILL 000609, 610

2 Children and Youth. Thank you for the  
3 opportunity. I'll be very brief.

4 I just want to say that I don't have  
5 testimony, but other than (inaudible) School  
6 District taxes from TIFs because, in fact, it does  
7 take a long time, as Councilman Cohen just  
8 suggested, and it really will be 50 years so that  
9 the great grandchildren of the children who are  
10 starting kindergarten today will get the benefit  
11 of growth that the economic stimulus package  
12 provides. I think that if we look at what we were  
13 talking about yesterday, and Councilman Cohen's  
14 characterization of education as economic  
15 stimulus, that if we continue to give hundreds of  
16 millions of dollars for business opportunities, we  
17 ought to set aside a specific piece of that for  
18 children and families who live in the communities.

19 So thank you very much.

20 COUNCIL PRESIDENT Verna: Thank you.

21 I believe we have Mr. Stanley Fields, a  
22 resident of the community, that would like to  
23 testify.

24 (Witness comes forward.)

25 COUNCIL PRESIDENT Verna: Good

1 11/14/00 - WHOLE - BILL 000609, 610

2 afternoon, sir. Thank you for your patience.

3 MR. FIELDS: Good afternoon. I'm  
4 Stanley Fields. I live at Academy House, which is  
5 directly across from the proposed parking lot at  
6 15th and Spruce.

7 We, the residents of the Academy House,  
8 are very concerned not so much about the parking  
9 lot. We do know that we will have lots and lots  
10 of traffic jams and all of those other  
11 inconveniences, but we are concerned that the  
12 commercial proposal on the ground level contain a  
13 supermarket. It's very important that we have  
14 one, because at the moment, we only have a very  
15 inadequate one, and that with the increasing  
16 population that is down there at 15th and  
17 Chestnut, it was just built. We are just asking  
18 that some part of the community be recognized and  
19 that plans be made for a supermarket.

20 We've circulated petitions for that  
21 around Academy House, and I'm sure if they  
22 circulated that in the other apartment buildings,  
23 they would do the same thing. We are in desperate  
24 need for that. A facility for food in the area is  
25 absolutely nil, or almost nil. We have just a

1                   11/14/00 - WHOLE - BILL 000609, 610  
2       very small supermarket food right now that  
3       services thousands and thousands of people, and it  
4       just is not possible to do that if there's going  
5       to be an increase in population, which there has  
6       been in the last couple years. As you know, many  
7       office buildings in the area converted to  
8       high-rise apartment buildings and that has put a  
9       strain on the market also.

10                   COUNCIL PRESIDENT VERNA: Thank you.  
11       I'm sure if you give the petitions to the District  
12       Councilman, Mr. Clarke, he would certainly be more  
13       than happy to take them and work with your  
14       community to see how he can be of assistance.

15                   MR. FIELDS: Okay, thank you.

16                   COUNCIL PRESIDENT VERNA: Thank you.

17                   Mr. Clarke?

18                   COUNCILMAN CLARKE: Thank you, Madam  
19       Chair.

20                   Madam Chair, I've actually already  
21       received copies of the petitions and a letter, and  
22       I've forwarded them to the developer, and the  
23       developer has indicated a willingness to discuss  
24       with both the community and the office the  
25       possibility of entertaining the possibility of a

1 11/14/00 - WHOLE - BILL 000609, 610

2 supermarket at this site.

3 MR. FIELDS: Thank you.

4 COUNCIL PRESIDENT Verna: Thank you for  
5 your patience, sir.

6 Do we have anyone else to testify on  
7 these bills?

8 (No response.)

9 COUNCIL PRESIDENT Verna: I'm just  
10 waiting for my colleagues, then we'll go into our  
11 public meeting.

12 COUNCILMAN Ortiz: Madam Chair, if I  
13 may.

14 COUNCIL PRESIDENT Verna: I beg your  
15 pardon?

16 COUNCILMAN Ortiz: May I say  
17 something?

18 COUNCIL PRESIDENT Verna: Yes.

19 COUNCILMAN Ortiz: In the last two  
20 days, we have seen two different types of  
21 hearings. We had a hearing yesterday that dealt  
22 with children and having very little money for  
23 them, and we heard a multitude of excuses and a  
24 multitude of barriers and reasons of why putting a  
25 certain amount of money, a small amount maybe, for

1                   11/14/00 - WHOLE - BILL 000609, 610

2       the benefit of children was deemed not doable. As  
3       George Bush would like to say, "It's not  
4       prudent." Not prudent for whom? Not prudent, of  
5       course, for the individuals that get the largesse  
6       of government.

7                   For over 30 years, 40 years, I have  
8       heard the argument about welfare queens and  
9       welfare kings and how the poor are living off the  
10      government, and all of these pictures and dramas  
11      were created, and now we have the rich living off  
12      the government. And it's okay. Nobody questions  
13      it. Because they're -- they supposedly have the  
14      goose that lays the golden egg and that golden egg  
15      leads to prosperity for all. And we have had now  
16      in the last eight years, with this year coming to  
17      a close, nine years, a continuing largesse from  
18      government, and it's taken under the guise --  
19      under the guise that but for this, this would not  
20      happen, and that 50 years from now, there will be  
21      some -- 50 years from now, there will be some  
22      benefit, 20 years from now, there will be some  
23      benefit to the people of Philadelphia.

24                  Meanwhile, we can't build new schools,  
25      we cannot pay our teachers a good salary, we

1                   11/14/00 - WHOLE - BILL 000609, 610

2       cannot give all of the instruments that are  
3       needed. And strangely enough, as Shelly has said,  
4       other jurisdictions have found a way to still give  
5       the rich their due but to exclude the educational  
6       and the Board of Ed. from the largesse.

7                   Yesterday, we talked about a small  
8       little fund for children, but many reasons were  
9       put forward of why it could not be done. And  
10      today, a lot of reasons are -- we keep on giving  
11      this largesse to those who less need it in our  
12      society. I just hope that at one point in my  
13      lifetime, we can come to a conclusion that kids  
14      need more money and that we begin to treat it as  
15      such.

16                  And that capitalism, I always thought  
17      that capitalism worked -- that's what they keep  
18      telling me, that this society is working because  
19      capitalism is becoming the working force and  
20      government is instrumental in developing richness  
21      is socialism, socialism. Read your books. And  
22      that we are socially engineering. That's what  
23      liberals are, we are social engineers. We're  
24      using the instruments of law and legislation to  
25      socially engineer a city and we make it very

1 11/14/00 - WHOLE - BILL 000609, 610

2 wealthy in the center and very poor in the  
3 peripheries and we give that none. And every time  
4 a hearing is held about kids, we find reasons why  
5 it cannot be done instead of finding reasons to do  
6 it. We just keep on finding reasons why it cannot  
7 be done.

8 We had the issue of bus tokens, a very  
9 simple \$2 million issue, and we kept finding  
10 reasons for why it could not be done.

11 I just want at one point, before I live  
12 to be as old as David Cohen, to have one hearing  
13 in which we find reasons of why we must support a  
14 children's fund or tokens for kids or making it  
15 possible for individuals to work and be able to do  
16 certain things. Simple things like that. I'm  
17 just tired of voting in the manner in which we  
18 keep making people richer and richer.

19 COUNCIL PRESIDENT VERA: Thank you.

20 The Chair recognizes Councilwoman  
21 Tasco.

22 COUNCILWOMAN TASCO: Thank you, Madam  
23 President.

24 I'll be brief, 'cause Councilman Ortiz  
25 has basically stated some of the concerns I have.



1           11/14/00 - WHOLE - BILL 000609, 610

2       Yesterday we had a hearing on what other cities  
3       are doing across this country to support children  
4       and families, and we heard from San Francisco who  
5       -- that city has come up with some very creative  
6       ways to fund their children's fund. One is a  
7       property tax assessment and others are from the  
8       hotel tax and if the sports team all give  
9       something back to children, and I think that if  
10      we're going to value our children and families in  
11      this city, we have to send a message that we want  
12      to provide the support that's needed, and if we're  
13      going to create a workforce in this city that is  
14      responsible and educated, we have to focus on the  
15      needs of children.

16                I again will reiterate to members of  
17      the Administration, rather than tell us why they  
18      can't do it, we want them to tell us how to do it,  
19      and our hearing was recessed until the 11th of  
20      December. We hope to come back with a proposal  
21      that we can put forth that sends a message that  
22      this city does care for children in a meaningful  
23      way. We do have supportive programs but they're  
24      all -- most organizations are fighting for crumbs  
25      and we give millions and millions of dollars, of

1                   11/14/00 - WHOLE - BILL 000609, 610

2       tax dollars, away that we should keep to fund our  
3       children and families. But in the interest of  
4       stimulating economic development and growth in the  
5       City of Philadelphia, we do that.

6                   But we can no longer do it without  
7       finding some mechanism to require that these  
8       developers give back because they are not poor  
9       people, they have plenty of money, and they can  
10      give 1 percent on the garage, which would yield  
11      only \$62,000, and we know that that money would  
12      cost no one anything. And \$62,000 for a  
13      \$35 million project is peanuts.

14                  So we will continue with this  
15      discussion, but you're going to hear it over and  
16      over and over again until we set this fund up.

17                  Thank you.

18                  COUNCIL PRESIDENT VERNA: Thank you.

19                  Are there any other statements from  
20      members of the committee?

21                  (No further statements.)

22                  COUNCIL PRESIDENT VERNA: Seeing none,  
23      this will conclude the Committee of the Whole. We  
24      will now go into the public meeting, and the Chair  
25      recognizes Councilman Clarke.

1 11/14/00 - WHOLE - PUBLIC MEETING

2 COUNCILMAN CLARKE: Regarding Bill No.

3 609?

4 COUNCIL PRESIDENT VERNA: Yes.

5 COUNCILMAN CLARKE: Thank you, Madam

6 Chair.

7 I make a motion that Bill No. 609 be  
8 reported out of the Committee of the Whole with a  
9 favorable recommendation and a suspension of the  
10 rules.

11 COUNCIL PRESIDENT VERNA: I'm sorry, we  
12 don't suspend the rules.

13 COUNCILMAN CLARKE: Strike that. I  
14 move that it be reported out with a favorable  
15 recommendation.

16 (Duly seconded.)

17 COUNCIL PRESIDENT VERNA: It has been  
18 moved and properly seconded that Bill No. 609 be  
19 reported out of committee with a favorable  
20 recommendation.

21 All those in favor will signify by  
22 saying aye.

23 Those opposed?

24 COUNCILMAN GOODE: Nay.

25 COUNCIL PRESIDENT VERNA: The record

1 11/14/00 - WHOLE - PUBLIC MEETING

2 will indicate that Councilman Goode voted nay.

3 All other people present voted in the  
4 affirmative, and Bill No. 000609 has been reported  
5 out of committee with a favorable recommendation.

6 The Chair recognizes Councilman Clarke  
7 regarding Bill No. 000610.

8 COUNCILMAN CLARKE: Thank you, Madam  
9 Chair. I make a motion that Bill No. 610 be  
10 reported out of the Committee of the Whole with a  
11 favorable recommendation.

12 (Duly seconded.)

13 COUNCIL PRESIDENT Verna: It has been  
14 moved and properly seconded that Bill No. 610 be  
15 reported out of committee with a favorable  
16 recommendation.

17 All in favor will signify by saying  
18 aye.

19 Those opposed, nay?

20 COUNCILMAN GOODE: Nay.

21 COUNCIL PRESIDENT Verna: The record  
22 will indicate that Councilman Goode voted nay and  
23 that all other members present voted in the  
24 affirmative, and Bill No. 610 has been reported  
25 out of committee with a favorable recommendation.

1 11/14/00 - WHOLE - PUBLIC MEETING

2 Thank you all very much.

3 Before you all leave, I read in the  
4 paper yesterday that one of our colleagues  
5 celebrated a birthday, and I certainly want to  
6 wish him a very happy birthday, a healthy one, and  
7 many, many more years to come. Happy birthday,  
8 Councilman Cohen.

9 (Applause.)

10 (Adjourned at 2:25 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing  
proceedings of the Council of the City of  
Philadelphia of Tuesday, November 14, 2000, were  
reported fully and accurately by me, and that this  
is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE  
BILL NO.'S 000609, 000610

\_\_\_\_\_,  
JOSEPHINE CARDILLO,  
Registered Professional Reporter