COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, February 1, 2006
10:35 a.m.

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PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
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COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

BILL 051230 - An ordinance dissolving the West Philadelphia Retail Tax Increment Financing District and creating the Park West Tax Increment Financing District...

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COUNCIL PRESIDENT VERNA: Good morning, everyone. Can I have your attention, please.

This is the public hearing of the Committee of the Whole regarding Bill No. 051230.

I would ask Mr. McPherson to please read the title of the bill.

MR. McPHERSON: An ordinance dissolving the West Philadelphia Retail Tax Increment Financing District and creating the Park West Tax Increment Financing District, being the area generally bounded by Columbia Avenue on the north, North 50th Street on the east, Merion Avenue on the south and North 52nd Street on the west, all in accordance with the Tax Increment Financing Act.

COUNCIL PRESIDENT VERNA: Good morning. I believe our first witness will be Eva Gladstein.

Good morning. Welcome. Kindly identify yourself for the record and proceed with your testimony.

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MS. GLADSTEIN: Thank you. Good morning, President Verna, members of City Council. My name is Eva Gladstein and I'm Director of Neighborhood Transformation for the City of Philadelphia. I'm here to testify on behalf of the Administration.

I have formal remarks, which I'll give in a second, but I just wanted to share with members of Council and the audience that this is a day that many of us have worked for a very long time to see. So I know I'm thrilled to be here, and you'll see the joy in the faces of other people testifying. This project has been one that the community has desired very strongly for a number of years and has come to fruition in a beautiful way, and we're very pleased with that.

I'm appearing today to testify in support of Bill No. 051230 creating the Park West Tax Increment Financing District. Also here with me and testifying after me are James Burnett, Executive Director of the West Philadelphia Financial Services Institution; Leslie Smallwood from the Goldenberg Group; and my colleague, Sam Rhoads, from PIDC. There are members in the audience of the community, including Lucinda Hudson from West Parkside and the Parkside Association and Miller Parker and Marjorie Ogilvie of the Business Association of West Parkside that are here as well.

The Park West Town Center Project is located in the West Parkside area at 52nd and Jefferson Street, an area that has experienced lack of significant commercial investment for several decades. For many years, neighborhood residents have expressed a strong desire for a supermarket and other neighborhood retail to be built to serve the needs of the community. This desire took on new momentum with the designation of the Empowerment Zone in 1994 and the

Empowerment Zone's creation of the West Philadelphia Financial Services Institution shortly thereafter.

In addition to being located within the Empowerment Zone, a portion of the site is located within the boundaries of the West Parkside Industrial Park and is a Keystone Opportunity Zone. However, despite these local, state and federal programs that are available in this area, the community and WPFSI have been working for nearly a decade to bring the project to fruition.

The development of the project represents a key element in extending the revitalization of the 52nd Street commercial corridor. The Community Trust Board of the West Philadelphia Empowerment Zone has invested over 1.5 million in a comprehensive commercial corridor initiative for this area, and federal funding has been earmarked for streetscape improvements at 52nd and Lancaster.

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The project is adjacent to the Centennial District, which will shortly be home to the Please Touch Museum, a revitalized Mann Center and the Microsoft High School. The Business Association of West Parkside recently developed the Philadelphia Stars Negro League Memorial Park at the intersection of Belmont and Parkside as a monument to the former Negro League Team that played there several decades ago. The development of a new retail project in close proximity to these cultural, recreational and educational facilities will provide an additional amenity for visitors to the area.

I would also note that there's significant new housing, rehabilitation and development going on in this area, including by the Parkside Association.

The Park West Project will be a $50 million investment in this community. It will provide new jobs for community residents. WPFSI has been working with both the City and PIDC over the years to secure the necessary funding sources to close the gap and to get the project underway. The Community Trust Board of the West Philly Empowerment Zone has invested over $2-1/2 million in this project. The Commonwealth has committed 5.8 million to the project. The TIF is the final piece needed to complete the financing in order for the project to move forward.

The Administration strongly supports this legislation and the Park West Project.

And now what I would like to be able to do is to introduce the other people who will be testifying on behalf of the project, including West Philadelphia Financial Services Institution, James Burnett; Leslie Smallwood from the Goldenberg Group; and PIDC.

COUNCIL PRESIDENT VERNA: Very well. Ms. Gladstein, I feel that we should hear from PIDC first.

MS. GLADSTEIN: That's fine.

COUNCIL PRESIDENT VERNA: Mr. Sam Rhoads.

Good morning. Please identify yourself for the record.

MR. RHOADS: Good morning. My name is Samuel Rhoads. I'm a Senior Vice-President with the Philadelphia Industrial Development Corporation.

MS. RODRIGUEZ: I'm Jennifer Rodriguez with PIDC, Vice-President, Financing Services.

MR. RHOADS: Good morning, President Verna and members of City Council. My name is Sam Rhoads. I'm Senior Vice-President of the Philadelphia Industrial Development Corporation and I'm appearing here today to testify in support of Bill No. 051230 creating the Park West Tax Increment Financing District. Joining me at the table is my colleague, Jennifer Rodriguez.

Creation of the Park West TIF

will enable the developer, a joint venture of the WPFSI and the Goldenberg Group, to develop primarily vacant and underutilized land into a new 308,000 square foot retail center, including a full service supermarket, a Lowe's Home Improvement Center, smaller neighborhood retail stores and restaurants. The Planning Commission has designated the district blighted and certified the redevelopment area, as required by the Commonwealth's TIF statute.

Creation of this TIF district will stimulate $50 million of investment in the 29-acre property, which the Board of Revision of Taxes currently values at approximately $1.2 million. This investment translates into over 400 construction jobs and approximately 640 full-time equivalent permanent jobs. Over the 20-year term of the TIF district, net new revenues are estimated at approximately $7.6 million for the School District and $10.6 million for the

City.

The City and School District are being asked to approve a TIF loan of $6 million to be repaid from new real estate, City sales and business privilege taxes. New use and occupancy taxes will benefit the School District and will not be pledged to repayment of the TIF loan.

PIDC may provide a HUD 108 loan of up to $6 million to fund all or a portion of the TIF note. The developer will obtain the balance of the project funding from private and public sources, including Commonwealth and federal grants totalling $4.3 million. The School Reform Commission has approved the Park West TIF at its January 18, 2006 meeting.

Since introduction of the bill, PIDC has met with City Council staff, representatives of the School District, the Department of Revenue and representatives of the Controller's office and PICA to review the project plan. Based on these meetings, several changes have been made to the plan. These changes are contained in the revised project plan which was circulated to Councilmembers prior to this meeting and of which I have copies here for the Clerk, should they like those. So I would like to offer up these amended project plans as Exhibit A to the ordinance.

The changes in the plan -- and I believe these have been circulated to Councilmembers prior. The changes in the plan since introduction can be summarized as follows. I'll just summarize the changes briefly. Based upon the Department of Revenue review, the base tax revenue values have been adjusted on several of the taxes. That includes the use and occupancy tax. We had established the base value at zero and have moved it to $5,000. The business privilege tax likewise has been adjusted from a base value of zero to $16,000, and the base wage tax revenues have decreased from $43,000 to $19,000. In addition, the gross wages for permanent full-time equivalent employees have decreased from the initial projection of $16.5 million to $10.9 million. These changes are offered here today as a revised exhibit to the bill.

In closing, I would like to note that today's hearing is required by the Pennsylvania Tax Increment Financing Act to create a TIF district and that the Act requires City Council to wait at least three weeks for final consideration. Under the State Act, Council will not be able to act on this bill until the regularly scheduled meeting on February 23, 2006. In order to expedite the redevelopment of the 52nd Street area, I'm requesting your approval of Bill No. 051230 creating the Park West Tax Increment Financing District at the February 23rd meeting.

I would be happy to answer questions that you may have or, alternately, if you'd like to have the developer come up and provide their testimony, we can take questions subsequent to that.

COUNCIL PRESIDENT VERNA: I think as long as you're at the table, we would just as well ask you questions, if we have any, and I do have a couple.

This proposed TIF is a first, in that its boundaries include 9.6 acres of land currently located in a KOZ area that expires in 2010. Can you explain for the record what the benefit is that you are requesting for the parcel currently in the KOZ and how it is valued in the baseline tax calculation of the TIF? Do the baseline calculations get adjusted in 2010 when the KOZ expires? If not, tell us why not.

MR. RHOADS: The TIF benefit and the KOZ benefit are complementary benefits. So during the life of a Keystone Opportunity Zone, which, as you note, is a portion, is a 9-acre portion of this 29-acre site, the entity that is in that KOZ will continue to enjoy the benefits of that program during that period.

Subsequent to that, when the KOZ expires on December 31, 2010, they will pay their taxes at the then-assessed rate for their project, and those taxes that are eligible under the TIF will inure to the benefit of the TIF. So, for example, on real estate taxes, the real estate taxes, they will enjoy the benefit of KOZ through 2010. Then commencing January 1, 2011, they will be assessed their full real estate tax value. They'll have to pay that amount. The increase over the base value will come back into the TIF fund to repay debt.

COUNCIL PRESIDENT VERNA: Mr. Rhoads, on Page 3a of the Tax Benefit Analysis, can you explain why the School District base of $24,000 is reduced to $19,000 in 2007?

MR. RHOADS: It would be

because of construction. So, in other words, they're getting a certain amount now. There are some active enterprises in the district. When construction starts, those enterprises will be closed down, and so as a result, the tax revenues will actually go down for them during that period, and then you'll see it recovers and bumps up significantly once the project comes back online.

COUNCIL PRESIDENT VERNA: But I thought that the baseline tax revenues are a floor and that the City and School District would never receive anything less than the base amount in any given year. Can you explain why this payment is not required under the state statute?

MR. RHOADS: Because the state statute requires that to the extent that the actual tax revenues are more than the base, the City and the School District absolutely get their base under all circumstances, but during the construction period, there's no use and occupancy tax, for example. There's no use and occupancy happening, so that there's no entity there liable for that tax.

COUNCIL PRESIDENT VERNA: Thank you.

On Page 4a, Initial Project Costs, the land acquisition is valued at $7,725,000. Is this the actual cost to the developer or is it the appraised value of the land?

MR. RHOADS: The $7,725,000 figure you see here is the cost.

COUNCIL PRESIDENT VERNA: The cost to the developer?

MR. RHOADS: It is the cost to the developer, correct.

COUNCIL PRESIDENT VERNA: Is the $7,725,000 the amount the baseline property taxes are computed on? If not, why and how was the baseline arrived at?

MR. RHOADS: The baseline real estate taxes are based on looking into current tax records and looking at the district as currently assessed by the Board of Revision of Taxes. When the district commences July 1, 2006 as a matter of procedure required under the Commonwealth statute, we will request that the chief assessor, the Board of Revision of Taxes, provide a valuation of the district to set that base value.

So what you see in this plan is based on current records, and what will happen will be based on an actual assessment by the Board of Revision of Taxes at commencement.

COUNCIL PRESIDENT VERNA: On Page 5 of Part IV, the first bullet under "A" states that the developer will obtain $20.1 million in permanent debt and equity financing with terms and mix dependent on market conditions.

What is "mix dependent"?

MR. RHOADS: It is simply to say that they have a $20.1 million financing burden. We do have a proposed structure. That's a question you could ask more specifically of the developer, but at this point, the elements of that $20.1 million include a reimbursement for costs from one of the retailers for site preparation, costs associated with their project, plus an anticipated bank loan, plus equity investment.

COUNCIL PRESIDENT VERNA: In the second bullet on that page, you mention that the developer is looking for $1 million from local sources. Could this funding come from the City?

MR. RHOADS: It is not -- well, $750,000 of that $1 million is anticipated to come from Empowerment Zone funds. The remaining $250,000 is actually from a private entity. However, it's funneling state funds that are earmarked for supermarket development.

COUNCIL PRESIDENT VERNA: At this time, the Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Mr. Rhoads and Ms. Rodriguez.

Mr. Rhoads, what portion of this project is publicly funded, what percentage?

MR. RHOADS: Twenty-seven percent of the project has public sources.

COUNCILMAN GOODE: Could you break down all of the public sources?

MR. RHOADS: Certainly. There is this TIF request of $6 million. The total -- excuse me. The total is about $13.7 million of public resources out of the $50 million project, which, as I mentioned, is 27 percent.

The breakdown is, from the Commonwealth under their Business in Our Sites Program is a combination of a loan and grant that totals $5.7 million. There is a federal Betty (ph) grant that we anticipate bringing into this project of $1 million. There is the million dollars that I just mentioned to Council

President Verna, a combination of Empowerment Zone and reinvestment fund dollars that will come into this. And that should total to $13,700,000.

COUNCILMAN GOODE: And why are you utilizing a TIF rather than just a HUD 108 loan?

MR. RHOADS: Because a HUD 108 loan would not close the gap necessary to make this project work. As you know, we always work to exhaust the resources that we have at our fingertips first to make a project work. In this case, there's a substantial shortfall in the revenues from the project in terms of what they -- and so, therefore, creating a financing gap.

COUNCILMAN GOODE: You're saying the cost of the HUD 108 is prohibitive?

MR. RHOADS: Exactly. That's right. The cost of the 108, the repayment terms of it are such that it doesn't narrow that gap sufficiently to get it down.

COUNCILMAN GOODE: What is the cost of the 108?

MR. RHOADS: HUD 108 terms are about a 17-year term, which can amortize level, and the interest rate of that fluctuates with market conditions. Currently it's around 7 percent.

COUNCILMAN GOODE: How are you saving money by utilizing a TIF?

MR. RHOADS: Because the tax increment financing essentially is not funded out of the revenues generated from the project. That debt is repaid by the tax revenues. So from a pro forma perspective, it's net new dollars to the developer. So it's dollars that are over and above what they otherwise would have.

COUNCILMAN GOODE: Explain that again.

MR. RHOADS: The TIF debt, it's a $6 million TIF loan. They are not repaying that loan out of their NOA, their net operating income. Rather what they're doing is, they're receiving the incremental tax revenues, as authorized under this ordinance, and using those dollars to repay that debt.

COUNCILMAN GOODE: I still don't understand how you save money on the financing.

MR. RHOADS: Okay. So let me take it this way: The net operating income for this project is estimated around $1-1/2 million on a $50 million project. Using a quick rule of thumb, that can support around $15 million of private debt and equity. That's really all the project can handle. So the balance of the resources need to come from soft terms.

A HUD 108 has -- they don't have any additional dollars available in their NOI to serve as a HUD 108. It requires a TIF in order to close that gap.

COUNCILMAN GOODE: So using a HUD 108 for a portion of the TIF note, what other funding will you use?

MR. RHOADS: I'm sorry. The financing -- if your question is the financing of the TIF loan, the developer can take these incremental tax revenues over the next 20 years and go out and look to a bank to finance that. In this case, that is an appropriate use of the HUD 108, we believe, and we have had discussions with the developer about using a HUD 108 loan to finance the TIF.

COUNCILMAN GOODE: That's what I'm referring to. Why wouldn't you just use a HUD 108 for that entire TIF portion?

MR. RHOADS: Oh, we may well do that. In here we are -- we hope we're clear that we may well finance up to the total amount of the TIF.

COUNCILMAN GOODE: But the cost of the HUD 108 for the 6 million that you're TIFing is still prohibitive versus --

MR. RHOADS: No. I'm sorry,

and I may have misunderstood your first question. The cost of the HUD 108 is not prohibitive in terms of funding the TIF note. No. That would work. I apologize. I thought you were asking about funding of the HUD 108 against the private net operating income generated by the project. No. But, against the TIF, that would be fine.

COUNCILMAN GOODE: So you're saying the project could not support a 108 loan without a TIF?

MR. RHOADS: Right. They can do better on the private market with their net operating income. They can make those net operating income dollars go further on the private market than with a HUD 108.

COUNCILMAN GOODE: Now, are there any other public sources as in local tax credits being used for this project?

MR. RHOADS: Except for the Keystone Opportunity Zone, which we discussed, the state program for the Keystone Opportunity Zone, which is a portion of this district, no.

COUNCILMAN GOODE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Are there any other questions from members of the Committee of our witnesses?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, Mr. Rhoads, Ms. Rodriguez, thank you.

MR. RHOADS: Thank you very much.

MS. RODRIGUEZ: Thank you.

COUNCIL PRESIDENT VERNA: Jim Burnett, Executive Director of West Philadelphia Financial Services Institution.

Good morning, sir. We thank you for your patience. Please identify yourself for the record.

MR. BURNETT: Jim Burnett, Executive Director for the West Philadelphia Financial Services Institution.

Good morning, Madam President and members of City Council. My name is James Burnett. I am the Executive Director for the West Philadelphia Financial Services Institution and I am here today to testify in support of Bill No. 051230 creating the Park West Tax Increment Financing District. Joining me here today is my colleague, Leslie Smallwood, from the Goldenberg Group.

The development of a 308,000 square foot retail center at 52nd and Jefferson Streets is the culmination of eight years of dedicated work by local residents, businesses, the City, a neighborhood non-profit and an established for-profit development company. All parties were essential to moving the project to where it is before you today. Moreover, this unique partnership will create an asset that will produce a return for this West Philadelphia neighborhood for years to come.

The West Philadelphia Financial Services Institution has embraced its role as lead organization and is dedicated to seeing that this project comes to fruition. Our staff and Board of Directors are committed to seeing a retail center built and there is meaningful participation by minorities and local business owners. To assist us in meeting this goal, we have hired Maven, Inc. in developing a fair process and to provide early opportunities and also to monitor the ongoing process of the development.

Our relationship with our development partner, the Goldenberg Group, is an example of our joint commitment to this participation. We have been operating under development and operating agreements that will pay WPFSI

33 percent of the development fees and 30 percent of the ongoing cash flow. Furthermore, WPFSI will retain ownership of the land where the center is located, retaining a significant asset in community hands.

Over the years of working on this project, we have had many hurdles to overcome. Each challenge has given us a new opportunity to sell the merits and significance of the project and the neighborhood it's located. It required new methods and ideas of what a for-profit, non-profit relationship should look like. It required that the City allow its citizens the opportunity to develop ideas and strategies that they felt were best for their neighborhood, and it forced major retailers to rethink where they should locate and operate their stores.

These multiple paradigm switches have brought us here before you today. We are here to ask you to look at this project as each of the other individuals and entities have, with an open mind about the growth and development of a community and how you can play a significant role. This development will eliminate blight, make use of an unused brownfield, create 400 construction jobs, 640 full-time jobs and bring goods and services to a neighborhood currently devoid of such goods and services.

On behalf of my Chairman, Earl Boyd, and the other members of the West Philadelphia Financial Services Institution Board, I would like to thank you for the opportunity to speak before you today. Your support for this unique opportunity to change a neighborhood is greatly appreciated.

COUNCIL PRESIDENT VERNA: Mr. Burnett, this project would have to be completed by the end of 2007; is that correct?

MR. BURNETT: That's correct.

COUNCIL PRESIDENT VERNA: Do you think that's possible?

MR. BURNETT: Yes, I do think that that's possible, and I'm depending a lot of that on our development partner and their ability to build shopping centers and their experience in building shopping centers in the past.

COUNCIL PRESIDENT VERNA: Fine. Thank you very much for your testimony.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I just want to put on the record to Mr. Burnett, and there will be other community witnesses, but I want to commend him on the record. This has been a project that has taken many twists and turns. It's been a long time in coming. It is one of the most exciting projects that I've had an opportunity to work with. It's also at times probably been one of the most frustrating. But I guess as they say, if you wait long enough, sometimes things have a way of working out.

Your leadership and stick-to-itiveness, along with a number of other people, has really gone a long way, and so I want to commend the West Philadelphia Financial Services Institution, your Board, but also your personal attention to this.

It always takes a couple very determined individuals to make these kinds of projects happen, and you have certainly done that with this. So thank you for all of your work that you have done, because the work has really just begun. Thank you.

Thank you, Madam Chair.

MR. BURNETT: Thank you.

COUNCIL PRESIDENT VERNA: You're welcome, sir.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you,

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Madam President.

Good morning.

MR. BURNETT: Good morning.

COUNCILWOMAN BROWN: Councilman Nutter actually captured the early part of my comments, and, that is, he says twists and turns. I too am aware of the enormous hurdles that your effort has had to overcome, and in a good way, you've ended up at this point.

My question comes from a brief conversation I was just having with my colleague here, whom I consider to be -- he's my guru on matters like this. I need to know if this arrangement you have with the Goldenberg Group, the percentage that the community organization has, which is 33 percent here, is that unprecedented? What is it?

MR. BURNETT: I don't know whether it's unprecedented. I think the relationship that we created, not necessarily in terms of percentages but in terms of ownership of the land, in terms of how we will dispose of the partnership if we decide to sell the center at some point in time in the future is unique for the community, because one of the things that will happen in this particular case is that any of the dollars that the City or the State has placed into this will be reinvested in the community through WPFSI, and that in itself is unique, because you're not just giving money for a one-time spend. So it's not just to spend and purchase or build a retail center. It's retail centers being built and then those dollars are being reinvested in the community again.

COUNCILWOMAN BROWN: Secondly, there remains a concern with members of this body that MBE, WBE goals are not only set but there's a strategic action plan that moves to the hopeful accomplishment of those goals. So discuss, if you will, how these goals were arrived at on the last page of your testimony.

MR. BURNETT: Yes. We basically have been working on the goals for the past eight years and had opportunities in the past to contact contractors from the neighborhood and also from the area. And we've hired what we believe is an excellent person, an organization with Maven, Inc., to come in and work with us to support not only monitoring our hiring but also to be there at the beginning so that participation starts with the professionals that will do design, the engineering, the construction management. So it's not just the end. And also we want tier one type of participation, meaning you have owners that are getting prime contracts and not just subcontracts.

COUNCILWOMAN BROWN: When you say "we have been working on these goals," that includes who? Who is "we"?

MR. BURNETT: Well, that "we"

includes the Goldenberg Group and it also includes the members of our Board and community. It also includes discussions that we've had with members of PHA, who have a construction development center down in South Philadelphia. It also includes members from American Community Association over in Camden, who also does some training and development.

We have not had an opportunity to have any discussions with the unions yet because we just haven't gotten to that point, but we are at that point today.

COUNCILWOMAN BROWN: And so where is PIDC's role or duty with regards to MBE, WBE participation?

MR. BURNETT: As far as I know, it's a reporting requirement, that we have to get back to them, but I will say that you would need to ask them that question.

COUNCILWOMAN BROWN: Okay, then. Well, thank you for your testimony, and let me join my colleague, Councilman Nutter, in commending you for your stick-to-itiveness.

MR. BURNETT: Thank you.

COUNCILWOMAN BROWN: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Are there any other questions from members of the Committee of this witness?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, I thank you.

MR. BURNETT: Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

Mr. McPherson, who are our next witnesses?

MR. McPHERSON: The next witness is Leslie Smallwood, Director of Development, the Goldenberg Group; Gregory Reaves, Chief Operating Officer, also of the Goldenberg Group.

MS. SMALLWOOD: Good morning, President Verna and members of City Council.

COUNCIL PRESIDENT VERNA: Good morning.

MS. SMALLWOOD: My name is Leslie Smallwood and I am the Director of Development of the Goldenberg Group. I am here today to testify in support of Bill No. 051230 creating the Park West Tax Increment Financing District. Joining me here today are my colleagues, James Burnett of WPFSI, Sam Rhoads of PIDC and Eva Gladstein of the Philadelphia Neighborhood Transformation Initiative.

The Goldenberg Group was selected as the private developer of choice in 1999 through a request for proposal issued by PIDC and the West Philadelphia Financial Services Institution. Committed to this project and our true desire to make a difference in our city's inner neighborhoods, the

Goldenberg Group has remained steadfast and determined. It has taken us eight years to educate and persuade national and regional retailers to come to West Parkside. It has been challenging, yet rewarding, but I am delighted to be here today to say that our time has come.

Park West Town Center is an exciting prospect that will bring much needed economic and retail opportunities to West Philadelphia and the surrounding communities. The retail center will create true neighborhood transformation by bringing 420 construction jobs and 640 full-time equivalent permanent jobs, quality goods and services and perpetual revenue to the area.

With the support of the community, Councilman Michael Nutter, Mayor John Street's Administration and State Senator Vincent Hughes, the Goldenberg Group and West Philadelphia Financial Services Institution have made significant progress toward our goal of breaking ground in June of 2006 and opening our doors in November of 2007.

We have secured all of the other federal, state and private funding necessary to proceed. Bill No. 051230 is the last piece to this puzzle. Passage of this bill will enable the Goldenberg Group and West Philadelphia Financial Services Institution to bring the first Lowe's out of 964 stores across the country to the inner city. It will supply to a community that has been devoid of traditional banking services with a Wachovia Bank branch. It will provide to the entire Parkside community with the largest Shop-Rite supermarket in the city.

As a collective and cooperative group, the community, the City Administration, City Council, both federal and state governments, West Philadelphia Financial Services Institution and the Goldenberg Group can make a difference.

On behalf of the Goldenberg Group, I would like to thank you for the opportunity to speak before you today. Your support of Bill No. 051230 will make history and create a model for cities all over this country to emulate.

COUNCIL PRESIDENT VERNA: Thank you very much.

Mr. Reaves, is there anything you'd like to add?

MR. REAVES: I have no formal comments.

COUNCIL PRESIDENT VERNA: Fine. Thank you.

The Chair at this time recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Forgive me, Madam President. It's an error.

COUNCIL PRESIDENT VERNA: Okay. Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Ms. Smallwood.

MS. SMALLWOOD: Good morning.

COUNCILMAN GOODE: I will try to be nice this morning.

Essentially this is a project I'm very familiar with from my days in the Commerce Department and work with the Empowerment Zone. I believe it is a long time coming. I plan on being supportive of this legislation and this TIF, although I still question the TIF as usual for a number of different reasons.

I'm going to vote for this TIF because of the community partnership that has been set up. I believe that it is unprecedented and I believe that it's a great partnership, but essentially someone is paying for it. I believe that, in a sense, the taxpayers are paying for it through the TIF, which I think in the end may still be appropriate because of how the money is being reinvested. But absent the community partnership, I'm not still convinced that this project would require a TIF and because of the level of benefit to the community, it requires a TIF.

In a nice way, I'm going to ask the question. The Goldenberg Group came before this Council for a previous TIF that I questioned and said that the TIF was not necessary. What happened with that project?

MS. SMALLWOOD: In that particular project, we were able to restructure the total deal, Councilman Goode, and we had to actually sell off that property and remove ourselves from that project in order for that project to proceed. By doing so, Clear Channel was able to commit the type of dollars because they now own the actual asset, which enabled them to proceed and invest additional private dollars. So that circumstance is extraordinarily different from obviously this particular TIF.

COUNCILMAN GOODE: So, in other words, the project was developed without a TIF, the development at that site did occur without a TIF and the "but what if" questions actually did not exist. Essentially, that project could have been developed, that site could have been developed without a TIF; is that correct?

MS. SMALLWOOD: With restructuring of the entire project, we were able to come up with a solution that enabled it to go forward without a TIF, but, again, the location of that project and the availability of another private company with willingness to proceed and invest dollars definitely made that a different situation. It's hard to find that in this particular project.

COUNCILMAN GOODE: So, similarly, without this level of community benefit, which I strongly support, would a TIF be necessary?

MS. SMALLWOOD: A TIF would still be necessary in this project because there is incentives that need to be provided to retailers to take the risk to come into a neighborhood and an area that has not any type of history of producing revenue in this type of format. So in order to be able to entice and to incentivize retailers to take that risk, there is public subsidies required in projects like these.

COUNCILMAN GOODE: Public subsidies but not necessarily a TIF. I mean, there are tax credits that are available, and some are being used under this project. There's low-interest financing that is available. There's any number of other vehicles that could be used. A TIF is not necessarily the only vehicle that could be used or the only vehicle that is used nationally to lure retailers to the inner city. Retailers come to the inner city because there is a market there.

MS. SMALLWOOD: There are markets in certain neighborhoods, but there is a reason why 22.4 acres of this 29-acre site has been vacant for over 15 years.

COUNCILMAN GOODE: The reason

is because it was reserved for industrial use and was never allowed to be used for retail use. That's the reason.

MS. SMALLWOOD: Could possibly be a portion of the --

COUNCILMAN GOODE: No. That is the reason. I mean, we can bring PIDC back up. I mean, essentially, this is the first major retail use of that land.

MS. SMALLWOOD: And it's only been a major retail use of that land, it's been for the last eight years, but the only reason why it's going to become a retail is because we've been able to convince and persuade retailers to even take a look at this neighborhood.

COUNCILMAN GOODE: It was not the Goldenberg Group's vision to bring a retail center there.

MS. SMALLWOOD: No. It was the vision of the community to bring a retail center, and it was Goldenberg's relationships and our expertise that has enabled us to jointly, with WPFSI, be here today with retailers willing and ready to try to make this project work.

COUNCILMAN GOODE: But I'm assuming that the West Philadelphia Financial Services Institution understood that there was a market there that could attract national retailers.

MS. SMALLWOOD: Absolutely not. I have to disagree with you with that, and I think if James Burnett were to come back up and testify, he would clearly know from the twists and turns we've taken over the last eight years of the conversations we've had with retailers that it was not a location that was looked at by retailers.

COUNCILMAN GOODE: So they're looking at it now because of what?

MS. SMALLWOOD: They're looking at it now because of a comprehensive plan that's been created through the City Administration and PIDC that offers them some public subsidies to alleviate some of the risk in their coming into these neighborhoods. It has also taken us endless conversations --

COUNCILMAN GOODE: Which would be done for any project.

MS. SMALLWOOD: Pardon me?

COUNCILMAN GOODE: Which would be done for any project.

MS. SMALLWOOD: And it's done in certain ways, and we examined all of the other methods of low-interest loans and so forth, and what was left was tax increment financing.

COUNCILMAN GOODE: So, once again, you're saying you had to offer a TIF.

MS. SMALLWOOD: Absolutely.

COUNCILMAN GOODE: Thank you.

COUNCIL PRESIDENT VERNA: Councilman Goode, did I hear you say you were going to be nice?

COUNCILMAN NUTTER: That was nice. That was nice. And the Councilman said thank you very much, which was very nice. I recognize nice.

MS. SMALLWOOD: I recognize nice as well. It was nice.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair. And as everyone knows, I'm always nice.

A lot of chuckling in the background. I heard that.

Before I get to my questions, the only other thing I would put on the record -- and Councilman Goode as usual asked a lot of the right questions. The only other piece of information I would offer is that this particular site prior to the RFP being issued, I won't say the only because my memory is not that good and we've passed so many TIFs that I can't recall them all, but this may have been one of the first sites that actually received a previously approved TIF with no developer. There have been shortly after, I guess, even before President Clinton ultimately signed the Empowerment

Zone legislation back in, I think, '93, '94 time frame, even prior to that, the West Parkside community has talked about, planned around and talked about trying to have a retail component at this particular location or somewhere within the Industrial Park. As a way of providing any possible incentive or every possible incentive that we had, back in the '98, '99 time period, we approved a small TIF for this site as a part of giving every incentive that was available. The RFP process actually took place subsequent to already having a TIF in place for a site with no developer. As I said when Mr. Burnett was up, sometimes you don't get things when you want them, but things have a way of kind of working out.

The proposal at the time was for 12 acres of retail. We could not get a supermarket to come. When the Lowe's opportunity came up, the project expanded. Lowe's still insisted, though, that there would be a shopping center, and we had a number of approaches to a variety of shopping centers, putting incentives aside, who ultimately decided that they would not want to be at the site, but fortunately, we did find one and the project expanded from 12 acres to 30 acres.

So it is a storied location, and I'm not going to get back into that Q and A, but there were absolutely some challenges to that location even without a developer in sight and a TIF already approved.

Ms. Smallwood and Mr. Reaves, we have had a number of conversations with regard to the TIF and it moving forward. TIFs now are also in a category known as financial assistance based on legislation that this Council passed last year with regard to some disclosure requirements and campaign contributions. That legislation, which was passed by the Council last year and signed by the

Mayor, technically goes into effect on July 1, 2006. And so by the force of the calendar, of course, this project is not subject to that legislation.

We, though, have had a number of conversations about that issue, and it is my understanding and I have a letter from your principals on this transaction that you will, notwithstanding the fact that you're not legally required to do so under the legislation, you've offered up information to me, which will be circulated to my colleagues. This is the first TIF subsequent to Bill 050613, and so out of our conversations, you have agreed to voluntarily provide information that is pertinent to the legislation; is that correct?

MS. SMALLWOOD: That is correct.

COUNCILMAN NUTTER: And I'm not exactly sure how we will conduct this process subsequent to the bill going into effect, but I did want to let my colleagues know that through a series of conversations, the Goldenberg Group and WPFSI have agreed to provide us with that information, and I think it's important. Whether they are legally required to adhere to the provisions, they have voluntarily agreed to provide us with the kind of information that we would get automatically under Bill 050613.

So I want to commend you for that. I think it is important. The letter lays out what this was all about and why you're voluntarily supplying the information.

Madam Chair, at the appropriate time -- and I know this project will be the subject of discussion of another couple of committees, but I'd like to ask that a copy of this letter be included as a part of the record for this particular transaction. As I said, I don't know how we'll do this in the future once the legislation goes into effect, but it is a sign of the commitment by the parties to work with us and voluntarily supply information even though they're not legally required to do so, and I do appreciate it. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Does the stenographer have a copy of the letter?

COURT REPORTER: Yes.

COUNCIL PRESIDENT VERNA: Thank you. It will be included in the record.

Thank you.

MS. SMALLWOOD: Thank you.

COUNCIL PRESIDENT VERNA: Do we have anyone else that would like to be recognized?

Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Madam President, I just wanted to get some clarity on the Councilman's statements with respect to compliance with the recently enacted or passed legislation with financial assistance, and I may need somebody from PIDC to clarify, or should the Councilman.

It's my understanding that the financial assistance triggers the compliance issue with respect to that legislation, and the question is, when will the financial assistance to this particular organization actually go into effect? Is it once the bill is passed or is it once there is some process as it relates to PIDC and the City?

MS. SMALLWOOD: I can only speak to when this particular TIF will go into effect. Per the project plan, the TIF district will be created, if you vote obviously affirmative, July of 2006. So because there was, as we think, some gray area in the timing, we thought it would behoove us to voluntarily comply and make sure that from anyone's interpretation of that bill, that we have satisfied those requirements.

COUNCILMAN CLARKE: So there is a likelihood that it will actually not close on the TIF until after July 1?

MS. SMALLWOOD: There is a possibility. That is correct.

COUNCILMAN CLARKE: All right. I just wanted some clarity, because I didn't think that the financial assistance would happen automatically upon the passage of the bill. There was a process after the passage of the bill that can take you far into '06.

MS. SMALLWOOD: There is a process. And we weren't very clear of the, I guess, interpretation of the ordinance, whether it was based on the passage of the bill or the actual transferring of the dollars. So without there not being that clarity there, we wanted to make sure that we were complying to the law just in case.

COUNCILMAN CLARKE: So when you build the shopping center on Ridge Avenue, you will have to comply with the --

MS. SMALLWOOD: If there's

public assistance, financial assistance, absolutely, and we will do so.

COUNCILMAN CLARKE: Okay. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions or comments from members of the Committee?

The Chair again recognizes Councilman Nutter.

COUNCILMAN NUTTER: I'm sorry. That was inadvertent.

COUNCIL PRESIDENT VERNA: Thank you.

Does anyone else have any questions or comments of the witnesses?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, I thank you.

MS. SMALLWOOD: Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

MR. McPHERSON: Our next

witness is Lucinda Hudson of the Parkside Association.

COUNCIL PRESIDENT VERNA: She's not here?

MS. HUDSON: I'm here.

COUNCIL PRESIDENT VERNA: Did you want to testify?

MS. HUDSON: No.

COUNCIL PRESIDENT VERNA: You're not interested in testifying?

MS. HUDSON: Yes, but not at this level. I'm just here for support.

COUNCIL PRESIDENT VERNA: Oh, fine.

MR. McPHERSON: The next witness is Marjorie Ogilvie and Miller Parker.

MS. OGILVIE: We're also simply here in support of the process, and unless people have specific questions, we would decline to do a formal presentation.

COUNCIL PRESIDENT VERNA: I don't think anyone has questions. If they do, if they would indicate so.

(No response.)

COUNCIL PRESIDENT VERNA: Therefore, the record will indicate -- Mr. McPherson, please read the names again.

MR. McPHERSON: Lucinda Hudson, Marjorie Ogilvie and Miller Parker.

COUNCIL PRESIDENT VERNA: They have all indicated and the record will reflect they are supportive of the passage of this bill.

MR. McPHERSON: There's no one else on our list.

COUNCIL PRESIDENT VERNA: Is there anyone else to testify on this bill?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing no one, this will conclude the public hearing. We will now go into our public meeting, and the Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank

you, Madam President. We move that the Committee be recessed until --

COUNCIL PRESIDENT VERNA: No.

COUNCILWOMAN BLACKWELL: Sorry. I wasn't tuned in. I was on my telephone.

COUNCIL PRESIDENT VERNA: Reported out.

COUNCILWOMAN BLACKWELL: Thank you. We move that this --

COUNCILMAN NUTTER: Madam President.

COUNCIL PRESIDENT VERNA: Councilman Nutter.

COUNCILMAN NUTTER: Mr. McPherson is taking care of that.

COUNCIL PRESIDENT VERNA: Oh, okay.

COUNCILWOMAN BLACKWELL: As amended. Thank you.

Sorry, Madam President.

COUNCIL PRESIDENT VERNA: That's okay.

COUNCILWOMAN BLACKWELL: I move

that the project plan Exhibit A as it has been changed be added to the report and that this be added to the legislation that we're considering today. This is a new amendment.

COUNCIL PRESIDENT VERNA: All right. Do I hear a second?

(Duly seconded.)

COUNCIL PRESIDENT VERNA: All in favor will indicate by saying aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it and the motion carries, and, again, the Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President. I move that Bill No. 051230 as amended be reported out of Committee with a favorable recommendation.

(Duly seconded.)

2/1/06 - WHOLE - BILL 051230

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 051230 be reported out of Committee with a favorable recommendation.

COUNCILMAN DiCICCO: Is it possible to do a suspension?

COUNCIL PRESIDENT VERNA: We can't have a suspension. We have to wait three weeks.

COUNCILMAN NUTTER: I can get a first reading.

COUNCIL PRESIDENT VERNA: Oh, for the first reading?

COUNCILMAN NUTTER: Right.

COUNCILWOMAN BLACKWELL: Madam President, do we also request a suspension?

COUNCIL PRESIDENT VERNA: Do I hear a second?

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 051230 be reported out of Committee with a favorable recommendation as amended;

further, that the rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor will indicate by saying aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

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

This concludes our public meeting and hearing regarding Bill No. 051230.

(Committee of the Whole adjourned at 11:35 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on February 1, 2006, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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