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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING

3

BEFORE THE COMMITTEE OF THE WHOLE

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- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, May 27, 1998
9:50 a.m.

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- - -
BILL 980238 - Approving the plan, estimated costs,
and proposed method of charges of the Old City
Special Services District of Philadelphia.

8

BILL 980301 - Ordinance creating the Cecil B.
Moore Avenue Tax Increment Financing District.

9

BILL 980304 - Ordinance amending an ordinance
approved 7/5/97, which created the City Hall Annex
Tax Increment Financing District

10

BILL 980305 - Ordinance amending an ordinance
approved 7/5/97, which created the PSFS Tax
Increment Financing District.

11

12

BILL 980306 - An ordinance creating the Penn's
Landing Tax Increment Financing District.

13

BILL 980307 - Ordinance amending an ordinance
approved 7/5/97, which created Reading Terminal
Head House Tax Increment Financing District.

14

15

PRESENT: PRESIDENT JOHN F. STREET, Chairman
COUNCILWOMAN AUGUSTA A. CLARK
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN

16

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COUNCILWOMAN ANNA CIBOTTA VERNA
COUNCILMAN JAMES F. KENNEY

18

COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER

19

COUNCILWOMAN HAPPY FERNANDEZ
COUNCILWOMAN MARIAN B. TASCO

20

COUNCILMAN FRANK DICICCO
COUNCILMAN RICHARD T. MARIANO

21

COUNCILMAN FRANK RIZZO

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Registered Professional Reporters
Eleven Penn Center, Suite 600
Philadelphia, PA 19103
(215) 561-2220

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

3 PRESIDENT STREET: Good morning, ladies
4 and gentlemen. This is a hearing of the Council
5 Committee of the Whole listed for Wednesday, May
6 27, 1998, at or about 9 o'clock a.m. in room 400
7 of City Hall.

8 Today we have several things before
9 us. We have Bill No. 980238, which is an
10 ordinance approving the plan, estimated costs, and
11 proposed method of charges of the Old City Special
12 Services District of Philadelphia.

13 Also have Bill No. 980301, which is an
14 ordinance creating the Cecil B. Moore Avenue Tax
15 Increment Financing District.

16 We have Bill No. 980304, an ordinance
17 amending an ordinance approved 7/5/97, which
18 created the City Hall Annex Tax Increment
19 Financing District.

20 We have Bill No. 980305, an ordinance
21 amending an ordinance approved 7/5/97, which
22 created the PSFS Tax Increment Financing District.

23 We also have Bill No. 980306, which is
24 an ordinance creating the Penn's Landing Tax
25 Increment Financing District.

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2 And we have Bill No. 980307, which is
3 an ordinance amending an ordinance approved
4 7/5/97, which created the Reading Terminal Head
5 House Tax Increment Financing District.

6 All of these matters are before the
7 Council Committee of the Whole. It is our
8 intention today, time permitting, to have a public
9 hearing on each and every one of these ordinances,
10 at the end of which we hope to have a public
11 meeting, at which time the committee will take
12 action on these ordinances.

13 We have a number of people who are
14 scheduled to testify here today. I'd like to ask
15 people who want to testify and whose names may not
16 be on the list to see Miss Diaz over at the bar of
17 the chamber, to my left. You can check to see if
18 your name is on the list. If it's not, we will be
19 very happy to add you to the list.

20 Our first witness today will be Mr.
21 William Hankowsky. And what we would like to do
22 as a matter of process, with the committee's
23 permission, is to hear Mr. Hankowsky's testimony
24 on all of the proposed Tax Increment Districts.
25 And if we can, then what I'd like to do is open

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2 the floor for questioning on any of the districts
3 that are proposed.

4 Is this anyone who has any objection to
5 see that procedure?

6 (No response.)

7 PRESIDENT STREET: And then I think we
8 can have a nice discussion on all of them.

9 If not, Councilman DiCicco, would like
10 to make a brief opening statement regarding at
11 least one of the bills so that Councilmembers will
12 be in a position, prior to Mr. Hankowsky's
13 testimony, to understand what actions were taken
14 as it relates to one of proposed districts.

15 The Chair recognizes Councilman
16 DiCicco.

17 COUNCILMAN DICICCO: Thank you, Mr.
18 President and good morning. And thank you for
19 this opportunity to speak on the Penn's Landing
20 TIF.

21 I would like to explain to my
22 colleagues in Council exactly what has been taking
23 place for the last approximately one year. I
24 think it was in June of '97 when the Mayor, along
25 with Mel Simon from the Simon DeBartolo Group,

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2 made the announcement that the Penn's Landing site
3 would be the site for the new Philadelphia
4 Entertainment Center.

5 The night prior to that announcement, I
6 had the pleasure of meeting with Mr. Simon and
7 several members of his organization along with a
8 number of Councilpersons, including Councilman
9 Kenney and Councilman Nutter. And I'm not certain
10 who else was there from Council, but there were
11 several Councilmembers present at that dinner
12 meeting, along with a number of representatives
13 from the various City agencies -- the Parking
14 Authority, Penn's Landing Corporation, just to
15 name a few.

16 During the course of the dinner, I sat
17 next to Mr. Simon, and we discussed what Mr.
18 Simon's vision for the Penn's Landing site was in
19 relationship to the Entertainment Center. And
20 since I represent the district where the
21 Entertainment Center will be built, it was
22 important for me to get at least a sense of what
23 his vision was and how he was going to go about
24 developing this site.

25 A couple of the issues that I had at

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2 that time were community involvement, where would
3 we go with the project, and how could I play a
4 role in moving this project forward. And I
5 explained to Mr. Simon that before I would even
6 begin to entertain supporting the project, that I
7 wanted to be made certain that I would have -- be
8 in a position to conduct meetings with the various
9 civic associations that would be immediately
10 impacted by the development along Columbus
11 Boulevard; and that during the course of the
12 development stages, that the community would be
13 directly involved in the process. Mr. Simon said
14 that he was supportive of that and would really
15 rather not have it any other way.

16 Subsequent to that dinner meeting, I
17 convened a meeting made up of ten civic
18 associations who are immediately impacted by the
19 proposed development. And, just for the record,
20 I'd like to state the associations that were a
21 part of this working committee:

22 Pier III Homeowners Association, Pier V
23 Homeowners Association, Historic East Market
24 Street, Old City Civic, Society Hill Towers Owners
25 Association, Society Hill Civic Association, Queen

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2 Village Neighbors Association, South Street
3 Neighbors Association, South Street Head House
4 District, and the waterfront Business
5 Association.

6 It was at my suggestion that a minimum
7 of two people from each of these associations
8 attend the meeting that I convened sometime in
9 late June of '97. At that meeting were
10 representatives of the Penn's Landing Corporation
11 and representatives of the Simon DeBartolo Group.
12 And we discussed preliminary designs and
13 preliminary issues as to what the project would
14 be, what it would represent in terms of size and
15 scope and number of jobs that this project, when
16 completed, would create for the City of
17 Philadelphia.

18 We had, I believe, five subsequent
19 meetings to that initial meeting. In addition to
20 those meetings with the "Working Committee," as I
21 refer to it, presentations were made at the
22 request of several of the associations I mentioned
23 in their communities with the general membership
24 of that neighborhood. Approximately 6 to 700
25 people from the various civil groups were given a

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2 presentation by the Mel Simon Group, Penn's
3 Landing Corporation, and PIDC.

4 One of the other issues that I
5 discussed with Mr. Simon at the time of our
6 initial meeting was that we would do what we could
7 to preserve the public space down at Penn's
8 Landing because public space is a very significant
9 issue, and some of you may know there has been an
10 ongoing debate to the future development of a
11 Hyatt Hotel along Columbus Boulevard. And one of
12 the major issues of major concern for the
13 community was the elimination of the some of the
14 public space.

15 It was agreed at that meeting that the
16 public space that was down at Penn's Landing would
17 be preserved. And, in fact, when you see the
18 presentation later on this morning, you will see
19 that there has actually been an increase of public
20 space.

21 In addition, there were several other
22 meetings that had taken place with myself and
23 Penn's Landing Corporation and SEPTA, which has
24 been brought into the group to deal with issues
25 concerning traffic and movement of people in and

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2 around the historical district down to the
3 proposed Penn's Landing site. The Philadelphia
4 Department of Streets traffic engineers have been
5 a part of this whole process.

6 What I'm suggesting here is that
7 whether you hear today people who are supportive
8 of this proposed entertainment or people who are
9 opposed to it, no one can say, in my opinion, that
10 they have not been a part of the process. And I,
11 as the elected Councilperson who represents of 1st
12 District, made certain of that. I have been up
13 front with this project from day one, I have told
14 the community groups that I supported this
15 project, and I will continue to support it with
16 the one caveat that there was community
17 involvement.

18 Going forward, we have now created a
19 Traffic Study Committee along with the traffic
20 consultant Orth Rogers to deal with the issues of
21 traffic and parking as the project proceeds, and
22 after its completion, to deal with any issues that
23 may come about as a result of the increase of
24 traffic that will be obviously felt when this
25 project is complete.

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2 The bottom line for me was development
3 of the waterfront and the creation of 1350 jobs at
4 a minimum. And I thought that was important to
5 the economic development of this city, and I know
6 that there's some people who think that maybe,
7 because I represent the district, that I should
8 not be supporting this, but I think -- I look at
9 the bigger picture. I think in order for this
10 city to move forward, this will be a great
11 economic boon for this city, it will create the
12 jobs, and it will continue to make Philadelphia
13 the great tourist destination that it could be and
14 will be sometime in the future.

15 Thank you, Mr. President, for this
16 opportunity.

17 PRESIDENT STREET: Thank you very much.

18 Is there any other member of Council
19 who would like to give any opening remarks at this
20 time?

21 (No response.)

22 PRESIDENT STREET: The Chair recognizes
23 hang.

24 MR. HANKOWSKY: Good morning, President
25 Street and members of City Council. My name is

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2 William Hankowsky, and I'm the President of the
3 Philadelphia Industrial Development Corporation
4 and appearing today on behalf of the Philadelphia
5 Authority for Industrial Development, or PAID.

6 With me this morning are Bob Fina from PIDC,
7 Dominic Sabattini and Jim Courato from Penn's
8 Landing Corporation.

9 I'm here today to testify in support of
10 five bills -- 980301 for the Cecil B. Moore TIF,
11 980304 amending the City Hall Annex TIF, 980305
12 amending the PSFS TIF, 980306 creating Penn's
13 Landing TIF, and 980307 amending the Reading
14 Terminal Head House TIF.

15 Today's hearing is required by the
16 Pennsylvania Tax Increment Financing Act to create
17 or amend a TIF District. Should the committee
18 approve these five bills, the TIF Act would then
19 require the Council wait three weeks until its
20 meeting of June 18th for second reading and final
21 approval of these ordinances.

22 Since introduction of the five bills on
23 April 23rd of this year, PIDC has met with City
24 Council, Council staff, as well as Penn's Landing
25 has met with City Council and Council staff, and

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2 we have met with representatives of the School
3 District to review the project plans.

4 On Monday, May 11th, the School
5 District approved by resolution to participate in
6 all five of the districts and the amended
7 districts that are before you today.

8 For the remainder of my testimony, I'd
9 like to describe each project briefly, review its
10 benefit to the City and the School District, and
11 summarize any changes that have occurred since the
12 April 23rd submission.

13 Let me start with Penn's Landing.
14 Approval of the Penn's Landing TIF will enable the
15 demolition of the existing improvements at Penn's
16 Landing between Walnut and Market Street,
17 including the Great Plaza, the scissor ramps,
18 surface parking, and the viaduct, and the new
19 construction of a Family Entertainment Center by
20 the Simon DeBartolo Group. This organization is
21 the largest retail real estate investment trust in
22 the country and has extensive experience in these
23 types of projects.

24 The Family Entertainment Center is on a
25 13-acre site, between Market and Walnut,

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2 Christopher Columbus Boulevard and Delaware
3 Avenue. And it is anticipated to include up to
4 700,000 square feet of leasable entertainment and
5 retail attractions, a 2200- to 2600-car parking
6 garage, an outdoor theater to replace the Great
7 Plaza.

8 And I should note here that this
9 theater will be better than the current Great
10 Plaza. It will have permanent seating of 1500
11 temporary of 2500 and will really be geared to
12 hold the festivals that Penn's Landing has had and
13 tradition of public activity that Penn's Landing
14 has had.

15 There will be ice rinks, public spaces,
16 and a possible aerial tram linking to Camden.
17 This tram would be funded by DRPA. I should note
18 we have a model of the project, which is in the
19 front of the Council chambers today.

20 The total project costs are estimated
21 to be \$174 million, of which 62.29 million will be
22 repaid by incremental tax revenues authorized
23 under this bill. The \$62 million TIF note will be
24 used to pay for these public improvements,
25 principally the demolition and the reconstruction

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2 of the ramps and viaduct, the construction of the
3 outdoor theater, public spaces, and the parking
4 garage.

5 Let me note that this is unique in the
6 TIFs that we have brought to City Council. We are
7 doing all of these improvements without the use of
8 the General Fund or the City Capital Budget. So,
9 in effect, this project is paying for itself, and
10 we will own a new ramp, a new viaduct, a new
11 public space, a new plaza.

12 PIDC expects that this project will
13 create over 1350 permanent new jobs, 1,000
14 construction jobs, and should generate \$80 million
15 in tax revenues to the City, and 33 million to the
16 School District over the 20-year life of the
17 district. Presently, this portion of Penn's
18 Landing provides \$114,000 per year to the City and
19 not tax revenue to the School District.

20 In addition to the TIF action you're
21 taking, the Simon DeBartolo Group will enter into
22 a development agreement and sublease with the
23 Penn's Landing Corporation, which will provide an
24 annual rental which will be the greater of 400,000
25 per year, or 4 percent of the process revenues of

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2 the project, plus 10 percent of the gross parking
3 revenues.

4 Also to be included in this development
5 and sublease agreement will be an MBE/WBE plan,
6 which will be an attachment, and which we have
7 been working through both with the Penn's Landing
8 Corporation Simon DeBartolo and Council staff.

9 As Councilman DiCicco just indicated,
10 there have been a series of nine
11 community-represented meetings with
12 representatives of the community Penn's Landing
13 Corporation, and PIDC to discuss this project and
14 its impact on the neighborhood.

15 With us this morning are
16 representatives of the Simon DeBartolo Group,
17 including Mel Simon, who are here to assist in
18 answering any questions you might have.

19 Let me close by pointing out that this
20 is in fact a great project. We will have a \$174
21 million investment in Philadelphia, 1350 new jobs,
22 new taxes for the City and the School District,
23 significant and better new public improvements, an
24 economic rent that will accrue every year to the
25 Penn's Landing Corporation. And all of this only

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2 by the use of a TIF.

3 Let me move now to the Cecil B. Moore
4 Avenue TIF. This TIF will enable the demolition
5 of certain existing improvements on the north and
6 south sides of Cecil B. Moore Avenue between 16th
7 and Sydenham Streets and the construction of new
8 buildings on both sides, to accommodate a
9 mixed-use retail office center.

10 The center's anticipated to include a
11 20,000-square-foot outdoor plaza, a 15-car parking
12 lot, 48,000 square feet of mixed retail and office
13 space. Tenants are expected to include
14 WHAT-Radio's corporate offices, a post office,
15 various restaurants, and other offices.

16 Total project costs are estimated at
17 \$6.4 million, of which 1.2 million would be repaid
18 by the incremental tax revenues authorized by this
19 bill.

20 I should note that this project will
21 also include other public financing, a PIDC 108
22 loan, and an Empowerment Zone loan also.

23 PIDC expects the project to create 64
24 new permanent jobs and 67 construction jobs.
25 Since the project plan was filed, we've refined

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2 the tax analysis to show additional taxes through
3 the liquor tax to be generated by the project,
4 which will benefit the School District.

5 Of the 9.6 million in taxes generated
6 by the project over 20 years, 4.96 million will go
7 to the repayment of the TIF note, 4.1 million to
8 benefit the City, and 530,000 to the School
9 District.

10 The project plan has been amended and
11 restated to reflect these changes and has been on
12 file with the City Clerk.

13 Mr. Alfred Muronda of the Cecil B.
14 Moore CDC is also here this morning, again, should
15 you have any questions you would like to address
16 to him.

17 City Hall Annex. This TIF and next
18 three, if you might recall last year when we
19 approved these TIF Districts, Council amended the
20 ordinance to require that if certain changes
21 occurred over certain percentage thresholds, that
22 we needed to come back and seek Council's consent
23 to those changes. And what's happening is the
24 next three all result because some of those
25 thresholds, in fact, have been exceeded.

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2 The City Hall Annex TIF was originally
3 approved on June 19th of last calendar year.
4 Since that time, the demolition and abatement have
5 been completed, and construction financing has
6 been settled.

7 As construction has progressed, several
8 changes to the original project plan have arisen,
9 which require Council approval. The room count
10 has increased from 450 to 499 rooms. The
11 formerly-stated number of employees has dropped
12 from 162 to 155, the restaurant, which was
13 originally to be leased out, will now be operated
14 directly by the hotel, through Marriott
15 International.

16 The project costs have increased by
17 11.4 million to 76.8 million, with all of the
18 increase to be funded out of private debt or
19 equity. We're not increasing any public funding
20 of this project. The increased costs should
21 generate increase tax revenue, projected at 4.2
22 million during the term.

23 The amendment allows for the use of the
24 TIF revenues to repay a substitute loan if the
25 initial TIF funding is refinanced, as long as that

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2 substitute loan is equal or better for the City
3 and provides that PAID not bring this project back
4 to Council unless the project costs exceed 15
5 percent part of financing and so long as those
6 increases are funded out of, again, either debt or
7 equity -- no more public dollars.

8 We would move the effective date of the
9 TIF District from January 1, 1998 to July 1, 1998
10 to facilitate the TIF note. The amendatory
11 Exhibit B has been restated and is with the City
12 Clerk's office. And I should note, by the way,
13 that the City Hall Annex is a Marriott Courtyard
14 Hotel.

15 The PSFS project, again, was approved
16 on June 19th. Since that time, ownership, project
17 costs, and the financial structure have been
18 revised. The original project anticipated that it
19 be developed cooperatively between Loews Hotel and
20 the Rubin organization. It will now be owned
21 solely by Loews Hotel and developed by them through
22 their designee.

23 The project costs have increased by \$10
24 million to \$115 million. These costs will be
25 funded by: a \$45 million first mortgage loan,

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2 which is 5 million more than was in the original
3 plan; a \$16 million TIF note secured in a second
4 position; a \$20.755 million HUD 108 loan in a
5 third position -- neither of those have increased;
6 a \$3.25 million loan from the Economic Stimulus
7 Fund -- that's a \$1 million increase from what was
8 shown to Council last year; and \$30 million in
9 Loews equity, which is a \$4 million from last
10 year.

11 The increased costs should generate
12 increased tax revenue, projected at 2.6 million.
13 The amendment allows, again, the TIF revenues for
14 a substitute loan -- this would be if there was a
15 refinancing during the 20-year term. And, again,
16 we would bring back the project, if the project
17 costs exceed 15% prior to financing and so long as
18 the increases are funded out of private debt or
19 equity.

20 Again, we want to move the effective
21 date from January 1, '98 to January 1, '99 to
22 facilitate the changes and the delays that have
23 been caused in the project. Again, the amendatory
24 exhibit is on file with Council.

25 The Reading Terminal Head House also

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2 was approved on June 19th of last year. Since
3 that time, the public space has been completed and
4 opened, the Hard Rock Cafe has opened,
5 construction financing on the hotel portion has
6 settled. Construction has progressed, and several
7 changes, again, has arisen, which require Council
8 action.

9 First, the complex has been separated
10 into three condominium and units -- a retail
11 portion, a public space portion, and a hotel
12 portion. Initially, the plan anticipated that the
13 complex would be owned and operated as a single
14 unit by an affiliate of Host Marriott. Now the
15 public area and the retail condominiums will be
16 owned by an affiliate of the Redevelopment
17 Authority and managed by its designee.

18 The hotel condominium will be owned by
19 an affiliate of Host Marriott Corporation and
20 operated as an expansion of our existing
21 Convention Center hotel, Marriott International.
22 The hotel has been redesigned and will now have
23 210 versus 213 rooms.

24 The project costs for the whole project
25 have increased by 14.5 million, a 3.3 million

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2 increase in the hotel, and 11.2 million in the
3 public area and retail spaces. The \$44.3 million
4 hotel project will be funded by 34.8 million in
5 private debt and equity and an \$8.5 million TIF
6 note and a loan of 986,000 from the Stimulus
7 Program.

8 Twenty-eight million of the private
9 debt may be placed in first position, ahead of the
10 TIF note since the bill was introduced on April
11 23rd. Host Marriott has decided to fund the TIF
12 note out of its own resources rather than use the
13 proposed HUD 108 loan. This decision will free up
14 that HUD 108 loan resources for other projects
15 that we may want to undertake in the City.

16 The new TIF note will be funded by Host
17 Marriott based on market conditions. This
18 privately-funded TIF note will require an
19 additional 4 million in repayments over the
20 district term. The \$28 million public area and
21 retail project will be funded by a \$6.8 million
22 first mortgage, 3.65 million TIF note, and 10.7
23 million in other debt inequity and 7.9 million in
24 public grants for the public space. The TIF note
25 will be funded from a HUD 108 loan, as originally

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2 anticipated.

3 And, again, we propose technical
4 changes to facilitate the funding of the notes.
5 We now split the TIF between the two owners, the
6 Redevelopment Authority and Marriott. The TIF
7 note made by the hotel owner/operator will allow
8 that if there's a shortfall in TIF revenues, they
9 will fund it and then could be reimbursed from
10 future TIF revenues to the extent available.
11 Again, we allow for a refinancing substitute
12 loan. Again, we would come back to Council should
13 we hit the 15 percent point. And, again, the
14 amendatory exhibit is on file.

15 In conclusion, I would like to note for
16 the record that the analysis of the TIF Districts
17 that PAID has proposed indicates that both the
18 School District and the City will receive more
19 money during the TIF term for these various
20 projects than if they are not approved.

21 In essence, the City and the School
22 District are generating more than enough tax
23 revenues needed for the TIF notes and stimulating
24 development of underutilized land that would not
25 occur but for these TIF approvals.

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2 I would ask for your approval of the
3 two new and the three amendatory TIF bills. And,
4 again, I remind Council that we would wait three
5 weeks for final passage and second reading on June
6 18th.

7 I might close by noting just that
8 though these are not before Council today, that on
9 two other prior TIFs that we've worked on, both
10 the PNC Bank Operation Center, they have in fact,
11 if you recall that project, ordered their second
12 expansion and will be adding 500 more jobs to that
13 project. And the SmithKline TIF which we did,
14 they have now ordered two additional floors to
15 that office building and will be adding 200
16 additional jobs.

17 So I think the concept that these
18 stimulate future development is in fact in reality
19 playing out, and I would anticipate the same with
20 these projects.

21 Thank you.

22 PRESIDENT STREET: Thank you very much.

23 Mr. Hankowsky, I would like to refer
24 you to a statement in your testimony on page 8
25 under the "Reading Terminal Head House," and ask

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2 you to go into a little more detail in explaining
3 to us what you mean by "three condominium units
4 comprised of a retail public area and hotel
5 portions." And you say, "Now that the public area
6 and retail condominiums are owned by the affiliate
7 of the RDA, and will be managed by its
8 designee. . ." What does that mean?

9 MR. HANKOWSKY: What we've done, as I
10 indicated in my testimony, originally we thought
11 that we would, quote, sell the entire building to
12 Marriott. They decided that they didn't want to
13 be in the retail business or the public space
14 business and wanted to stay in the hotel
15 business. So they are taking the top of the
16 building, floors 2 and up.

17 The Redevelopment Authority has created
18 a partnership which they now control for the
19 retail and public space. This building, I think,
20 as we all know, is a national historic landmark.
21 And as a result, this project creates the
22 potential to use federal historic tax credits.

23 The Redevelopment Authority has entered
24 into an agreement to sell those tax credits via
25 First Union. What that would require then is

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2 First Union will have a limited partner ownership
3 interest within the partnership to get the tax
4 credit benefit, tax credits by buying them. That
5 becomes part of that equity that I noted later in
6 my testimony that is financing the project.

7 We've divided it between the retail and
8 the public space. The retail space, obviously,
9 could be managed -- the Redevelopment Authority
10 might hire a retail manager to manage that space.
11 The public space, obviously, we the public want to
12 control between the Redevelopment Authority and
13 the Convention Center Authority as the front door
14 to the new Convention Center.

15 So the designee is this partnership
16 that has been created to --

17 PRESIDENT STREET: Well, who is this
18 partnership?

19 MR. HANKOWSKY: At the moment, it's
20 just the Redevelopment Authority and then First
21 Union will become the limited partner when they
22 close on the tax credit equity.

23 PRESIDENT STREET: So when you say,
24 "Now the public area and retail condominiums are
25 owned by an affiliate of the RDA" --

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 MR. HANKOWSKY: The affiliate is that
3 partnership.

4 PRESIDENT STREET: It is that
5 partnership which has yet to be formed?

6 MR. HANKOWSKY: No. It has been formed
7 so that as the work is being done, you don't lose
8 -- as soon as you start the work, if you haven't
9 created the partnership, you would lose the tax
10 credits. The partnership has been formed, the
11 Redevelopment Authority is the general partner --

12 PRESIDENT STREET: Well, who is it --
13 who is its limited partner?

14 MR. HANKOWSKY: It will be -- there's
15 an agreement in place --

16 PRESIDENT STREET: Now, you can't say
17 "it is" and then say "it will be."

18 MR. HANKOWSKY: First Union, First
19 Union.

20 PRESIDENT STREET: So First Union is
21 the limited partner with the RDA --

22 MR. HANKOWSKY: That's right.

23 PRESIDENT STREET: -- in the
24 development of this new this space which Host
25 Marriott is no longer interested in developing.

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2 MR. HANKOWSKY: Correct.

3 PRESIDENT STREET: And owning.

4 MR. HANKOWSKY: Correct.

5 PRESIDENT STREET: All right. And --

6 MR. HANKOWSKY: And that becomes the
7 designee entity of the Redevelopment Authority.
8 The Redevelopment Authority is the general partner
9 and has control of the partnership. First Union
10 is the limited partner.

11 PRESIDENT STREET: So what are we doing
12 by way of -- can you just take me back and tell me
13 now, what we are doing by way of amending the
14 Reading Terminal Head House TIF?

15 MR. HANKOWSKY: In the -- originally,
16 we had indicated that the owner and developer
17 would be Marriott. In the ordinance that Council
18 amended last year, we were to come back if there
19 was a change in ownership.

20 The change in ownership is that
21 Marriott will only own the hotel portion and that
22 the Redevelopment Authority's partnership will own
23 the retail public space portion. That's the first
24 change.

25 The second change is the room count

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2 from 210 to 213.

3 The third change is the increase in the
4 project costs -- I'm sorry, I'm sorry -- is the
5 project costs.

6 And then we are also -- originally,
7 when we had a single ownership, we had a single
8 TIF note because there was only one financing
9 structure. The TIF note is now broken apart. A
10 portion is applied to the hotel and a portion is
11 applied to the retail. We're not increasing the
12 amount of the TIF note.

13 PRESIDENT STREET: Well, who will own
14 and operate this public area?

15 MR. HANKOWSKY: The Redevelopment
16 Authority will own it via this partnership to get
17 the tax credits for that space. And then the
18 Convention Center Authority will operate it; will
19 clean it and light it and maintain it as their
20 front door.

21 PRESIDENT STREET: That's a little
22 strange to me. Can you be more specific about
23 what the retail component is? I mean, how much
24 space are we talking about, and what's the plan
25 for leasing it up and fitting it out and doing all

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 of that?

3 MR. HANKOWSKY: All right. The retail
4 space is the first floor of the Reading Head
5 House. And it consists of, if you can visualize
6 looking at it from Market Street, you go through
7 the front door, that's the public space, the
8 escalators take you up. On the left we have Hard
9 Rock Cafe. There will be retail space on the
10 right, another place on the right. As you go
11 through the Head House, there's a space to the
12 rear so it's across the street, across Filbert
13 Street from the Reading Terminal Market and behind
14 the escalators that you take up to the Convention
15 Center.

16 This area now is all a part of the
17 staging area during construction that will be
18 available as retail space. And, in fact,
19 therefore, you have a U-shaped retail area with
20 the public space in the center of the U going up.

21 It's a total of 48,000 square feet of
22 retail space. The Redevelopment Authority would
23 be the party that would lease it out. They have
24 the lease in place with Hard Rock Cafe and are
25 pursuing other tenants for the other space.

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2 The space really isn't available in a
3 leasing sense until the hotel construction is done
4 above, because it's the staging area for
5 construction.

6 So the sequence of events will be that
7 the hotel will get finished, the construction
8 workers will go away from that, and then the
9 fit-out will be done for the retail space, and
10 those tenants will move into that space.

11 PRESIDENT STREET: Can you explain just
12 briefly how the Redevelopment Authority gets the
13 syndicate tax credits in this? I don't understand
14 that.

15 MR. HANKOWSKY: As I indicated, the
16 building is a national historic land mark and,
17 therefore, if you do work on it, that work is
18 eligible under the federal tax code for tax
19 credits.

20 In order to do that, the Redevelopment
21 Authority set up a partnership, made themselves
22 the general partner in order to bring in a limited
23 partner in order to sell the tax credits. The
24 limited partner is buying the tax credits, which,
25 obviously, have an advantage when they pay taxes

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2 and are paying cash for that. That cash is going
3 into the cost of construction as equity into the
4 project.

5 I don't know if the Council President
6 remembers a long time ago when we tried to -- we
7 were trying to see if we could do a tax credit
8 project even in using the train shed --

9 PRESIDENT STREET: I do remember.

10 MR. HANKOWSKY: Yeah. That didn't work
11 at the time. But when we looked at the Head House
12 as a project by itself, we were able to come up
13 with this structure in order to get the advantage.

14 If we didn't use the tax credits, we'd
15 just have to borrow the money, you'd have more
16 debt on the project. So this is a way to get
17 equity into --

18 PRESIDENT STREET: I always thought
19 that private parties syndicated these tax credits.
20 I didn't know that public agencies like the
21 Redevelopment Authority could do that.

22 MR. HANKOWSKY: They can do it by
23 setting up the partnership. And then First Union,
24 in fact, will sell the credits. You're exactly
25 right.

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2 PRESIDENT STREET: All right. Thank
3 you very much.

4 The Chair recognizes Councilman Nutter.

5 COUNCILMAN NUTTER: Thank you, Mr.
6 President.

7 Mr. Hankowsky, I'd like to stay in the
8 same area. You've referred on two or three
9 occasions to this partnership by which the
10 Redevelopment Authority will control this public
11 area and retail space; is that correct?

12 MR. HANKOWSKY: Yes.

13 COUNCILMAN NUTTER: Who's in the
14 partnership?

15 MR. HANKOWSKY: The Redevelopment
16 Authority is the 1-percent general partner; and
17 then the 99-percent limited partner is a designee
18 of First Union, First Union Bank -- I guess it's
19 probably the parent First Union and financial
20 group -- who will then sell the tax credits.

21 COUNCILMAN NUTTER: I'm sorry. Take me
22 back through that again. A designee of First
23 Union?

24 MR. HANKOWSKY: I'm sorry if I --
25 you'll have a limited partnership.

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 COUNCILMAN NUTTER: Right.

3 MR. HANKOWSKY: The Redevelopment
4 Authority will be --

5 COUNCILMAN NUTTER: Very limited on the
6 Redevelopment Authority side.

7 MR. HANKOWSKY: Very limited, right.

8 COUNCILMAN NUTTER: Very limited.

9 MR. HANKOWSKY: This is the absolute
10 standard structure when you set up a transaction
11 like this. So if you looked at how the City Hall
12 Annex has been done --

13 COUNCILMAN NUTTER: Right.

14 MR. HANKOWSKY: -- or how Litt's was
15 done --

16 COUNCILMAN NUTTER: Right.

17 MR. HANKOWSKY: -- or all these
18 projects that we've done where tax credits were
19 used --

20 COUNCILMAN NUTTER: I understand.

21 MR. HANKOWSKY: What you do is you set
22 up the partnership. You have a general partner,
23 the general partner has a 1-percent ownership
24 interest of the partnership, that's the
25 Redevelopment Authority.

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2 COUNCILMAN NUTTER: Right.

3 MR. HANKOWSKY: But as general partner,
4 they make the management decisions on behalf of
5 the partnership.

6 COUNCILMAN NUTTER: Right.

7 MR. HANKOWSKY: The limited partner, 99
8 percent, is First Union.

9 COUNCILMAN NUTTER: Okay. And now what
10 are they going to do?

11 MR. HANKOWSKY: I'm sorry?

12 COUNCILMAN NUTTER: What are they going
13 to do, what's their role in this?

14 MR. HANKOWSKY: They will provide --
15 they will buy -- write a check and buy the tax
16 credits.

17 COUNCILMAN NUTTER: What's the value of
18 the tax credits?

19 MR. HANKOWSKY: It's, um -- I just want
20 to make sure I get the right number. It's 4.4
21 million in the retail space. There's also tax
22 credits, obviously, in the hotel that Marriott's
23 using to get their equity.

24 COUNCILMAN NUTTER: I'm sorry.

25 MR. HANKOWSKY: There are also tax

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 credits at the top --

3 COUNCILMAN NUTTER: Right, I heard
4 that.

5 MR. HANKOWSKY: -- that Marriott gets
6 by buying --

7 COUNCILMAN NUTTER: Marriott's buying
8 those tax credits.

9 MR. HANKOWSKY: Yes, yes.

10 COUNCILMAN NUTTER: Okay. So it's \$4.4
11 million in tax credits. They're going to buy --

12 MR. HANKOWSKY: They write a check to
13 the Redevelopment Authority, take that cash, and
14 pay for that portion of the construction.

15 COUNCILMAN NUTTER: Right.

16 MR. HANKOWSKY: First Union, through
17 their financing corporation, will then find people
18 who need tax credits.

19 COUNCILMAN NUTTER: They're going to
20 sell the tax credits.

21 MR. HANKOWSKY: Right.

22 COUNCILMAN NUTTER: They're not going
23 to keep them in their own portfolio.

24 MR. HANKOWSKY: They may keep them,
25 they may sell; that would be their election.

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2 COUNCILMAN NUTTER: Okay. And what
3 they got out of this is the difference between
4 what they bought the tax credit for and what they
5 sell them for.

6 MR. HANKOWSKY: Exactly right.

7 COUNCILMAN NUTTER: And then, I think
8 in answer to the previous question, the entity
9 that's actually going to manage the space is the
10 Convention Center Authority?

11 MR. HANKOWSKY: Well, there's two types
12 of space. The Convention Center Authority will be
13 managing the public space, the front door, the
14 walkway corridor, the escalators, because it's
15 their environment. Obviously it's the front door
16 to the Convention Center.

17 COUNCILMAN NUTTER: Right.

18 MR. HANKOWSKY: The retail space will
19 be managed by the Redevelopment Authority, or they
20 may hire, you know, firm to manage it on their
21 behalf, but they will be responsible.

22 COUNCILMAN NUTTER: The Redevelopment
23 Authority?

24 MR. HANKOWSKY: That is correct.

25 COUNCILMAN NUTTER: Does the

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 Redevelopment Authority have previous experience
3 in managing retail spaces?

4 MR. HANKOWSKY: Well, the Redevelopment
5 Authority has previous experience in structure --
6 not in exact structure, but we all might recall
7 that, in fact, the Gallery -- I think I have this
8 right. The shell of the Gallery is owned by the
9 Redevelopment Authority and then leased to, in
10 that case, the Rouse Corporation out of Maryland
11 who operate the space.

12 So you have -- the Redevelopment
13 Authority's active in the retail activity on
14 Market Street.

15 COUNCILMAN NUTTER: Right, but they'll
16 hire somebody to manage this retail space.

17 MR. HANKOWSKY: Yeah.

18 COUNCILMAN NUTTER: Okay. Now, maybe I
19 missed this earlier, and I apologize, but the
20 amendment on this Exhibit B for the Reading
21 Terminal Head House has the project costs going up
22 by 14 and a half million dollars, and the total
23 number of hotel rooms decreases from 213 to 210.

24 MR. HANKOWSKY: Right.

25 COUNCILMAN NUTTER: Why did the cost go

1 COMMITTEE OF THE WHOLE - TIF BILLS

2 up by 14 and a half million dollars?

3 MR. HANKOWSKY: The costs have
4 fundamentally gone up because in all three of
5 these, you'll note that --

6 COUNCILMAN NUTTER: Has any work
7 started over there?

8 MR. HANKOWSKY: Yeah, oh, yeah.

9 COUNCILMAN NUTTER: Okay.

10 MR. HANKOWSKY: Big time.

11 COUNCILMAN NUTTER: They don't let me
12 out much.

13 MR. HANKOWSKY: Oh, okay. In all three
14 of the projects -- the Annex, PSFS, and the Head
15 House, the costs went up. When we were here in
16 June of last calendar year, we were coming in on
17 the basis of, at that point, architects' drawings
18 and cost estimates. People said, We think it's
19 going to cost this much based on what we think
20 we're going to do.

21 COUNCILMAN NUTTER: Right.

22 MR. HANKOWSKY: In every instance,
23 people have now progressed in the project.
24 They've progressed in either going from what's
25 generally called schematic design to construction

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2 documents.

3 In both the Annex and the Head House,
4 they have started construction, so they have
5 actually bid out work, awarded it, and now know
6 what it costs. And in the Head House, they've
7 awarded massive amounts of contracts and know what
8 it costs. So now what are reflecting are the real
9 costs that the contractor marketplace is telling
10 us it's costing to do it.

11 This is a -- the Head House is a
12 complicated project because we have -- we have
13 done it in phases so as the construction work is
14 transpiring -- for example, today, they are
15 working -- they are literally building the hotel,
16 but they're maintaining access to the public
17 space, to Hard Rock Cafe, there's been extensive
18 scaffolding gone up.

19 And part of is you're doing historic
20 renovation to earn the tax credits. And that's a
21 fairly precise kind of construction work type to
22 take.

23 COUNCILMAN NUTTER: Okay. And just for
24 the record, since all these project costs have
25 gone up, I mean, is it fairly common in these

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2 kinds of projects that there are these kinds of
3 15, \$10 million kind of off-the-mark differences
4 between the estimate and reality?

5 MR. HANKOWSKY: Right.

6 COUNCILMAN NUTTER: A year later?

7 MR. HANKOWSKY: Let me first -- the
8 historic renovation projects I would put in a
9 category. So if this were new construction, I
10 would say to you it would be atypical.

11 COUNCILMAN NUTTER: Right.

12 MR. HANKOWSKY: When you're in historic
13 renovation and you start, it is not unusual to
14 have costs increase.

15 COUNCILMAN NUTTER: Anything can
16 happen.

17 MR. HANKOWSKY: Anything can happen.

18 COUNCILMAN NUTTER: Right.

19 MR. HANKOWSKY: And in some cases, for
20 example -- I'll take a simple example, asbestos
21 removal. You think you know where the asbestos is
22 and then you start opening up the walls and you
23 find out there's twice as many pipes as you
24 thought.

25 COUNCILMAN NUTTER: Right.

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2 MR. HANKOWSKY: With tile you thought
3 was safe isn't safe.

4 COUNCILMAN NUTTER: Right.

5 MR. HANKOWSKY: So whereas when you're
6 building new, you do test boorings.

7 COUNCILMAN NUTTER: Right.

8 MR. HANKOWSKY: That's the only thing
9 you don't know. And after that, you know.

10 COUNCILMAN NUTTER: All right. My last
11 question on this is on the Reading Terminal
12 project.

13 You now indicate that the TIF note for
14 the hotel condominium will not be funded from
15 proceeds HUD Section 108 loan, but apparently Host
16 Marriott is going to go out into the private
17 market and get their money.

18 MR. HANKOWSKY: Yes.

19 COUNCILMAN NUTTER: What caused them to
20 make the decision to go from the HUD 108 loan?

21 MR. HANKOWSKY: When we entered into
22 the formal negotiations on the actual 108 loan, as
23 they looked at both the cost of that money, the
24 commitments we were asking them to provide -- for
25 example, we wanted Marriott to guarantee the loan

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2 because it's a resource we believe we deserve to
3 have the responsibility to, you know, get back
4 here on behalf of the City.

5 They came to the conclusion that they
6 could do almost as well on their own in the
7 marketplace and not have to enter into, for
8 example, what would be known as "an intercreditor
9 agreement" with us. You know, we would sort of
10 want to be -- we would want certain rights if they
11 were refinancing.

12 COUNCILMAN NUTTER: All right, so they
13 didn't want to deal with us; they wanted to go to
14 the private marketplace and do their own thing.

15 MR. HANKOWSKY: Right. It's easier
16 that way.

17 COUNCILMAN NUTTER: Okay. PSFS, did I
18 read in the newspaper some time ago that the Rubin
19 organization is out of this project?

20 MR. HANKOWSKY: Yes. I think I noted
21 that in my testimony, yes.

22 COUNCILMAN NUTTER: Okay.

23 MR. HANKOWSKY: This will be a one
24 hundred percent Loews-Hotel-chain-developed,
25 -owned, and -managed project.

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2 COUNCILMAN NUTTER: Okay. But the
3 Exhibit B says, "The developer shall be designated
4 by Loews Hotels, Inc. or its affiliate." Who is
5 that?

6 MR. HANKOWSKY: They will have a single
7 purpose as they do -- as everybody does in real
8 estate. You create a single-purpose corporation
9 to hold the building so you'll have Loews --
10 probably it will be exactly what I described
11 earlier; it will probably be a general
12 partnership. Loews will have a 1 percent
13 interest, they'll sell the tax credits. That's
14 what I mean by "an affiliate."

15 COUNCILMAN NUTTER: Right, okay.

16 I'll take advantage of the president
17 reading his papers. In the Penn's Landing
18 project, in the project plan, in the materials
19 that we received filed April 21, 1998, Part 1,
20 Proposed Improvements, page 1, just a couple
21 items.

22 You've got the Penn's Landing
23 Corporation is going to sublease approximately 13
24 acres within the district to an affiliate of the
25 Simon DeBartolo Group (SDG).

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2 MR. HANKOWSKY: Right.

3 COUNCILMAN NUTTER: To develop the
4 Family Entertainment Center, also known as "The
5 Project." Again, this term "affiliate," what
6 exactly does it mean?

7 MR. HANKOWSKY: Again, as in all real
8 estate practice, the Simon DeBartolo Group creates
9 a separate partnership entity that owns each of
10 their projects. The parent, the real estate
11 investment trust, is the general partner in those,
12 and they may or may not, for example, have limited
13 partners that might invest in the project, but
14 they will be in control as the general partner.

15 COUNCILMAN NUTTER: Okay. On that same
16 page, there are headings called "Entertainment and
17 Retail Attractions," "Parking," "Replacement of
18 Public Space for the Great Plaza," "Outdoor
19 Amphitheater," "Aerial Tram" -- and I don't think
20 we need to -- I don't need to talk about turn
21 lanes.

22 Who will own what components of this
23 project? What is the term of their ownership,
24 what relationship does it have to the City or any
25 of our entities or Penn's Landing Corporation?

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2 Can you walk through these different pieces.

3 MR. HANKOWSKY: Sure.

4 COUNCILMAN NUTTER: And tell me who
5 owns what and who's in control of what?

6 MR. HANKOWSKY: Sure. Let me start
7 with where we are today 'cause that that's a piece
8 of how you go from there.

9 COUNCILMAN NUTTER: That's always a
10 good start.

11 MR. HANKOWSKY: Yeah. Penn's Landing
12 is -- there are portions -- there's a real estate
13 interest held by the City of Philadelphia, an
14 interest held by the Commonwealth of Pennsylvania,
15 'cause there's repairing rights. If you think
16 back, Penn's Landing was a set of piers. They
17 were then demolished, we built the pad, we filled
18 it in, and we create the space.

19 Those real estate interests have all
20 been collected together and are invested in the
21 Redevelopment Authority who entered into a
22 redevelopment agreement with Penn's Landing
23 Corporation. Penn's Landing Corporation is the
24 designated developer and leases it from the
25 Redevelopment Authority.

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2 So in each instance, as I now move
3 forward, when I say "lease," it technically is a
4 sublease.

5 COUNCILMAN NUTTER: Right.

6 MR. HANKOWSKY: The Simon DeBartolo
7 Group will be leasing the area from Walnut Street,
8 North Walnut Street being just in front of the
9 Maritime Museum and the Seaport Museum.

10 COUNCILMAN NUTTER: Right.

11 MR. HANKOWSKY: North to Market Street,
12 Market Street being where you take the ramp over
13 from Market and you come to Penn's Landing.

14 COUNCILMAN NUTTER: Right, mm-hmm.

15 MR. HANKOWSKY: Penn's Landing will be
16 leasing that volume of space to the Simon
17 DeBartolo Group allowing them via the sublease to
18 develop the retail space, the parking garage up to
19 a certain number of spaces and a certain square
20 foot of retail.

21 They can't come back in five years and
22 build an apartment building -- I'm just -- you
23 know, and add to it so. They're getting volume of
24 space and development rights to that development
25 space.

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2 They will be doing all of the work here
3 and are responsible to execute the project, so
4 they'll do the demolition work, they will build
5 the new viaduct, build the new ramp, build the new
6 Great Plaza. The ramp, which will be new ramp
7 that will run from Christopher Columbus Boulevard
8 up to the new viaduct, and the new viaduct will be
9 owned by the public, by PennDOT. It's part of
10 Christopher Columbus and it connects between
11 Christopher Columbus, Market and Chestnut.

12 So these, though they will be built by
13 Simon, per specs to be approved, and there's been
14 meetings with the Streets Department and PennDOT,
15 these will be owned by the public, PennDOT.

16 The great -- the new Great Plaza -- and
17 I don't know if in the end we'll give it a new
18 name, but we'll use that for today -- the new
19 amphitheater, will be owned by Penn's Landing
20 Corporation. It will not be leased to Simon.

21 So Penn's Landing Corporation will be,
22 you know, can have the festivals there. They're
23 directly responsible to use it --

24 COUNCILMAN NUTTER: Is it my
25 understanding your initial your initial

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2 explanation is that they will build it?

3 MR. HANKOWSKY: They will build it
4 though.

5 COUNCILMAN NUTTER: Penn's Landing will
6 own it?

7 MR. HANKOWSKY: Penn's Landing will own
8 it.

9 COUNCILMAN NUTTER: Okay.

10 MR. HANKOWSKY: In effect, we're not
11 leasing to Simon.

12 COUNCILMAN NUTTER: Right.

13 MR. HANKOWSKY: In that sense.

14 COUNCILMAN NUTTER: I understand.

15 MR. HANKOWSKY: We don't lease it.

16 COUNCILMAN NUTTER: Right.

17 MR. HANKOWSKY: We keep it.

18 COUNCILMAN NUTTER: Right.

19 MR. HANKOWSKY: The public also retains
20 -- I just want to be clear -- ownership, again,
21 Penn's Landing of what we generally call the
22 esplanade, the walkway along the edge of the
23 waterfront from Market Street along the front. So
24 that, again, the public will have a right to, you
25 know, still get to the water.

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2 COUNCILMAN NUTTER: Right.

3 MR. HANKOWSKY: Simon can't put up a
4 barricade, put up a gate or anything. That's the
5 ownership structure.

6 COUNCILMAN COHEN: (Off mike,
7 inaudible.)

8 MR. HANKOWSKY: I was asked a -- I will
9 repeat what I just said. The new amphitheater or
10 the new Great Plaza will continue to be owned,
11 operated by Penn's Landing Corporation. So the
12 festivals and who are the vendors there and all of
13 that will be controlled by Penn's Landing
14 Corporation as it is today.

15 The walkway or what we call "the
16 esplanade" that runs along the waterfront on the
17 northern end and on the eastern end of the
18 project, again, stays with Penn's Landing
19 concentration. So if you want to jog or walk your
20 dog or just sit at the waterfront and enjoy it,
21 that's controlled by Penn's Landing Corporation,
22 that remains public space.

23 Now, there is some additional public
24 space that will be control by Penn's Landing next
25 to the new Great Plaza. You know, you could --

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2 you'll be on top of the parking garage, you'll be
3 at roughly the level of the viaduct, a little bit
4 higher, so you could sit up there and take in the
5 skyline or take in the waterfront. And these will
6 be available just like they are under current
7 operating circumstances at Penn's Landing
8 Corporation.

9 I believe, Councilman, that was
10 responsive to your question. I hope I --

11 COUNCILMAN NUTTER: Yeah.

12 PRESIDENT STREET: The Chair recognizes
13 Councilwoman Clark.

14 COUNCILWOMAN CLARK: Could we be shown
15 your rendering --

16 MR. HANKOWSKY: Yes.

17 COUNCILWOMAN CLARK: -- where the
18 unobstructed public spaces are. And I thought I
19 heard you say that there would be additional
20 public space.

21 MR. HANKOWSKY: Yes.

22 COUNCILWOMAN CLARK: Would you kindly
23 show us that?

24 Did you also say that there will be no
25 barriers that prevent the public from free access

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2 to the public space?

3 MR. HANKOWSKY: That's right. That is
4 correct, that is correct. Mr. Courato will be
5 pulling out the drawings, Councilwoman. And as
6 soon as he does that, I'd be happy to do it.

7 (Drawings are displayed for Council.)

8 MR. HANKOWSKY: These are from the
9 Simon DeBartolo Group, this is the rendering of
10 the project, that is correct.

11 COUNCILWOMAN CLARK: Is this the
12 model?

13 MR. HANKOWSKY: Yes.

14 COUNCILWOMAN CLARK: Would it be easier
15 for us to see it on the model?

16 MR. HANKOWSKY: The model is the
17 easiest way.

18 COUNCILWOMAN CLARK: Why don't you just
19 put the model on this table and point it out to us
20 on the picture as well as on the model. And tell
21 us what's on the model.

22 MR. HANKOWSKY: Bob, come here. Jim.

23 Okay, in response to Councilwoman
24 Clark's question, using the model, in fact, I
25 think was a good suggestion. Let me just first

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2 orient people. Delaware River, Christopher
3 Columbus Boulevard, I-95, back into Center City,
4 Market Street, Chestnut Street, Walnut Street.

5 Today, the Independent Seaport Museum,
6 Walnut Plaza, the Great Plaza that we use for the
7 festivals is right about here. Here's that big
8 parking lot where we put the skating facility
9 every winter.

10 So the project gets built from Walnut
11 Street to Market Street, Christopher Columbus to
12 Delaware Avenue. This entire area, as I move my
13 finger, these public areas along the edge of the
14 waterfront to the waterfront, from the edge of the
15 buildings to the waterfront remain in control of
16 Penn's Landing Corporation so that there is
17 continued public access to the waterfront, as
18 Penn's Landing currently provides it today.

19 The Great Plaza is replaced, so to
20 speak, by a new amphitheater, which is right here,
21 which is as large -- and, in fact, in seating
22 capacity, will be designed as a festival venue. I
23 think, as all know today, the Great Plaza was
24 really built as a park, and when we have
25 festivals, we sit on steps, which is not

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2 particularly comfortable.

3 This will actually be designed as an
4 amphitheater with 1500 permanent seats and 2500
5 temporary seats -- a just more attractive and
6 pleasant environment for the festivals that we
7 have.

8 When I said "additional public space,"
9 that is this area here and here. So that in
10 addition, you could come, and coming from the
11 historic district, and you don't have to buy
12 anything at the project; you can just come up on
13 the roof, sit here, enjoy the waterfront, see the
14 skyline from the City.

15 You can access this area off the Market
16 Street ramp by a set of stairs here. This is also
17 a public space along the edge here. You can
18 access it by coming across the Chestnut Street
19 viaduct. And here's the set of stairs that bring
20 you up so that there are access points. In
21 addition, you can access it from inside the
22 project.

23 This large space here is an open
24 courtyard area. I would analogize it to the
25 interior of Liberty Place, you know, just sort of

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2 this wide rotunda, much bigger. It is not
3 climate-controlled so it's an open space, but
4 would it would have a cover. And there's a set --
5 a grand set of staircases there so you could be in
6 the project, you could come out of the theaters
7 and you could come up and sit there after a movie
8 or wait there before.

9 So it's an integrated public-private
10 project.

11 And Penn's Landing -- back to
12 Councilman Nutter's question -- maintains
13 ownership of these public spaces and public
14 venues. They are not being leased to the
15 developer. The developer is leasing the area to
16 develop the retail, the parking garage.

17 We will have permanent ice-skating
18 rinks also here, which will be operated by the
19 developer, so won't have that seasonal effect of
20 where we put it together and take it down; it will
21 be here year-round.

22 COUNCILMAN DICICCO: (Off mike, not
23 completely audible to stenographer.)

24 Could you point out the . . . of where
25 that may happen. . .

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2 MR. HANKOWSKY: Yes. Councilman
3 DiCicco is raising the issue. There have been
4 discussions, extensive discussions, between the
5 Simon Group and the Please Touch Museum.

6 I think -- I know I, as a parent, we
7 all treasure the Please Touch Museum, we've all
8 been there. It is in pretty cramped space. So
9 the Please Touch Museum anyhow was thinking about
10 how could they expand, how could they deal with
11 the increased demands on their space.

12 When this project came along, they
13 considered the opportunity to put the Please Touch
14 Museum on the waterfront and solve both the need
15 for them to have more space and put them in a very
16 attractive family-entertainment-oriented
17 environment. In order to do that, they've had
18 discussions with the Simon DeBartolo Group of the
19 potential of integrating a new Please Touch Museum
20 in the project.

21 If that occurred, it would occur on top
22 of the project. In effect, we'd get a third
23 floor. This -- the project now is two stories
24 high, basically. You'd get a third level, which
25 would be on the same level as the new Great Plaza

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2 and the skating rinks and would have dramatic
3 views of the City, provide them with new space and
4 be integrated in the project.

5 That's not a done deal, discussions are
6 going on, but it's a real possibility.

7 COUNCILWOMAN CLARK: Has there been any
8 consideration given to assuring that there will be
9 mixed economic use. I don't wish to see our
10 waterfront become a place for very wealthy people
11 that poor people can't afford to do anything
12 except watch the rich people.

13 Has there been any thought given to an
14 integrated economic use of the land?

15 MR. HANKOWSKY: Councilwoman, I want to
16 make it extremely clear -- you can get to the
17 public space, quote/unquote, without going through
18 the private project.

19 So Penn's Landing Corporation is
20 committed to -- I shouldn't speak for them, Tom
21 and Jim are here. But they're committed to their
22 mission to do the large festivals -- we just had
23 one this past weekend -- to do the ethnic
24 festivals, so that there continues to be an
25 exciting public space that we all enjoy in

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2 different ways, both programmed and just there for
3 passive use throughout the year.

4 And this is project will not affect
5 that. That remains with Penn's Landing
6 Corporation. They have the capacity to do it,
7 they have control to do it, and they're committed
8 to do it.

9 In terms of the kinds of uses in the
10 retail project, they will range from restaurants,
11 theaters, entertainment venues, retail space that
12 -- and the direction that -- I don't know if the
13 Simon people would like to respond -- is that
14 this, in fact, be oriented as a family
15 entertainment complex. In other words, that there
16 is something for children, for teenagers, for
17 adults that you would feel comfortable bringing
18 your family and there's lots of things to do and
19 see and enjoy.

20 COUNCILWOMAN CLARK: I understand that.

21 MR. HANKOWSKY: And to tap into all the
22 entire diverse population of the area.

23 COUNCILWOMAN CLARK: But, Mr.

24 Hankowsky, stay with my concern.

25 Because Disney World is a family venue

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2 but it's very expensive. So I'm talking about a
3 purposeful plan that includes people of all
4 economic strata. For instance, have you looked at
5 how San Antonio handled its river walk? Right
6 beside very, very expensive restaurants, you may
7 stand and buy a taco at a taco stand.

8 I don't wish to see us make this a
9 wealthy person's playground that poor people come
10 and watch wealthy people play. I'm still saying,
11 is there some planned purposeful aim at involving
12 all economic levels in the use of this space?

13 MR. HANKOWSKY: Councilwoman, let me
14 first -- this -- I think the Disney Land analogy
15 is a good one. There is not a price of admission
16 to go to this project.

17 COUNCILWOMAN CLARK: Okay.

18 MR. HANKOWSKY: This project is free.
19 And when I mean the project is -- obviously, the
20 public space is free and available by Penn's
21 Landing and will be programmed by Penn's Landing.

22 But you can also go into the Simon
23 Project. There's a large campo. We're hopeful
24 there will be some fairly exciting free things
25 that people will be able to enjoy in that large

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2 public area that are currently being worked on.

3 And you can go through it, and you don't --

4 there's not a price of admission, so to speak.

5 COUNCILWOMAN CLARK: Right.

6 MR. HANKOWSKY: And in that large campo

7 area, for example, we're looking at the potential

8 for something we've, for the moment, called "The

9 American Experience" where we might have large

10 video screens and other high-tech activity that

11 would relate to history so that this project would

12 echo Philadelphia's great tourism roots, which is,

13 in fact, its historic base.

14 And you would be able to enjoy that

15 free. You could buy a coke, sit there, and you

16 don't have to -- and still go to the place and

17 say, This was fun to do something.

18 COUNCILWOMAN CLARK: That's the kind of

19 plan that I'm asking about, and that's exactly

20 what I want to see happen.

21 PRESIDENT STREET: Mr. Hankowsky, it

22 might be appropriate at this time for Mr.

23 Sabattini to answer Councilwoman Clark's specific

24 question, because my understanding is that the

25 testimony has been that Penn's Landing Corporation

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2 will retain control of all of the public areas.

3 And I think he might be able to shed some light on
4 it.

5 And while doing so, Mr. Sabattini, can
6 you just comment on the gated events that
7 currently sometimes take place in the public area
8 down there that has sometimes caused some
9 frustration on the part of families who have gone
10 down and found out that couldn't really -- they
11 could use the public area, but they couldn't
12 really actually get into some of the festivals
13 because they are gated.

14 So could you comment on all of that?

15 MR. SABATTINI: Sure. And thank you,
16 Council President.

17 Yes, as Bill mentioned, in part of the
18 project itself, there will be free entertainment
19 provided by the developer, such things as The
20 American Experience. But in addition to that, all
21 of the public spaces that are planned for it will
22 continue to have free admission, I'd say, at least
23 90 percent of the time.

24 And also, the concessionaires that we
25 will be selecting for that festival that we do now

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2 will be in a reasonable price range, at prices we
3 can control. So we can assure you that it will be
4 accessible to all people of all economic levels.

5 With regard to the programming for
6 gated events, presently, we do for down there.
7 All of them are generally below-market in terms of
8 what the rate is. That's a reflection of today's
9 economics to be able to produce entertainment at a
10 high level.

11 We think that we can reasonably assure
12 you that there will not be more than four of them,
13 with maybe even less, because with the new
14 facility, it should reduce our operating costs,
15 and we're anxious to move forward in that
16 direction and provide a better-quality product and
17 continually do it below market rates. So we're
18 excited about that.

19 I would also mention that whenever we
20 do a gated event, we assure everyone that at least
21 a half of the site will be free, such as this past
22 weekend where we did "Jam on the River," which had
23 an admission charge. There was a visiting ship on
24 the south end of Penn's Landing. We do also some
25 street theater and other children's events down

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2 south in the non-gated events.

3 So we'll always have something free
4 down at Penn's Landing.

5 COUNCILWOMAN FERNANDEZ: Mr. President,
6 can I follow?

7 PRESIDENT STREET: This is interesting.
8 Councilman Nutter is -- he doesn't feel put upon,
9 I'm sure.

10 The Chair recognizes Councilwoman
11 Fernandez.

12 COUNCILWOMAN FERNANDEZ: Thank you, Mr.
13 President.

14 Following up on your discussion of the
15 model and all of the access by the public, all the
16 different ways the public can access it. I can't
17 tell from the model or from any of the drawings
18 about essentially the esthetic and maybe safety
19 issues around pedestrian access.

20 And I'm thinking that as you walk by
21 the Convention Center particularly in the front,
22 it's very welcoming, it's very friendly, you feel
23 very safe because of the way it's designed. Yet,
24 there are other places that you can think of where
25 if you walk by, particularly for a long stretch

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2 along a concrete wall, you feel -- you know, it
3 feels both ugly and often can feel unsafe if it's
4 not properly designed.

5 Could you discuss the design,
6 particularly where the pedestrian walkway along
7 the riverfront? Also, what kind of interface that
8 has with the private development?

9 MR. HANKOWSKY: Yes. If I, again, can
10 take the liberty, it might be easier if I go back
11 up and do that.

12 COUNCILWOMAN FERNANDEZ: Yes, mm-hmm.

13 MR. HANKOWSKY: I will apologize to the
14 Councilpeople on my -- somewhere I have to put my
15 back, I'm sorry.

16 The -- quiet candidly, Councilwoman, I
17 think if we think today about Penn's Landing, we
18 have a very enjoyable public space at Walnut Plaza
19 which we did just a couple years ago. We created
20 a pedestrian-only bridge access point, which is
21 not on this model, but I'll just remind people, we
22 also created a pedestrian-only bridge from South
23 Street, roughly about here.

24 So we want to clearly enhance
25 pedestrian access to the waterfront. And

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2 understanding that the majority of the tourists at
3 some point in their Philadelphia experience are up
4 here at Independence Mall and that they want to
5 feel welcomed down to the waterfront, as well as,
6 obviously, our own resident who will use it all
7 the time.

8 Currently, there's a project underway
9 that was in the City's Capital Budget that Council
10 approved. And you can see the construction if go
11 down to Penn's Landing on Market Street. There
12 will be a similar project on Chestnut Street to
13 really do exactly what you're saying, which is to
14 make it pedestrian-friendly.

15 If you recall, these were ramps that we
16 stuck sidewalks on, to be blunt.

17 COUNCILWOMAN FERNANDEZ: Right.

18 MR. HANKOWSKY: They weren't friendly,
19 they didn't feel safe. These now are going to be
20 comparable in their amenity level to the Walnut
21 Street Bridge -- wider sidewalk, a more lively
22 experience, a more inviting experience. That same
23 theme will be continued as you get into the
24 project.

25 So again, today, you come across and we

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2 have the viaduct. It's actually kind of
3 interesting. You can be up in the air and get a
4 great view, but you sort of feel like you're on a
5 highway ramp on a sidewalk.

6 Instead now, we're going to have the
7 viaduct -- the new viaduct will be the front door
8 to this project. There will be a big lay-by lane
9 so that if, for example, a handicapped person
10 wants to come to the project or whatever, you can
11 drop off and then you can get into the garage --
12 and this is very interesting on this project.

13 You'll be able to enter the garage off
14 the viaduct, so off Market and Chestnut; or you
15 can enter the garage off Christopher Columbus
16 Boulevard below. And if you're in the garage, no
17 matter which way you came in, you can leave the
18 other way if you want. So the garage system all
19 interconnects.

20 So this will all be a much friendlier
21 pedestrian environment.

22 Again, if we think about Penn's Landing
23 today, what is it from the Great Plaza north? It
24 is a big open parking lot. It's not -- it's not
25 particularly, again, pedestrian-friendly, warm,

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2 and inviting.

3 So instead now, we will have this large
4 project lit, exciting, alive, more people, which I
5 think is always a function of safety. It's just
6 an active place where lot of things are going on.

7 You'll have retail frontage along the
8 edges so that --

9 COUNCILWOMAN FERNANDEZ: So there will
10 be windows in --

11 MR. HANKOWSKY: There will be windows,
12 there will be, you know, openings to stores. You
13 may even have a situation where you could go into
14 the store on this side and come out the other
15 side, depending on which retail tenants go in
16 which space.

17 This large open area is a large public
18 space that's analogized to the campos that you see
19 in Italy in very large plazas, piazzas.

20 There will be a large opening arch in
21 front of it. For those who have ever been to
22 Boston, there's Rose Wharf where the ferry goes to
23 the airport, and it's kind of that arch
24 experience.

25 And so when you're in this project --

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2 in fact, when you come in this way and walk
3 through the corridor, you will in effect see
4 through the arch, and this will be drawn to the
5 river as you move through. And these are really
6 balcony levels that cross the arch point.

7 The whole top of this will -- it will
8 feel as if we have a park, underneath of which
9 we've slid a garage. So you may notice here this
10 tree-lined area. It will all be, you know, pavers
11 -- it will look -- thank you, Jim. It will like
12 that kind of space.

13 So here's the ampitheater and events
14 going on, but you don't have to do that. You
15 could just enjoy the space, sit on a bench, be in
16 landscaped area, be looking out over the
17 waterfront. So this will be lit, heavily lit.

18 So this is, in my personal opinion,
19 going to be a dramatic improvement over our
20 current experience on the waterfront. And
21 everybody has that goal. It's to the developer's
22 self-interest to have that kind of space, it's to
23 the public's interest.

24 And, as Councilman DiCicco's indicated,
25 in working with the community, we also want to

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2 make sure it's a space that remains part of the
3 fabric of Old City, Society Hill, Queen's Village,
4 etc.

5 COUNCILWOMAN FERNANDEZ: So as far as
6 you know, there are no sort of big concrete walls
7 and canyons that people have to walk through?

8 MR. HANKOWSKY: No. This is a lively,
9 active kind of space. This is a garage, so
10 there's been an attempt to -- to make the garage
11 not feel like a garage, to have an interesting
12 kind look.

13 These shed-type structures or buildings
14 actually are sort of trying to play
15 architecturally off of the fact that this is the
16 historic waterfront. So we had pier buildings, so
17 this will read, so to speak, as if it --
18 architecturally, as if it harkens back to the
19 historic architecture of the waterfront.

20 This will -- you will see and
21 visualize, in terms of lighting and seeing this,
22 if you're coming over the Ben Franklin Bridge, if
23 you're coming on 95, if you happen to be at
24 Wiggins Park, I mean, this will be sort of a
25 glowing jewel on the waterfront.

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2 You'll see it, if you're looking down
3 Market Street or down Chestnut -- think of down
4 Chestnut Street. You're at Independence Mall and
5 you will be looking down. There will be an
6 architectural feature that will create sort of a
7 signature. There it is right there, and you can
8 go down towards it.

9 COUNCILWOMAN FERNANDEZ: Thank you.

10 PRESIDENT STREET: At this time, I
11 would like to make a recommendation to the
12 committee, and that is that we continue to discuss
13 the TIFs until approximately 12 o'clock; and that
14 at 12 o'clock, we take testimony on Bill No.
15 980238 so as to be able to provide some certainty
16 for those people who are here on the ordinance --
17 actually, I guess, it's establishing the Old City
18 Special Services District.

19 And that way, those people will be able
20 to -- I'm sure they're interested in all of this,
21 but they may not be interested in all of it for
22 all of the day.

23 So if we could do that, I think we will
24 be respecting the interests of people who have
25 other items of business other than the Tax

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2 Increments Financing Districts.

3 Is there any member of Council who any
4 has objection to that?

5 (No response.)

6 PRESIDENT STREET: If you don't, then
7 what we will do is, we will continue with our
8 general discussion. After that discussion, at 12
9 o'clock, wherever we are, we will break. We won't
10 take a recess, but we will just proceed to
11 consider Bill No. 980238, which probably won't be
12 -- take quite as much time, and then we can go
13 back and stay until we finish. If that's all
14 right with the committee.

15 At this time, the Chair recognizes
16 Councilman Cohen.

17 COUNCILMAN COHEN: Mr. Hankowsky, how
18 much of what is now public space will be lost as
19 public space?

20 MR. HANKOWSKY: None. You will have
21 more public space in square feet after this
22 project is done than you have today -- improved
23 public space.

24 COUNCILMAN COHEN: Is that -- when you
25 say there will be more, is that because you're

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2 going to convert space that you regard now as not
3 friendly space?

4 MR. HANKOWSKY: No. Between the Great
5 Plaza area today, improved public space, the
6 esplanade area today, add those together and
7 that's the public space. The rest of this site is
8 a parking lot.

9 So those two added together, the new
10 public space -- the esplanade, ampitheater on the
11 roof, public area on the roof -- is more square
12 feet than what we have today.

13 COUNCILMAN COHEN: Does the City have
14 any advisors other than the regular staff
15 employees? Say, when you deal with the DeBartolo
16 Group -- who are experts in their field, I assume,
17 they've been in it for a long time -- do we have a
18 consulting service that we consider? How does the
19 City -- in other words, how does the City evaluate
20 something like this?

21 I assume most of the entertainment
22 ideas are presented by the DeBartolo Group 'cause
23 that's their field. How do we evaluate it? Do we
24 have any special talent that considers it?

25 MR. HANKOWSKY: Yeah. We've done a

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2 variety of things in terms of looking at this
3 project.

4 Penn's Landing Corporation, a few years
5 back, engaged MRA Associates, which is a
6 Philadelphia-based firm and one of the nationally
7 recognized consultants in the entertainment
8 industry.

9 They did a demographic study, they
10 looked at what size project could make sense in
11 this region, given population, buying power, etc.,
12 which laid the foundation for what kind of project
13 might be achievable and might we want someone to
14 do.

15 We engaged the environmental
16 consultants to take a look at this site. We
17 engaged an engineering firm to review, for
18 example, the Simon cost estimates. You know, were
19 they building a ramp more expensively than we
20 would build a ramp, etc. And, in fact, their
21 costs are reasonable and look to be even somewhat
22 lower than it would be if we had done it through
23 our own means. So we verified all of their cost
24 estimate numbers.

25 There have been parking and traffic

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2 studies by Richard Orth, who's a Philadelphia-
3 based firm, done a lot of the traffic work over
4 the years, that we've looked at.

5 Penn's Landing Corporation has engaged
6 the Ecstet (ph.), I think, is the right name of
7 the architectural firm who, for example, has been
8 involved in Battery Park Cities to look at the
9 design of the public space, what's needed, how it
10 could be a better amphitheater, serve their needs
11 better.

12 So, yes, we've used a variety of
13 consultants to look at various aspects of the
14 project.

15 COUNCILMAN COHEN: And with respect to
16 the financial aspects, do we have consultants and
17 advisers?

18 MR. HANKOWSKY: No. We have not used,
19 quote/unquote, consultants on the financial side.

20 We did, though, PIDC, we looked at the
21 retail rents, costs of places like Liberty Place,
22 what's happened -- what's happening at the Gallery
23 so that we could calibrate, for example, are their
24 estimates on revenues reasonable, are there
25 estimates on our costs reasonable.

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2 We did hire an appraiser. Penn's
3 Landing Corporation did. So that when we
4 discussed what the rent should be, that that was
5 that was based on a fair-market appraisal, and it
6 is, that 4 percent of the gross of the retail
7 space and 10 percent of the gross of the parking
8 is based on that appraisal.

9 So, yes, we did verify at various
10 points either --

11 COUNCILMAN COHEN: Well, how about with
12 respect to the aspects, like a partnership in
13 which the decision-maker owns only 1 percent and
14 there's a 99 percent limited partnership. My
15 understanding is that a limited partner does not
16 make the decisions.

17 MR. HANKOWSKY: That's right.

18 COUNCILMAN COHEN: And I'm a little
19 concerned about the tail wagging the dog. I heard
20 you say this is traditional. It may be, but it's
21 something that sound strange when you hear it.

22 MR. HANKOWSKY: Right. Well,
23 Councilman, I can say that, for example, PIDC,
24 we've been in business 40 years and have done
25 5,000 transactions, and I've seen this structure

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2 4,000 or 5,000 times. I think I can say that
3 almost without researching it.

4 We have -- Penn's Landing does have
5 independent counsel, legal advice, real estate
6 lawyers, who have been at our side as we've gone
7 through the sublease, etc., so we do use that
8 outside expertise.

9 But this is a very classic structure
10 and is analogous to almost all the other
11 transactions that you have approved and we have
12 done.

13 COUNCILMAN COHEN: Who is the general
14 partner in what involves the Simon DeBartolo
15 Group, whatever their involvement is?

16 MR. HANKOWSKY: The Simon DeBartolo
17 Group is the general partner.

18 COUNCILMAN COHEN: And what percentage
19 do they own?

20 MR. HANKOWSKY: They will probably own
21 1 percent.

22 COUNCILMAN COHEN: They only will own 1
23 percent.

24 MR. HANKOWSKY: Right, but they will
25 have, as you indicated, all the management and

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2 operation rights.

3 I don't know if you'd like them to
4 respond to it.

5 UNIDENTIFIED WITNESS: Thank you for
6 coming this morning. My name is --

7 COUNCILMAN COHEN: Please identify
8 yourself for the record and just state who you are
9 and --

10 MR. SIMON: I'm Melvin Simon. I'm
11 Cochairman of Simon DeBartolo.

12 This project was -- I first looked at
13 this project about eight years ago when I came
14 over here and looked at this and I said, No way
15 ever be done under the circumstances that
16 existed.

17 The last year, we've been working
18 because we really feel that this city will do an
19 unbelievable job with an entertainment
20 quality-of-life-type shopping center similar to
21 what we're building down in Miami at the Sunset
22 Shops.

23 I've worked with the Penn's Landing
24 people, I've worked with the Mayor, I've worked
25 with some of the Councilmen. I think this will be

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2 an unbelievable project.

3 But it's more what this project will
4 do. And it will increase the possibility -- and I
5 believe firmly that you will have a development
6 ultimately from the Convention Center right to the
7 waterfront, which includes what we have now plus
8 what will come later.

9 But we are the only general partner.
10 We are the only partner except for the interest
11 that the Penn's Landing has 'cause we are leasing
12 the land. We may take in equity partners with us,
13 but we will be the general partner. We will not
14 own 1 percent. Under our (unintelligible) status,
15 we can't. We have to really develop it
16 ourselves. So I think that the assurances -- what
17 we give is a completion guarantee once we start
18 construction.

19 Now, we -- ultimately, the corporation
20 will have assets of about \$17 billion which, when
21 the merger with this corporate property investors
22 take place this July. So you're not getting a
23 fly-by-night. You're getting experienced people
24 who have done this before.

25 We think this is an opportunity not

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2 only for ourselves, but for the employees -- I
3 think they mentioned 1300. I think that it will
4 be more like 2,000 employees. I really -- I don't
5 think -- I think they've underestimated it.

6 But, you know, I'm not involved in the
7 details, but I could tell you what we've done
8 before. You can look at the quality of our work,
9 and you can see who you're dealing with. You're
10 not dealing with some entity with a 1 percent
11 interest, 'cause we wouldn't do it, frankly, under
12 those circumstances.

13 COUNCILMAN COHEN: Well, that's what I
14 was wondering about.

15 MR. SIMON: No, no, I'm just saying --
16 I'm being real -- they don't always -- in other
17 words, the structure that they use may be
18 different. We don't -- we're a real estate trust
19 company listed on the New York Stock Exchange.

20 We will be the developers, the general
21 partners. We may have some equity partners, like
22 we're talking to Donaldson Lovekin Janett (ph.) in
23 their investment fund.

24 And so I think that the guarantee of
25 completion, once we get started is really what the

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2 City was looking -- the City wants something
3 that's -- and we're going to live up to the plan,
4 we're going to make sure -- and I'm tickled to
5 death, tickled to death to see all of these events
6 take place here.

7 We need those people. They can walk,
8 they can browse, they can buy, they can do
9 anything they want. There will be no admission in
10 any event except maybe after we make the deal with
11 the children's museum or with the polar ice, if
12 you want to skate in the polar ice thing, that's
13 theirs.

14 But, basically, I just wanted to make
15 sure that you understand that this is not a
16 fly-by-night scheme. This is a scheme that's been
17 thought out, and it took eight years before we
18 were even interested due the progress of the City
19 in that period of time.

20 I think Philadelphia has a tremendous
21 amount to offer. I think it's under -- under- --
22 what I call "stored." And I'm not using the right
23 term, but it's underdeveloped, and I think it
24 would be a great impetus for the balance of what
25 will happen all the way to the Convention Center.

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2 COUNCILMAN COHEN: Where will the
3 revenue come from that makes it profitable?

4 MR. SIMON: Individual stores. We will
5 be leasing --

6 COUNCILMAN COHEN: And the retail
7 business.

8 MR. SIMON: We'll -- we'll -- we'll
9 lease to AMC Theaters, for instance. We're going
10 to build and lease to them. The Penn's Landing
11 people who will participate -- it was a very
12 similar deal we made at Caesar's Palace. We
13 leased -- we leased the property from Caesar's
14 Palace.

15 We're not involved in gambling. In
16 fact, our agreement precludes us from getting
17 involved in gambling, nor would I want to be
18 involved in gambling but we do lease at the Forum
19 Shops, which is probably the most successful
20 entertainment-oriented type of development in the
21 United States.

22 So I think that we're offering -- and,
23 by the way, don't get me wrong, the City of
24 Philadelphia is offering us a tremendous incentive
25 because I think that your time has come, I think,

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2 and I'm really excited about it. I don't do it
3 for the money, I do it for the enjoyment, and I
4 want you to know that we will give you a project
5 that you will be very proud of.

6 (Inaudible off-mike exchanges among
7 panelists and Councilman DiCicco.)

8 COUNCILMAN COHEN: But your equity
9 partners will be interested in income.

10 MR. SIMON: And everything's got to be
11 profitable, but we will not depend on the City;
12 our profitability comes from leasing to the
13 different tenants.

14 I think the children's museum here
15 would be unbelievable. I think in Indianapolis,
16 we the best children's museum in the world. And
17 we've asked the director of your group to come
18 down and have a meeting with them.

19 I can conceive of this plaza, of this
20 amphitheater being converted to a haunted house
21 during the month of October when it's not in use
22 for the children of this area. I mean, there are
23 tremendous ideas that we're working on with a
24 number of people.

25 And I think we can do a great job,

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2 simply said.

3 COUNCILMAN COHEN: Let me ask you
4 another question. In your judgment -- suppose
5 there were no tax increment financing?

6 MR. SIMON: In this type of situation?

7 COUNCILMAN COHEN: Yes, in the
8 situation we're talking about.

9 MR. SIMON: You could not do it.

10 COUNCILMAN COHEN: Could you explain
11 why.

12 MR. SIMON: Because, number 1, the cost
13 of doing this thing on the water would be
14 prohibitive, it would be economically unfeasible.
15 This was worked out.

16 And, you know, right now, in something
17 I saw, the taxes are about \$100,000, and taxes
18 going to go way up and can be used to pay these
19 bonds as well as the sales taxes. They can be
20 used to pay off these bonds, but we can't do it
21 otherwise. It would be just economically
22 unfeasible.

23 COUNCILMAN COHEN: I'll tell you what
24 my concern is because it may be important for your
25 project, but where do we stop? Why doesn't any

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2 other business that, say, can finance something on
3 its own, aren't they put into a position of saying
4 the City makes available these tax increment
5 financing arrangements. It will create more
6 profit for us; therefore, we want to get it, even
7 though the project may be feasible without it.

8 I'm looking for some kind of guidance
9 on -- is this going to be something that happens
10 all the time or is it really needed?

11 MR. HANKOWSKY: If I could partially
12 respond, Councilman.

13 As I indicated in my testimony, there's
14 something very unique happening in this project.
15 We -- if we were doing this project and we said to
16 the Simon organization, We will make sure that
17 this site has no special costs related to being on
18 the waterfront and we'll build the streets and
19 we're going to build our own park and we're going
20 to build our own public space and we'll build you
21 a parking garage for the project, they could build
22 the retail without us.

23 What we're doing here is we're not
24 going to go to the Capital Budget and ask you to
25 take money out of the Capital Budget next year and

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2 do any of this. We're not going to go to the
3 General Fund and ask for money to do this. We're
4 going to have all those things delivered, which
5 normally would be public responsibility.

6 They're going to be built by the Simon
7 organization, they're going to guarantee
8 completion, whether their numbers are right or
9 wrong to deliver that product to us. And we are
10 handing them a revenue stream. And they, in fact,
11 are going to go find the cash and the debts to
12 finance it, and they're going to build all that
13 and hand us back a new viaduct, a new ramp, a new
14 Great Plaza, a new public space.

15 That's why we didn't have to do this --

16 COUNCILMAN COHEN: Who takes the risk?

17 You know, if everything goes hunky-dory --

18 MR. HANKOWSKY: They take the risk.

19 COUNCILMAN COHEN: - nobody ever
20 worries.

21 MR. HANKOWSKY: They take the risk.

22 COUNCILMAN COHEN: But Disney Land
23 didn't work in Paris, for example.

24 MR. HANKOWSKY: They take the risk.

25 COUNCILMAN COHEN: Well, how do they

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2 take the risk? Suppose they go back -- the City
3 is going to borrow the money, isn't it?

4 MR. HANKOWSKY: No, absolutely
5 incorrect. The City is not borrowing the money --
6 they are borrowing the money. If there's not
7 enough tax-revenue streams, they owe; we don't
8 owe. There is no City guarantee, nobody's
9 guaranteeing it.

10 All we're saying is, whatever real
11 estate taxes are created, we'll hand them back to
12 you. If you don't create them, that's a problem,
13 it's your problem. And then they take that cash
14 and they pay off the debt. They borrowed it, it's
15 their name on the debt, not ours. That's this
16 project.

17 COUNCILMAN COHEN: Well, generally, is
18 there going to be a separate corporation for this
19 project? Generally, corporations so arrange it
20 that if there's a failure in one spot, it doesn't
21 affect any other developments they have anywhere
22 else. So I assume that they're going to be using
23 that same arrangement here.

24 MR. HANKOWSKY: But, as Mr. Simon said,
25 Councilman, we have asked the corporate parent to

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2 guarantee completion of the project, and they will
3 guarantee the completion, the corporate parent,
4 even though the ultimate owner will be a
5 single-purpose entity of which --

6 COUNCILMAN COHEN: You say you're going
7 to ask. Have you asked?

8 MR. HANKOWSKY: No, no, no, we
9 haven't. It's done, it's in the lease. We have a
10 parent guarantee for completion.

11 COUNCILMAN COHEN: I'm not getting the
12 answer.

13 MR. HANKOWSKY: The answer is yes.

14 COUNCILMAN COHEN: Is there an -- is
15 there a guarantee currently?

16 MR. HANKOWSKY: Yes, yes.

17 COUNCILMAN COHEN: By the parent
18 corporation?

19 MR. HANKOWSKY: It's in the lease that
20 they will execute if you approve this deal.

21 COUNCILMAN COHEN: And who is the
22 parent corporation?

23 MR. HANKOWSKY: The largest real estate
24 investment trust --

25 COUNCILMAN COHEN: And what's the name

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2 of it first?

3 MR. HANKOWSKY: The Simon DeBartolo
4 Group.

5 (Inaudible off-mike exchanges among
6 panelists and some Councilmembers.)

7 COUNCILMAN COHEN: Ask him what? Oh,
8 I'll yield to Councilwoman Clark on this question.

9 PRESIDENT STREET: Councilwoman, I have
10 some members who have had some lights on for a
11 long, long time.

12 COUNCILWOMAN CLARK: Just a
13 clarification.

14 PRESIDENT STREET: But just one minute,
15 please.

16 COUNCILWOMAN CLARK: I will. To follow
17 up on what Mr. Cohen was asking, it seems to be
18 this gets clarified by your showing the language
19 on which you relied that's in the agreement.

20 MR. HANKOWSKY: Oh, yeah, we have
21 provided the Council staff the draft lease that
22 will be executed.

23 COUNCILWOMAN CLARK: Yeah, just give us
24 a marked-up copy that answers this question, Bill.

25 MR. HANKOWSKY: Oh, yeah.

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2 COUNCILWOMAN CLARK: And I think that
3 you can move forward.

4 MR. HANKOWSKY: Yeah, we will do that.

5 PRESIDENT STREET: I would like to now
6 go to Councilman Kenney.

7 COUNCILMAN KENNEY: Thank you, Mr.
8 President. And thank you, Councilman Nutter.

9 PRESIDENT STREET: Councilman Nutter,
10 we'll be a long time getting back to you. You
11 yielded, and when you yield around here, that was
12 a big make.

13 COUNCILMAN KENNEY: Mr. Hankowsky, just
14 generally, as I went through your testimony and
15 listened to you give it, summarize and correct me
16 if I'm wrong, of the five bills we're discussing
17 today, we're talking more than \$400 million in
18 development value, more than 2,000 permanent jobs
19 -- Mr. Simon indicates perhaps even more -- but,
20 on the low side, 1800 to 2,000 construction jobs
21 during the course of all the development not only
22 of Penn's Landing but the hotels, and City taxes
23 over the course of the life of the district, say
24 about \$90 million and School District taxes at
25 about \$35 million.

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2 And none of this is doable, in your
3 opinion, without TIFing these projects; is that
4 correct?

5 MR. HANKOWSKY: That's absolutely
6 correct.

7 COUNCILMAN KENNEY: Okay. And I've
8 said before in this body and I'll say it again and
9 I'll look for your confirmation.

10 I don't view a TIF in any way, shape,
11 or form publicly financing projects. I think
12 publicly financing projects is taking money out of
13 the General Fund and giving it to a developer,
14 taking money out of the Capital Fund and giving it
15 to a developer.

16 And for the 11 years that I've been on
17 the Board of Penn's Landing, a member of the
18 Executive Committee, of the Design Review
19 Committee, of the Lease Review Committee, every
20 single project but this one came in the door with
21 their hand out and said, We can create a crystal
22 pavilion, we can create a large shopping center,
23 we can create a -- but only if you give us money.
24 We want you to give us 30, 40, 50 million dollars.

25 This is the first project in my life on

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2 this board and prior to my involvement Penn's
3 Landing over 20 years with the developers as large
4 and as well-known and as respected as this group
5 has come in and said, We will build this, we will
6 finance it and give it back to you and guarantee
7 its completion.

8 Mr. Hankowsky has made it very clear
9 during the course of his testimony that the TIF
10 dollars involved in this project are going
11 directly to public improvements that we would have
12 to provide under normal circumstances perhaps out
13 of the General Fund or out of the Capital Fund.

14 And that all those dollars in the TIF
15 issue are going to ramps and access and public
16 improvements and public access space and
17 everything else.

18 I think that WHAT, the U.S. Postal
19 Service, Marriott International, Loews all deserve
20 a word of thanks from us for their continued
21 interest in Philadelphia. And some of them were
22 involved in Philadelphia to begin with.

23 But Simon DeBartolo -- and in an effort
24 to, I guess, paraphrase Bill Cosby -- thank you
25 for choosing us. Thank you for choosing

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2 Philadelphia. Because this is the type of
3 synergetic project that I think makes sense for
4 Philadelphia, and Mr. Simon alluded to it because
5 he talked about development from Convention Center
6 to river.

7 I think one of the most important
8 functions or aspects of this project in its design
9 is that it creates a pedestrian and natural access
10 to the waterfront that we don't have. People will
11 come to the Convention Center, to the Marriott, to
12 our historic area, and they will walk our city.
13 It will be a walkable city to the waterfront, with
14 entrances at Market Street, Chestnut Street, and
15 Walnut Street directly from surface level into
16 this project.

17 And I can't think of a more exciting
18 development after, I guess, 30 years of projects
19 being put on the table and put off the table, that
20 would allow that kind of synergy to happen.

21 If you go to Penn's Landing now, in the
22 middle of February, at night, it's not exactly the
23 most enticing and attractive place to be. There's
24 nothing going on, it's dark, it's foreboding, and
25 it sometimes can be scary, despite Mr. Sabattini's

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2 efforts at security. If I envision what's going
3 to happen in two years, in the middle of February,
4 at night, it's going to be a totally different
5 game, a totally different ballpark.

6 And I can assure Councilmember Clark,
7 and I think our questions are absolutely on point,
8 when it comes to the work that the Board of Penn's
9 Landing has done. We have had extensive
10 discussions at the Board about continuing public
11 events, ethnic festivals continuing to allow
12 public access to people just to come and do
13 nothing there for free.

14 We've had discussions at the Design
15 Review Committee, we've had discussions at the
16 Lease Review Committee and at the Executive Board
17 just about those issues, about what changes -- we
18 have a very nice place now in the daytime, in the
19 spring, in the summer. The Jam on the River was a
20 wonderful event. Our ethnic festivals are
21 wonderful events. And Mr. Simon indicates that he
22 would like those people to continue to come, hang
23 out, spend money, browse, and do whatever it is
24 they want to do.

25 So from every aspect, its design, its

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2 financing, and what it will do synergetically to
3 this area, I think, is something that we should be
4 applauding. And I think in the end, we will all
5 applaud what's going on there.

6 And, finally, my final comment. I want
7 to compliment my colleague Councilman DiCicco.
8 Through the course of a year, he took a very
9 difficult issue, a very -- it could be a very
10 scary issue for people who live in the community
11 and live in the surrounding neighborhoods and
12 finessed it and intelligently dealt with it and
13 opened up the process where he could have taken to
14 stances. He could have said, We're going to build
15 this no matter what anybody thinks; or, We're not
16 going to build it at all because it's going to
17 affect some people in the community.

18 But he's taken that process, he's
19 opened it up, and I think gave the people a level
20 of comfort that as move forward with this, the
21 developers still have a level of comfort and the
22 people in the community have a level of comfort.

23 And that was a very, very difficult
24 task that you undertook, and I want to compliment
25 you and commend you on it.

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2 COUNCILMAN DICICCO: Thank you.

3 COUNCILMAN KENNEY: You're cocaine.

4 And I will yield now to Councilman
5 Nutter and just again thank Mr. Simon for being
6 the developer. Thank you.

7 PRESIDENT STREET: Please, please. I
8 need to get Councilwoman Tasco here. She has not
9 had an opportunity to speak, her light has been on
10 for some time.

11 And then I need to get Councilman Rizzo
12 in and I think that gives -- and Councilwoman
13 Blackwell. And I think everybody -- that gives
14 everybody a first time and then we can go back.

15 COUNCILWOMAN TASCO: I just have one
16 question that somewhat follows up on Councilman
17 Cohen's question to Mr. DeBartolo.

18 MR. SIMON: I'm Simon.

19 COUNCILWOMAN TASCO: To Simon. What
20 other projects have you done in other cities and
21 what local support did you receive from these
22 cities?

23 MR. SIMON: The city of Indianapolis
24 spent 200 -- now, this is not TIF; this is the
25 city itself over the -- we have been trying to

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2 develop a downtown mall in Indianapolis for 17
3 years. The city put \$230 in parking and
4 improvements -- not with a TIF but out of their
5 own budget.

6 And we have a very successful mall. I
7 was just telling some people, we used to have one
8 restaurant downtown that did over 5 million; now
9 we have six. It brought people from all around
10 the city downtown.

11 By the way, there's one request I have
12 of everybody -- the Council and everybody -- is to
13 root for the Pacers tonight.

14 (Laughter.)

15 COUNCILWOMAN TASC0: Because we gave
16 the coach, Larry Brown. . . (laughs). And Bill
17 Kammer (ph.) is sitting back here who's an expert
18 on TIF, and he says part of me wants to. . .

19 But the city spent a lot of their own
20 money to get the -- and by the way, Larry Brown is
21 okay as long as he has his own psychiatrist with
22 him.

23 (Laughter.)

24 MR. SIMON: That was just a joke. I
25 love Larry, he's a good guy.

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2 But we've spent a lot of money to
3 finally get it done the way we had to do it. The
4 City had to subsidize Nordstrom to bring 'em into
5 town, and that was a big out-of-pocket expense,
6 and astronomical amount of money from my way of
7 thinking.

8 We have our own money in it. We have
9 12 to 13 of the best citizens like Eli Lillian
10 (ph.), who are also partners in the deal, but it
11 took 17 years.

12 We've done -- we're doing developments
13 in a lot of other cities right now. We've done
14 'em in Las Vegas, we've done the Mall of America
15 in Minneapolis in Minnesota, so we own about 200
16 malls around the country.

17 But there are only certain areas where
18 downtown works. Philadelphia, we really think,
19 properly done, will work.

20 COUNCILWOMAN TASC0: Thank you.

21 COUNCILMAN DICICCO: Just --

22 COUNCILWOMAN TASC0: I'm finished. He
23 can follow up on --

24 PRESIDENT STREET: You just want her to
25 yield for like one little minute, right?

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2 COUNCILMAN DICICCO: I just want to
3 follow up on a couple of the questions that were
4 raised, in particular Councilman Cohen's concern
5 for, Can this project be done without a TIF?

6 Just to put this into some perspective,
7 when this project was first announced about a year
8 ago, a couple of developers who had been in the
9 city for a number of years were complaining that
10 the offer had not been made to them and that they
11 had a similar development or developments that
12 they could do without any public money, whether
13 it's in the form of a TIF or money out of the
14 General Fund or what have you; they can do this on
15 their own.

16 Well, I won't divulge the name of the
17 persons that I spoke with yesterday, but they are
18 one of the two developers. And I had a lunch
19 meeting with them at 11 o'clock yesterday morning
20 because they would still like to do a development
21 along Columbus Boulevard, but they indicated to me
22 that they needed to talk to PIDC about a TIF
23 because they can't do it without a TIF.

24 So I'm not a developer, I don't
25 understand financing, but I think I understand

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2 what this project would mean to the City of
3 Philadelphia. And if the developers who are
4 complaining about us affording Simon DeBartolo a
5 TIF because they can do it without any money or
6 any help, they're telling me as of yesterday that
7 they need a TIF. And if they haven't called you
8 yet, Bill, I expect you'll be getting a call
9 between today and tomorrow, okay?

10 So I mean I think that puts it in
11 somewhat some perspective. Without the TIF, this
12 thing will never happen.

13 And I think the hotels -- we've already
14 proven that with the development of hotels before
15 I came to Council, what the TIFs have meant to
16 hotel development and the creation of 4,000 jobs.
17 Eighty percent of the jobs in the hotel industry
18 in Philadelphia today are Philadelphia residents.
19 And you know how I feel about Philadelphia
20 residents getting jobs, 80 percent of them.

21 Thank you, Mr. President. And thank
22 you, Councilwoman.

23 PRESIDENT STREET: Thank you very much.

24 The Chair recognizes Councilman Rizzo.

25 COUNCILMAN RIZZO: Thank you, Mr.

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2 President.

3 My questions are both operational. I
4 think I'll direct it to Penn's Landing Corp. How
5 much does it presently cost to park a car at
6 Penn's Landing today?

7 MR. SABATTINI: The normal daily rate
8 is \$5. It increases for special events at times.

9 COUNCILMAN RIZZO: In the area of
10 parking accessible for people that want to use the
11 public spaces, do you anticipate an increase in
12 parking at Penn's Landing after the development?

13 MR. SABATTINI: An increase in the
14 rates? No. In fact, we would expect a decrease
15 in the rates. The developers expressed a concern
16 about making sure that parking is even more than
17 affordable for their purposes. So we would see
18 the rates going down.

19 COUNCILMAN RIZZO: That's great.

20 The last question that I have, and you
21 know that I've expressed my concern about a
22 commitment from the Administration in the area of
23 policing at this new development.

24 Has the Administration agreed to make
25 additional police officers available for policing

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2 this new facility?

3 MR. SABATTINI: We've initiated
4 discussions. We expect them to take place shortly
5 with the Police Department to kind of go over the
6 plan itself.

7 But included in the design of the plan
8 is a facility for an on-site police facility. So
9 we would expect that, whether it's a mini station
10 or another form of police presence on the site,
11 that will become an integral part of this
12 development.

13 And whether or not we get a commitment
14 from the City specifically for Penn's Landing, we
15 would anticipate they would at least do what
16 they're doing now, which we think is substantial
17 and even more so.

18 COUNCILMAN RIZZO: Good. Thank you.
19 Good luck with this project.

20 MR. SABATTINI: Thank you.

21 PRESIDENT STREET: Mr. Hankowsky is not
22 here.

23 UNIDENTIFIED PERSON: He's here.

24 PRESIDENT STREET: Mr. Hankowsky is
25 here.

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2 Mr. Hankowsky, I have one very general
3 question I'd like to ask you just to make sure
4 this record is clear. During the term of the TIF
5 note what if any exposure at all does the City
6 have in any way, shape, or form for the financing,
7 development, repayment of any money of any kind in
8 the whole Penn's Landing TIF?

9 MR. HANKOWSKY: None. The City has
10 none. The developer will borrow the money.

11 PRESIDENT STREET: Now, which money is
12 that?

13 MR. HANKOWSKY: I'm sorry, Council
14 President. For the Simon project at Penn's
15 Landing, there will probably be two borrowings to
16 equal that \$62 million because a portion, as we've
17 discussed so much this morning, of what they are
18 constructing are public improvements, they are
19 able to borrow via a tax-exempt bond issue because
20 these are public improvements.

21 So there will be a tax-exempt piece and
22 then a taxable note. But they will do the
23 borrowing, they will owe the debt, we are handing
24 them the revenue stream as it's created from these
25 tax streams. If those tax streams are

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2 insufficient, the obligation is theirs, not ours.

3 So there is no City guarantee, no PAID
4 guarantee, no General Fund commitment to those
5 financings.

6 PRESIDENT STREET: No 108?

7 MR. HANKOWSKY: No 108, no UDAG, no
8 stimulus, no whatever we have left.

9 PRESIDENT STREET: All right. Now,
10 what if the revenue stream is in excess of what's
11 necessary to pay back the TIF note?

12 MR. HANKOWSKY: What the Simon
13 DeBartolo Group wants to do if it's in excess, is
14 they want the capacity to take the excess and
15 accelerate the payment of the debt, so that they
16 would pay the debt quicker. As we all know, if
17 you have a mortgage, you can put a little extra in
18 the envelope and get it done sooner. You pay less
19 interest.

20 The result will be that the taxes
21 coming to the City and the School District will --
22 we will get them sooner because the note will get
23 retired sooner and we'll enjoy the benefit. In
24 fact, our projections are that that note might
25 even get retired in the sixteenth year, based on

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2 current tax estimates.

3 But we've been conservative in our
4 presentation to you. As Mr. Simon said, we think
5 there may be more jobs but I think I've been here
6 enough to know that I want to give you an analysis
7 where, when I come back, I can tell you what I
8 promised you happened. So we've been
9 conservative.

10 But there is a very good chance that
11 the School District will get more revenue out of
12 this project than the City will sooner because if
13 there are more taxes, it will pay the debt sooner.

14 PRESIDENT STREET: Mr. Hankowsky, can
15 you tell us about the -- you made reference to an
16 MBE/WBE plan?

17 MR. HANKOWSKY: Yes.

18 PRESIDENT STREET: Which is not in
19 front of us. Now, can you tell us what the status
20 is --

21 MR. HANKOWSKY: Yes.

22 PRESIDENT STREET: -- in developing
23 such a plan?

24 MR. HANKOWSKY: The Simon DeBartolo
25 Group has voluntarily agreed to include an MBE/WBE

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2 plan as part of their project. We did provide a
3 copy of that to Council's technical staff back
4 when we submitted the TIF material in April.

5 There have been a series of discussions
6 between Council staff, Penn's Landing Corporation,
7 PIDC, and the Simon Group with regard to that
8 plan. They're working through revisions.

9 That plan will be an attachment to the
10 development agreement and sublease between Simon
11 and Penn's Landing; therefore, it will be part of
12 the legal documents to that agreement. And it
13 covers the development aspect of the project
14 design, construction, construction-worker
15 employment, etc.

16 MR. SIMON: And we've done it in every
17 city that we've worked in, so. . .

18 PRESIDENT STREET: There is a sentence
19 in your testimony on page 3. It says, "In
20 addition, Simon DeBartolo will enter into a
21 development agreement and lease with the Penn's
22 Landing Corporation which provides a rent of the
23 greater of \$400,000 per year or 4 percent of gross
24 revenues plus 10 percent of gross parking
25 revenues."

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2 What happens to the other 90 percent of
3 the other parking revenues?

4 MR. HANKOWSKY: Those go to the Simon
5 organization. And it operates the garage.

6 Understand, they have the 100 percent
7 responsibility to pay the cost of operating the
8 garage. We're not -- again, we're not taking on
9 that obligation, either.

10 MR. SIMON: That was a tough
11 negotiation; I didn't want to give it to him.

12 (Laughter.)

13 MR. HANKOWSKY: It went into the
14 evening, if I recall.

15 PRESIDENT STREET: Do we have any idea
16 what that money is?

17 MR. HANKOWSKY: Yes, we have. As I
18 indicated when Councilman Cohen asked the
19 questions about the use of experts on this, we've
20 done a couple things.

21 One, Penn's Landing Corporation hired
22 an appraiser to take a look at what did we think
23 was the economic value of this piece of ground
24 given its condition, etc. And that Penn's Landing
25 should get a rent, quote/unquote, of approximately

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2 800,000 a year.

3 The Simon DeBartolo Group has provided
4 us, and it's included within the TIF plan sort of
5 the revenue estimates. Obviously, we have those
6 revenue estimates to look at the stream.

7 But if you take those same revenue
8 estimates and multiply them times the business
9 deal, it is anticipated that Penn's Landing
10 Corporation would get, in the first year, about
11 \$900,000 in rent between the 4 percent gross
12 rentals in the retail and the 10 percent of the
13 parking. And that, obviously, that would increase
14 over time as rents go up or parking rates go up.

15 And I think one of the things that we
16 can perhaps all think about that might give us
17 comfort is that now that you have this revenue
18 stream that will further enable Penn's Landing
19 Corporation to do the festivals, put on more
20 things, perhaps not, as Mr. Sabattini said
21 earlier, you know, won't have to have as many
22 gated shows because they can just afford to do it.

23 So we actually think this is just a
24 terrific deal. I mean, the economics on how this
25 can work are just going to be terrific.

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2 And back to Councilman Kenney who made
3 a comment earlier, I mean, it is helpful to
4 remember -- not to pick on old projects that never
5 happened, but almost a decade ago in this chamber,
6 we were considering a project at Penn's Landing
7 that didn't happen, that would have required an
8 annual subsidy. That was the deal at the time
9 that was in front of us. So we have come a long
10 way in a project where we're not doing anything
11 like that today.

12 PRESIDENT STREET: Thank you.

13 The Chair recognizes Councilwoman
14 Clark.

15 COUNCILWOMAN CLARK: Thank you, Mr.
16 Chairman.

17 I would like to talk now a little bit
18 now about the specifics of minority and women's
19 program. You passed them out and I didn't read
20 them. I was away.

21 So kindly put upon this public record
22 what we may expect of this project as it involves
23 a more inclusive group of Philadelphians. What is
24 your commitment publicly?

25 MR. HANKOWSKY: If you wouldn't mind,

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2 Councilwoman, I would ask the project manager on
3 behalf of the Simon organization, since it's their
4 plan.

5 COUNCILWOMAN CLARK: Thank you, I
6 appreciate it.

7 MR. HANKOWSKY: That would be
8 appropriate. She's the expert.

9 COUNCILWOMAN CLARK: A member of the
10 affected classes -- I'm so happy to see her.

11 MS. SHIELDS: My name is Kathy Shields.
12 I'm a Vice President for the Simon development
13 group.

14 The economic opportunity plan which we
15 have submitted and we are reviewing and working
16 through with Marla Hamilton and with James
17 Roundtree establishes goals for minority and
18 female participation in the design, construction,
19 and the permanent operation of the center.

20 We are comfortable with living -- our
21 plan is to achieve and, if at all possible, to
22 exceed goals which would employment during
23 construction a workforce of 30 percent minority
24 participation and 5 percent women.

25 COUNCILWOMAN CLARK: Excuse me. Did

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2 you say 30 percent?

3 MS. SHIELDS: Yes, 30 percent minority.

4 This would be for employment during the
5 construction phase.

6 COUNCILWOMAN CLARK: Okay. In the
7 construction phase --

8 MS. SHIELDS: Correct.

9 COUNCILWOMAN CLARK: -- it's 30 percent
10 minority employment.

11 MS. SHIELDS: Correct. And it's 5
12 percent for --

13 COUNCILWOMAN CLARK: I'm having a
14 little bit of difficulty hearing you.

15 MS. SHIELDS: Okay. Again, to clarify,
16 that would be the 30 percent minority and the 5
17 percent women.

18 For contractors and professional
19 consultants, it would be our goal to achieve 20
20 percent participation by minority-owned
21 businesses, 10 percent by female-owned businesses,
22 and 2 percent participation by businesses that are
23 owned by disabled persons.

24 COUNCILWOMAN CLARK: Now, is this a
25 number and in dollars?

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2 MS. SHIELDS: Excuse me?

3 COUNCILWOMAN CLARK: Is this a number
4 of contracts as well as dollars of the total?

5 MS. SHIELDS: This is based on what a
6 percentage of what the total dollar value of what
7 the contracts left would be.

8 COUNCILWOMAN CLARK: Total value of
9 contracts left.

10 MS. SHIELDS: Total value, correct,
11 based on a budget that we have shared and will go
12 over in greater detail with the Minority Business
13 Enterprise Council and with Marla Hamilton on
14 President Street's staff.

15 We will also work with the City to
16 develop a community outreach program to facilitate
17 the hiring of Philadelphia residents for the
18 permanent jobs in this program. We will also
19 require our tenants to utilize local training and
20 management training programs when they're
21 interviewing for employees.

22 I should state that the Simon DeBartolo
23 Group has won several awards for community
24 outreach and training programs that we've
25 established with some of our other larger urban

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2 projects. So we are very committed to working
3 very closely with the City and with all of these
4 programs.

5 We are also working to create
6 meaningful opportunities for minority-owned and
7 female-owned opportunities to operate facilities
8 within the retail center. We have a retail
9 development program that is one of the best in the
10 industry to create opportunities for start-up
11 businesses and kiosks and carts.

12 We will work to establish a percentage
13 with Marla Hamilton that will be included in this
14 program, and we are also working with her to study
15 the strategy that has been successfully
16 implemented at the airport to create opportunities
17 for minorities and women to participate in the
18 permanent retail opportunities that will be
19 created. We actually have several entities that
20 we're right now working with that would be
21 potential permanent tenants.

22 COUNCILWOMAN CLARK: What has your
23 experience? Have you generally met and exceeded
24 your goals, or have you missed them?

25 MS. SHIELDS: We have generally met and

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2 exceeded the goals in any setting where we have
3 had such a program. We are very committed to
4 achieving them and we fully expect that we will be
5 able to exceed them.

6 COUNCILWOMAN CLARK: Would you name the
7 places where your program has operated and the
8 programs that are most successful that prove your
9 point?

10 MS. SHIELDS: I know that programs
11 where we have been most successful include the
12 Arts Plaza in Chicago. I believe they include the
13 Indianapolis project. And I'm being handed --
14 there was a project in St. Louis and in Jersey
15 City, all of where we had very strong affirmative
16 action programs and were able to exceed those
17 goals.

18 COUNCILWOMAN CLARK: So you've
19 generally set 30 percent participation goals, and
20 you've generally met or exceeded that 30 percent?

21 MS. SHIELDS: In the city of Chicago,
22 the goals that were established, the goals were
23 for 25 percent MBEs and 5 percent WBEs. We did
24 exceed those goals, we came in closer to the 30
25 percent marks.

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2 And we are, in essence, agreeing to set
3 a higher benchmark in this case, based on our past
4 ability to perform.

5 COUNCILWOMAN CLARK: Okay. Let's see,
6 anything else?

7 PRESIDENT STREET: The Chair recognizes
8 Councilwoman Tasco.

9 COUNCILWOMAN CLARK: What happened to
10 the Bloomington Mall in Minneapolis? You know,
11 the Mall of America? You know, the biggest mall
12 in the country? Isn't that what they say they
13 are?

14 MS. SHIELDS: I am not specifically
15 familiar with any program that we have at the Mall
16 of America. My colleague Bill Kammer, who handles
17 all of our TIF and public financing types of
18 things says that at the Mall of America, there was
19 no specific affirmative action program. Although,
20 again, the RDP program, which we call the "Retail
21 Development Program," it's probably the largest
22 that we have in our portfolio where, again, you're
23 providing opportunities for start-up businesses
24 through carts and kiosks and temporary facilities.

25 COUNCILWOMAN CLARK: Well, what was

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2 your experience there even though you were
3 voluntary and had no requirement to set goals?
4 What was your actual experience?

5 MS. SHIELDS: Actually, I don't have
6 that information. I can't tell you what the
7 specific percentages are at the Mall of America.
8 I could provide you with that information.

9 COUNCILWOMAN CLARK: Would you?

10 MS. SHIELDS: I was not involved in
11 that project?

12 COUNCILWOMAN CLARK: I'm sorry? I
13 didn't hear you.

14 MS. SHIELDS: I was not involved
15 directly with that project and I don't have that
16 information but we could certainly get it to you.

17 COUNCILWOMAN CLARK: Okay. You are
18 coming to a particularly rich market where it will
19 not be difficult for you to find minorities,
20 women, and disadvantaged contractors who are
21 experienced doing what you need to have done. So
22 you won't have to invent them, you won't have to
23 discover them; you will only have to let them
24 participate in opportunity.

25 I'm very pleased that we don't have to

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2 beat you over the head, that you're so willing,
3 because I'm looking forward to this being a
4 win/win situation for everybody. I'm not
5 interested in having some people watch some other
6 people take the money to the bank, okay?

7 MS. SHIELDS: And we are working,
8 again, with Council staff and James Roundtree who
9 have identified to us all of those contractors and
10 all of those design professionals that we plan
11 work with.

12 COUNCILWOMAN CLARK: David wants to --
13 I yield to David Cohen.

14 COUNCILMAN COHEN: (Off mike,
15 inaudible.)

16 COUNCILWOMAN CLARK: Mr. President, if
17 you don't mind.

18 COUNCILMAN COHEN: On the question of
19 the 30 percent, what percentage of the actual
20 payroll would that 30 percent represent? 'Cause
21 our experience has been that the great -- that the
22 largest portion of that has always at the
23 lowest-paying jobs.

24 What percentage of the payroll would
25 that 30 percentage of minority employment

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2 represent? Do you have any figures on that?

3 Would you --

4 MS. SHIELDS: I don't have any specific
5 figures on that now?

6 COUNCILMAN COHEN: Would it be possible
7 on any of your projects to develop those figures?

8 MS. SHIELDS: We could. And it is --
9 let me say that it is the intent in creating these
10 employment opportunities to spread them across all
11 of the different realms, all of the different
12 trades. So it is the goal and we get into greater
13 specifics, again, in working with Marla Hamilton
14 and with James Roundtree to identify opportunities
15 in each of the trades so that it should be fairly
16 evenly spread through the different --

17 COUNCILMAN COHEN: So that the 30
18 percent should be evenly spread?

19 MS. SHIELDS: That would be the goal,
20 that you would get it across those trades and --

21 COUNCILMAN COHEN: Well, could we have
22 -- take your -- what you would regard as your
23 most successful development, could we have an
24 analysis of that?

25 MS. SHIELDS: We could go -- I don't

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2 have those numbers available. But, again, we
3 could look at that and we will look at that in
4 working with the entities that we're working
5 through this plan with.

6 COUNCILMAN COHEN: And could that be
7 made available to the President?

8 MS. SHIELDS: Yes, we can do that.

9 COUNCILMAN COHEN: So that we can have
10 it in Council.

11 MS. SHIELDS: Okay.

12 COUNCILMAN COHEN: Thank you.

13 COUNCILWOMAN CLARK: Can I work with
14 your language just a little bit, though? You say
15 we want to work across all the trades, but what I
16 think that Councilman Cohen is talking about is
17 what we in the affirmative action are really used
18 to calling "vertical involvement" so that you
19 don't cluster all of your minority employment at
20 the bottom of the rung, at the lowest level of
21 employment.

22 So that there would be participation at
23 the manager and official level through
24 professionals, through technicians, through
25 clerical. Do you see that? It's what we used to

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2 call an "EE0-1 spread sheet" where you look at
3 each class of employment.

4 If you don't have that, you will have
5 the cling-to-the-bottom kind of problems. But if
6 you come here and you are open, there are managers
7 who can do what you're looking for. You're not
8 just looking for entry-level employees. There are
9 in this market the kinds of people that you need
10 at every level of involvement. Don't just look at
11 the entry level; although, of course, we do want
12 entry-level jobs as well.

13 We're more than willing to work with
14 you and to expose you to a population that is
15 well-known to us, which you might have difficulty
16 locating, even including Marla Hamilton and Jim
17 Roundtree. Of course, each of us has his or her
18 own group of people that we know about who would
19 have the kinds of skills that you would be
20 interested in.

21 This is a win/win situation. Nobody
22 here is trying to kill it. At the same time, this
23 is the appropriate time to raise the issues that
24 we will be caring about throughout the life of the
25 project.

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2 MS. SHIELDS: We understand your
3 concerns, and we will address them specifically in
4 work out the plan with the staff.

5 COUNCILWOMAN CLARK: Thank you.

6 MS. SHIELDS: You're welcome.

7 PRESIDENT STREET: If I could have your
8 attention, please. It is now 12 o'clock or
9 thereabouts. What I would like to do, with the
10 permission of the Chair, is now turn to Bill No.
11 980238.

12 Mr. Hankowsky, if you and your staff
13 could just -- you probably will have something to
14 do for the next couple of minutes. And what I
15 would like to do if we can get the witnesses on
16 Bill No. 980238 at the witness stand. Can we have
17 the witnesses on Bill No. 980238.

18 Mr. Taxin, Mr. Sayer, Mr. Aristone, and
19 Mr. Grimes, could I have all of you men at the
20 witness table.

21 (Bill 980238 witnesses come forward.)

22 PRESIDENT STREET: I think these are
23 the witnesses that are going to testify on the Old
24 City District, is that correct?

25 (Panelists respond in the affirmative.)

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2 PRESIDENT STREET: If I could have your
3 attention, please. If I could have your
4 attention, please. This committee is still in
5 session. If I could have your attention, please,
6 the committee is still in session.

7 Could I have the witnesses please
8 identify yourselves for the record.

9 MR. GRIMES: Good afternoon. I'm
10 Joshua Grimes. I'm the Executive Director of the
11 Old City Special Services District.

12 MR. TAXIN: John Taxin, President of
13 Old Original Bookbinders Restaurant and Chairman
14 of the Special Services District.

15 MR. SNYDERMAN: Rick Snyderman, on the
16 Executive Committee of the Old City Special
17 Services District and a business person in Old
18 City.

19 PRESIDENT STREET: Sir, could I ask you
20 to spell your last name.

21 MR. SNYDERMAN: S-N-Y-D-E-R-M-A-N.

22 PRESIDENT STREET: Thank you.

23 MR. SAYER: Chris Sayer, resident of
24 Old City, former president of Old City Civic
25 Association, and Executive Community Member of the

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2 Old City District.

3 PRESIDENT STREET: Thank you very much.

4 MR. GRIMES: Before we begin, if I may,
5 we have several copies of our written testimony
6 that, for the sake of time, we would pass up now.

7 PRESIDENT STREET: Yeah, we're making
8 -- we're having other copies made at this time.
9 We actually have them unless you --

10 MR. GRIMES: You may not have all of
11 them.

12 PRESIDENT STREET: Yes, can we have
13 those, have the Sergeant-at-Arms please pick up
14 that testimony.

15 MR. GRIMES: Thank you, Mr. President.
16 I'd also like to point out that included is the
17 testimony of Joseph Aristone, a Vice President of
18 Prett Reuben (ph.) who could not come back now, so
19 we've included his written comments here for the
20 record.

21 PRESIDENT STREET: Sir, I need you to
22 speak much louder and much more directly into the
23 microphone.

24 MR. GRIMES: I'm sorry, Mr. President.
25 I was saying that included are the written

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2 comments of Joseph Aristone, the Vice President of
3 Prett Reuben who would have liked to have
4 presented testimony today but had to leave.
5 However, his written comments have been passed
6 out.

7 PRESIDENT STREET: I thank you. We
8 will make them a part of the record.

9 Who will be first?

10 MR. TAXIN: I will.

11 PRESIDENT STREET: Mr. Taxin.

12 MR. TAXIN: John Taxin. The goal of
13 the Old City Special Services District is to
14 create a well-managed and desirable environment in
15 which to live work, visit, do business, and shop
16 in. This will not be an easy task, but we must
17 start somewhere, and that's why we are here today.

18 We will begin our effort with increased
19 presence of uniformed workers that will
20 concentrate initially on street-cleaning and
21 graffiti removal. The next step in our plan is to
22 have our Executive Director work on bringing a
23 police mini station into our neighborhood.

24 In the years to come, or plan is to
25 include the addition of community service

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2 representatives who will work as sidewalk
3 concierges directing tourists and keeping the
4 neighborhood informed of what's happening. We
5 also hope to add street signage to the
6 streetscape.

7 Why is this important and why do we
8 need this now. When I was first asked to attend a
9 meeting to discuss the possibility of forming a
10 special services district in Old City, I was very
11 interested in the idea because of the positive
12 effects such a service has had in Center City.
13 Also, as a business opener and a resident, I felt
14 it was my responsibility to get involved in my
15 community for such a great cause.

16 As time has gone by, I have seen the
17 Center City District make great improvements and
18 have seen other areas, such as South Street,
19 Germantown Avenue, and City Avenue get
20 established.

21 Today, the Old City District has a
22 great opportunity to see its dream come to
23 fruition with the assistance of City government
24 and the people who live and work in Old City. Now
25 is the time to stand up and start assuming

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2 responsibility for our neighborhood.

3 Thank you very much.

4 PRESIDENT STREET: Thank you very much.

5 Please identify yourself for the
6 record.

7 MR. SAYER: My name is Chris Sayer.

8 And I live at South Bank Street in Old City.

9 I thank you, Mr. President, for the
10 opportunity to meet with you and to urge the
11 passage of this ordinance.

12 More than six years ago,
13 representatives of Old City Civic Association and
14 the Old City Arts Association began meeting to
15 explore the formation of a special services
16 district. Several years ago, we were joined in
17 these efforts by Historic East Market and leaders
18 of the hospitality industry.

19 During these years, people have given
20 thousands of hours to make the Old City District a
21 reality. Much assistance was received from
22 government officials -- most notably here Council
23 Frank DiCicco, Senator Vince Fumo, and
24 Representative Marie Lederer. Also, we couldn't
25 have gotten here without help from Center City

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2 District -- Paul Levy, Paul Stanke (ph.), Tony
3 Pepitone (ph.).

4 Old City is a unique neighborhood. It
5 is a living community within America's most
6 historic square mile. It has a thriving arts
7 community and it is quickly becoming one of the
8 City's premiere hospitality districts.

9 Like it or not, we have been
10 discovered. Philadelphia Magazine termed Old City
11 the City's hottest new neighborhood. Player
12 Magazine recently devoted a major article. Last
13 month, the Washington Post travel section provided
14 pages of coverage of Philadelphia and Old City.
15 Utne Reader, a small but influential magazine has
16 named us one of the ten most liveable
17 neighborhoods.

18 In short, people are finding out what
19 many of us have known for some time -- that Old
20 City is a great place to live and to work.

21 But this new attention brings
22 opportunities and problems. Traffic and parking
23 will become an issue. Security problems in what
24 has been one of the City's safest neighborhoods
25 will grow. We will soon face additional pressures

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2 as major developments take place; both to our
3 west, in Independence Park, and to our east, at
4 Penn's Landing.

5 These changes can and should be managed
6 by us rather than us being managed by them. The
7 formation of this district, this Old City Special
8 Services District, is the first step. It is only
9 a first step, however. It will provide additional
10 levels of cleanup and security for Old City. It
11 will not, and it cannot, solve all of the
12 problems.

13 Many of us who live or work within the
14 District will need to be back to meet with you
15 further down the line as we go forward. We all
16 need -- and I think we all agree that we need to
17 protect what is the most historic district in the
18 City and is, in fact, the home, the start of the
19 birthplace of our city and our nation, while still
20 bringing new jobs and new development.

21 People come from all over the country
22 to visit Philadelphia because of the district and
23 the buildings enshrined that dot our area.

24 And I look forward to meeting with each
25 of you to guarantee the success of the Old City

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2 District and to guarantee the further success of
3 Old City.

4 MR. SNYDERMAN: My name is Rick
5 Snyderman. I'm a business person in Old City. I
6 am also a founding member of the Old City Arts
7 Association and was involved in the development of
8 the South Street Community many years ago as well.

9 I see this as a logical next step in
10 the development of the Center City as an economic
11 engine for the City. And in order to do that, we
12 have to have a coordinated program. And having a
13 special services district like this will give us
14 the tools in which to organize those kinds of
15 programs for the future development of not only
16 Old City, but I see Old City as one of the players
17 in a larger drama that involves making the center
18 of the city an economic engine that works for the
19 entire city as an economic development program.

20 In 1970, there were something like 200
21 or 220 residents in Old City. At the present
22 time, there are more than 2500. At the present
23 time, there are more than 400 active businesses in
24 this area, which employ roughly 2500 people.

25 The growth potential. Both for jobs

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2 and economic activity, for tax revenues, for
3 economic development in general, and for cultural
4 development as a way of using this area are
5 enormous. And in order to do that kind of
6 planning, we need this kind of a structure.

7 So we think that this is the
8 appropriate moment because we now have the kinds
9 of resources and we have the kind of personnel and
10 the kind of involvement of those people in that
11 community to bring all of this together.

12 So we thank you for this opportunity to
13 present this bill to you and, we hope you will
14 favorably rule on it.

15 Thank you.

16 MR. GRIMES: Good afternoon Mr.
17 President and members of the committee. I am
18 Joshua Grimes, Interim Executive of the Old City
19 Special Services District.

20 You've already heard several statements
21 this afternoon of support for the Old City
22 District. These statements from a small business
23 owner, the proprietor of a world-renowned
24 restaurant, a civic association head, and an
25 executive of a major property owner and civic

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2 leader, whose testimony was submitted in writing,
3 demonstrate the broad support throughout Old City
4 for the special services district and for the
5 services that it will provide.

6 In fact, the directors of the district
7 are particularly pleased that 86 percent of the
8 commercial property owners in Old City expressed
9 their support for our efforts during the
10 district's recent opt-out period mandated by State
11 law.

12 With the growth in Old City's
13 popularity, the services of a special services
14 district will provide are essential. Old City
15 remains a diverse business community, with
16 restaurants doing business alongside warehouses,
17 and hotels welcoming guests next to office
18 buildings.

19 Despite this diversity, there are
20 several facts that ring true throughout the
21 district. One, Old City welcomes more and more
22 visitors each year. Two, Old City is becoming a
23 more popular place for all types of businesses.
24 Three, more and more people call Old City home
25 every month. And, four, the development at Penn's

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2 Landing will only increase Old City's popularity
3 even more.

4 In creating the special services
5 district, business leaders in Old City considered
6 these facts and sought to create an agency that
7 will provide important services to improve the
8 business climate within reasonable budgetary
9 means.

10 We sought to ensure that the most
11 urgent needs common to most business owners are
12 met while remaining flexible enough to provide
13 additional services in future years should the
14 district's needs so warrant.

15 It should be noted that the Old City
16 District has a built-in guarantee to ensure that
17 it operates efficiently and provides only the most
18 essential services.

19 By direction of the Board of Directors,
20 the district may only assess a surcharge equal to
21 5 percent of the taxes assessed by the City and
22 the School District on Old City's taxable
23 commercial properties. This 5 percent figure is
24 significantly lower than the surcharge currently
25 paid by businesses belonging to the Center City

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2 District, the South Street Head House District,
3 and probably all other special services districts
4 in Philadelphia.

5 By capping the surcharge at the 5
6 percent level, the Board sought to ensure that Old
7 City's property owners will not be overly burdened
8 by the district's costs. The district cannot
9 consider a higher surcharge until its
10 reauthorization in five years.

11 The Old City District will be headed by
12 a full-time and permanent executive director.
13 This individual, who has yet to be hired, will be
14 experienced in community and economic development.
15 He or she will be responsible for implementing the
16 district's operations and programming as well as
17 overseeing all contractors. The executive
18 director will also be accountable to Old City's
19 businesses for the smooth provision of the
20 district's services.

21 While our budget for this position is
22 not grandiose by any means, the many candidates
23 that have already expressed an interest in heading
24 the district prove that we will engage an
25 individual with superior qualifications and

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2 skills.

3 With this background, I'd like to
4 briefly highlight some of the services that the
5 district will provide. First is sidewalk-
6 cleaning. The special services district will
7 maintain Old City sidewalks through a
8 seven-day-per-week program of sidewalk-cleaning,
9 landscaping, graffiti removal from sidewalk,
10 furniture, and building facades, and light bulb
11 replacement on pedestrian lighting fixtures.

12 These services will be provided to the
13 district through an agreement with Center City
14 District, our neighbor to the west. Given the
15 Center City's superlative track record in its home
16 territory, we expect that Old City's outward
17 appearance will improve dramatically in the weeks
18 following the district's start-up. Daily
19 sidewalk-cleaning and other maintenance activities
20 will ensure that Old City retains a spruced-up
21 look.

22 Next is the security program. Another
23 integral part of the Old City District will be
24 enhanced security. As Old City becomes more and
25 more popular with tourists, residents, shoppers,

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2 and office workers, we anticipate a related
3 increase in crime, especially car break-ins and
4 other crimes against property. Such incidents
5 seems to be an inevitable part of life in popular
6 parts of the City.

7 To provide a permanent improved
8 security presence, the district will work to
9 enhance the current efforts of both the
10 Philadelphia Police Department and the National
11 Park Service Police within our boundaries.

12 By better coordinating coverage of both
13 commercial and residential areas, we hope to make
14 Old City safer without demanding large amounts of
15 additional resources. Over the long term, we plan
16 to work with the police to establish a mini
17 station within the district.

18 Security will also enhanced by the
19 constant presence of the district's uniformed
20 maintenance workers and supervisors performing
21 their sidewalk-cleaning duties. Merely by placing
22 these individuals on the streets for several hours
23 each day, we expect a significantly deterred
24 graffiti, car break-ins, and other nuisance
25 crimes.

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2 In subsequent years, the district hopes
3 to provide community service representatives to
4 serve as our ears and our eyes on the street and
5 assist residents and visitors alike. This CSR
6 component will be added to our program as the
7 district's budget allows.

8 Finally, we have a planning and
9 development program. To further our goal of
10 creating a safer, more attractive public
11 environment, the district will work with local
12 businesses and residents as well as a variety of
13 government, private, and civic organizations to
14 enhance the image of Old City.

15 We plan to establish new informational
16 signage, banners, transit shelter maps, and
17 posters to enhance the attractiveness of the
18 streetscape.

19 The district will also support an
20 ongoing marketing and promotional campaign
21 directed towards historic and cultural tourism,
22 shopping, and increased occupancy of commercial
23 and residential buildings.

24 This, in a nutshell, is the initial
25 plan of the district. It is admittedly somewhat

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2 limited both in fiscal resources and scope.

3 However, by starting with the most basic objective
4 of making Old City clean and safe and augmenting
5 our programming, once the district's initial tasks
6 are underway, we expect that the district will
7 become an essential player in the effort to make
8 Old City a great place to live, shop, and do
9 business.

10 Before concluding, I want to thank
11 Council Frank DiCicco for his leadership in
12 helping to make the district a reality. I also
13 want to thank the many other Members of Council
14 whose support for this bill and the previous
15 ordinance creating the district has been so
16 important in our efforts.

17 Mr. President, I ask for a suspension
18 of the rules in this matter. My colleagues and I
19 would be pleased to answer any questions you or
20 any other members of the committee might have at
21 this time.

22 PRESIDENT STREET: Thank you very much.

23 Are there any questions of any members
24 of the committee? Are there any questions?

25 (No questions.)

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2 PRESIDENT STREET: Thank you very much.

3 There doesn't appear to be any questions.

4 MR. SAYER: Thank you very much.

5 PRESIDENT STREET: With the permission
6 of the committee, we will now go back to our other
7 matters on our agenda.

8 Is Mr. Peter Saligman in the room? Mr.
9 Saligman? Mr. Cahill?

10 MR. CAHILL: I'm here.

11 PRESIDENT STREET: Mr. Cahill, would
12 you please take the witness stand, please?

13 (Mr. Cahill comes forward.)

14 PRESIDENT STREET: Mr. Cahill, please
15 identify yourself for the record.

16 MR. CAHILL: I'm George Cahill. I'm a
17 resident of Pier III. I'm also a businessman in
18 the Penn's Landing area and I'm Democratic
19 Committeeman for the 5th Ward.

20 PRESIDENT STREET: Please proceed.

21 MR. CAHILL: I'm filling in for Peter
22 Saligman, who stepped out for lunch. We didn't
23 expect to be called this fast.

24 So we're here to address concerns that
25 we have related to the Penn's Landing project.

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2 Specifically Pier III will be the most impacted by
3 the planned project if approved.

4 So we have concerns that we would like
5 to address today to the developer and to Council
6 to get on record.

7 (Peter Saligman comes forward.)

8 MR. CAHILL: This is Peter Saligman, my
9 colleague, and also a resident of Pier III.

10 PRESIDENT STREET: Thank you very much
11 for being with us.

12 MR. SALIGMAN: Thank you.

13 PRESIDENT STREET: Please proceed.

14 MR. CAHILL: I'm going to let Peter
15 talk about the issues first, and then I'll address
16 the parking and the traffic issues.

17 PRESIDENT STREET: That's fine. Mr.
18 Saligman, please identify yourself for the
19 record .

20 MR. SALIGMAN: Okay. Thank you, Mr.
21 President. My name is Peter Saligman,
22 S-A-L-I-G-M-A-N. I'm a resident of Pier III and
23 also head up the Pier III Committee which has been
24 interacting with the Councilman and the DeBartolo
25 Group.

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2 As George said, I think Pier III is the
3 most impacted by this development. As you can see
4 on the model, we are in fact the only residential
5 development shown on the model. Which shows you
6 how close we are.

7 I guess, just to summarize Pier III's
8 concerns and what we would like to do, because we
9 are the most directly impacted by this
10 development, we would like to enter into and have
11 discussed with the representatives of the
12 DeBartolo Group -- enter into a developer's
13 agreement whereby we actually put in writing some
14 of the things that we've talked about: issues
15 concerning traffic, noise, security, trash. And
16 of also concern is the facade of the garage which
17 will face Pier III. These are all issues that are
18 of concern to Pier III.

19 Also, I think Mr. Simon touched on this
20 was -- of concern is that a future use of this
21 site does not become a gambling casino. And I
22 think Mr. Simon had indicated that it would not.
23 You know, again, we're just looking for some
24 assurances.

25 And our hope is -- we've talked about a

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2 developer's agreement throughout this yearlong
3 process of all the meetings, and we've been told
4 yes, yes, we'll do it, we'll enter into it. It's
5 a year later, we're here before City Council, and
6 preparing to vote, and we still have no
7 agreement.

8 So I guess we would look to Council or
9 to somebody to enforce that had and to say, Hey,
10 will you guys really enter into this agreement to
11 address some of these concerns of your closest
12 neighbor?

13 PRESIDENT STREET: Sir?

14 MR. CAHILL: My concern, in addition to
15 Peter's, are the fact that -- and I would like to
16 step up to the model for a minute to point this
17 out to City Council, if I may.

18 PRESIDENT STREET: Sure, please
19 proceed.

20 MR. CAHILL: Thank you.

21 PRESIDENT STREET: This is Mr. Cahill
22 for the record and for those Council Members who
23 may not have been here.

24 MR. CAHILL: My concerns are as you
25 travel south on Columbus Boulevard to Market

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2 Street, there's only one way to access Pier III
3 and Pier V; and that is by making a U-turn at
4 Market Street.

5 If this project comes to pass, the
6 traffic will be exiting out of this very
7 intersection that I'm talking about. We will
8 virtually -- when I say "we," residents of Pier
9 III and Pier V, in my opinion, will be virtually
10 land-locked out of our units, our homes because of
11 traffic congestion entering and exiting into this
12 project.

13 My question to -- and we've talked
14 about this in the past -- Councilman DiCicco is
15 how will we be assured that we as residents of
16 Pier III and Pier V will not be in essence
17 land-locked from our homes? That's my question.

18 COUNCILMAN DICICCO: That's a question
19 to me?

20 MR. CAHILL: Yes.

21 COUNCILMAN DICICCO: Thank you, Mr.
22 President.

23 I think we have discussed during the
24 past year, and I think, for the record, it's
25 important to note that in addition to the working

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2 committee that is made up of the ten various civic
3 associations, we had a separate subcommittee, of
4 which there are two or three by now, to deal with
5 the issues pertinent to the Pier III residents
6 because they are, in fact, the most immediate
7 neighbors. And someone from Penn's Landing or
8 maybe Mr. Dick Orth could fill us in a little more
9 on this.

10 We have been talking about possibly
11 sliding back the area of ingress and egress going
12 from south -- from north to south on Columbus
13 Boulevard where you now make that turn to make a
14 U-turn or make a left-hand turn going east across
15 Columbus Boulevard.

16 I think preliminary plans call for
17 sliding that further north, which will give the
18 residents of Pier III and Pier V better access to
19 your facilities, away from the project. And I'm
20 not sure what the length of that is, but we
21 already talked about that.

22 And before Mr. Dick Orth does his
23 presentation on the traffic control study and how
24 it affects Pier III and Pier V, I think it's also
25 important to understand, the reason we haven't

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2 reduced all of this to writing is, this project,
3 as you both know, has continually been changing --
4 the size and scope of it, the areas of ingress and
5 egress.

6 Although we are pretty certain they're
7 going to be where they are, with the exception of
8 the viaducts, this thing is constantly changing.
9 And I don't think it would be fair to any of us to
10 enter into an agreement until we have it nailed
11 down specifically as to what the esthetics of the
12 building are 'cause that is of great concern to
13 you.

14 One of my first comments to Mel Simon a
15 year ago was, If I live in Pier III and I live at
16 the southern side of Pier III and I look out my
17 window, what do I see? This is important to you,
18 and we've been sensitive to that. And you're a
19 part of that separate committee that are going to
20 deal with the issues of esthetics.

21 We've even talked about, when we talk
22 about trash, we even talked about what we will be
23 able to do to maintain the area of waterway
24 between the proposed project and Penn's Landing
25 when trash may blow off the roof of this

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2 entertainment center because people are up there
3 having a soda, whatever. And who will maintain
4 the waterway? We've talked about some of those
5 things.

6 And I think we're going to have some
7 significant solutions to that and we're going to
8 reduce all of that to writing at the proper time,
9 and I think we're getting close to that.

10 We have a Traffic Study Committee,
11 which is another subcommittee that I created to
12 deal with the issues related to traffic. And
13 people from your -- I'm not sure if it was Mr.
14 Cahill or Pete, one of you, I think, are on that
15 committee. We had a meeting scheduled for the
16 10th of June.

17 This will be ongoing during the
18 construction phase of the project and even when
19 the project is completed. I want to keep a
20 committee in place as long, as I'm your
21 Councilperson, that will deal with issues related
22 to this project forever and a day concern. And I
23 pledged that to you at the other meetings, and I'm
24 on record today to continue to work with you.

25 And I understand your concerns. I've

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2 never tried to dismiss the concern that there will
3 be an increase of traffic and there will be a need
4 for additional parking, but we're working to
5 accommodate some of those problems.

6 For the record, in addition to the 24
7 to 2500 parking spaces on site, Penn's Landing is
8 now managing two additional parking venues -- one
9 to the north, which was the former police
10 impoundment lot, and the South Street pedestrian
11 bridge parking lot on Columbus Boulevard is now
12 under the control of Penn's Landing. We were able
13 to get that parking lot down at South Street out
14 of the management control of the Parking Authority
15 and in the control of Penn's Landing.

16 And the reason for that, so my
17 colleagues and everyone understands, we were
18 trying to find additional off-site parking for the
19 project. And what this will mean to the project
20 is we will be able to create a shuttle system
21 along Columbus Boulevard to take people from the
22 other parking venues to and from the Penn's
23 Landing Entertainment Center, all in the effort to
24 eliminate some of the impact of vehicular traffic
25 on a daily basis.

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2 So my answer to you is, and I think,
3 with the President's permission, Mr. Dick Orth,
4 from Orth Rogers, the traffic consultant, could
5 speak to the issue of you being possibly
6 land-locked and the issue of the area of ingress.

7 And I see my colleague Councilwoman
8 Clark wants me to yield. I will yield.

9 COUNCILWOMAN CLARK: One, because I
10 have to go. And as much as I'd like to hear your
11 presentation, I'm not going to be able to.

12 I think that when reasonable efforts
13 have been made to accommodate a community, that
14 community is going to have to realize in the final
15 analysis that it will not be the same community as
16 before. There will --

17 MR. CAHILL: We have accepted that.

18 COUNCILWOMAN CLARK: I understand
19 that. There are going to be some changes that
20 everybody has to make in the interest of
21 progress.

22 Now, we're having these hearings to
23 determine whether this is indeed progress. If it
24 is, then all of us are going to be different.
25 You, because you live closest, are going to

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2 perhaps have to put up with more traffic.

3 Now, there are some options available
4 to you, okay. We hope you don't exercise them,
5 all right? But part of going to what had to be an
6 attractive area should also have put you on notice
7 that one day you were going to get some more
8 neighbors. And this is the one day.

9 We owe you a sensitive hearing, we owe
10 you the best reasonable efforts to minimize the
11 disastrous impact on your life-style as you have
12 come to know it. But it is unfair to you to paint
13 you a pretty picture that's not real.

14 No matter how many parking lots we put
15 in, no matter how many over-the-street pedestrian
16 bridges, you are going to deal with additional
17 parking, additional traffic, additional smog,
18 additional noise. It is, quote, the price of
19 progress.

20 MR. CAHILL: I think I'm speaking for
21 myself as a resident of Pier III. I just want to
22 be able to get into my home.

23 COUNCILWOMAN CLARK: I understand, but
24 the reason why --

25 MR. CAHILL: You know, I have concerns

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2 about all the other issues, but I want to be able
3 to come home at night and get into my home.

4 COUNCILWOMAN CLARK: And I think you
5 have a right to do that, but I need to tell you
6 that you will probably have to work a little
7 harder. It will probably take you a little longer
8 to get into your home at night.

9 Now, if you're willing to take that as
10 a fair representation of a government that cares
11 about you, we've got the basis of an agreement.
12 But if you think that we can paint you a Pollyanna
13 picture that says, Yeah, this is good and we want
14 it but it's not going to change your life-style,
15 that's not fair. I want it to be on record as
16 having told you that that's not real.

17 MR. CAHILL: And I want to go on record
18 as not asking for that.

19 COUNCILWOMAN CLARK: Okay, fine. We've
20 got the basis of a compromise.

21 COUNCILMAN DICICCO: The other issue I
22 wanted to address before Mr. Dick Orth gives his
23 presentation is that we have already worked out an
24 agreement -- I have already worked out an
25 agreement. It's not in writing, but it will be

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2 part of a written agreement with Penn's Landing
3 Corporation.

4 We'll assume the maintenance
5 responsibility for the common or public area of
6 going from the north end of the project all the
7 way down as far north as Pier III to maintain the
8 sidewalk and keep that clean. That will be a part
9 of the regular daily maintenance in addition to
10 what they will be doing at their facilities that
11 exist today and the future facility of Penn's
12 Landing.

13 Thank you.

14 MR. SALIGMAN: I understand what you're
15 saying and I agree with you that it is the price
16 of progress and the price of change. And I guess
17 what we at Pier III are simply looking for is a
18 written agreement, as has been indicated to us,
19 that we could enter into -- that they would enter
20 with us between the Pier III Homeowners
21 Association and the Simon DeBartolo Group, which
22 would be separate from any written lease that
23 exists between the two parties, that simply puts
24 in writing a lot of things that these committees
25 and subcommittees are discussing.

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2 Because we leave the committee meetings
3 and we all feel pretty good that here's how we'll
4 deal with the trash, here's how we'll deal with
5 this and that, understanding that there will be an
6 increase.

7 We just want to make sure that on a
8 going-forward basis that people will change -- you
9 know, everybody will be different parties here but
10 that what we were promised and what we were told
11 is documented and is of record and will happen
12 that way.

13 And that's -- and it's not that we --
14 if I could live with only the players that are
15 involved today, that would be fine. But as time
16 moves on, this is a permanent thing. That's the
17 concern of Pier III, that we just want to make
18 sure that everything is and stays as it's
19 proposed.

20 COUNCILWOMAN CLARK: Well, it is very
21 difficult to reduce to writing a proposed project.
22 And when you do, you build in a problem.

23 Why don't -- essentially, this project
24 works only because of faith. Now, I ain't big on
25 faith; you've heard me say what I think about

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2 faith. But to have this project have to work
3 around a written promise to you this early in it
4 would be to shackle it to the point that the
5 promise wouldn't be worth very much.

6 What you have to commit yourself to is
7 constantly watching and monitoring it. And even
8 if you had it in writing, still have to constantly
9 monitor and watch it. But I would encourage my
10 colleague not to commit to writing something that
11 is as tenuous as this must be at this time.

12 You have our commitment on this public
13 record that we have heard your concerns, that we
14 are not your enemies; we are trying to accommodate
15 them. But I don't think that it's clearly
16 understood well enough to put it in writing, and I
17 would be against putting it in writing at this
18 time beyond what we've said.

19 MR. SALIGMAN: Right. At this time, I
20 can understand that and certainly agree with that,
21 but I guess we would look to at some point, once
22 some of these committees work through and finalize
23 how some one these issues will be dealt with, and
24 once we sit down and agree on it after the
25 process, at that point, do you think it would be

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2 appropriate to reduce it to writing?

3 COUNCILMAN DICICCO: I think that at
4 some point, there will be a written document. But
5 as the Councilwoman indicated, because this is all
6 new to us and things will constantly be changing,
7 eventual change, what I would like to see is some
8 early announcement as to a major event that may be
9 taking place, where the community is made aware of
10 that 30 days before, similar to what we do at the
11 stadium, when the Eagles and the hockey team --
12 the Flyers and maybe another event is taking
13 place, people down at the stadium, who live in the
14 stadium area, are given advance notice so that we
15 can prepare for what will be expected will happen.

16 But I don't have the answer to those
17 today. I can only tell you that certain things
18 will be in writing. And that's why I want to keep
19 a working committee in place at all times, to deal
20 with issues as they come about.

21 And you have my commitment on that.

22 And, again, I think from Day One, you know I
23 supported the project, there was never any hidden
24 agenda on my part. Even though there's a lot of
25 disagreement from the community about whether this

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2 thing should happen or not, I've committed to one
3 thing and I will live up to that commitment, you
4 know, going forward, that you will always be a
5 part of the process -- at least as long as I
6 represent the district.

7 MR. SALIGMAN: I should just add, for
8 the record, that the Councilman has been very
9 up-front. I mean, I really applaud the way that
10 he has handled the whole thing. He brought all
11 the community groups in from the very beginning
12 and has kept us involved, and I applaud and
13 commend that. I think that's been a great thing.

14 Even though we don't sometimes see eye
15 to eye on how it should happen, he's --

16 COUNCILMAN DICICCO: That's life.

17 MR. SALIGMAN: -- handled the process
18 very, very well.

19 COUNCILMAN DICICCO: Thank you.

20 PRESIDENT STREET: Thank you very much.

21 COUNCILMAN DICICCO: I think, Mr.
22 President, Mr. Orth, who's been the consultant on
23 the traffic study, might be able to answer their
24 specific questions related to --

25 PRESIDENT STREET: Mr. Orth, please

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2 identify yourself for the record and proceed.

3 MR. ORTH: Yes. My name is Richard
4 Orth. I'm a principal of Orth Rogers &
5 Associates. We're traffic engineers and
6 transportation planners, with offices --

7 PRESIDENT STREET: Mr. Orth, this is
8 what I would like you to do.

9 MR. ORTH: Yes, sir.

10 PRESIDENT STREET: I would like you to
11 answer their questions.

12 MR. ORTH: I understand, sir. I was
13 going to do that.

14 I think -- and I'm not sure I've got it
15 right. I think Mr. Cahill has raised the point
16 that currently the residents of Pier III coming
17 southbound on Columbus Boulevard now use the
18 traffic signal at Market Street to be able to make
19 a U-turn to travel back northbound and then to
20 turn into Pier III.

21 As Councilman DiCicco has pointed out,
22 it's the intent of the plan to shift that
23 intersection a little further north -- the exact
24 distance, we're not certain of, but it goes
25 somewhat further north, but the movement -- there

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2 is no reason that I know of that that movement,
3 the U-turn movement, could still not be permitted
4 in the future.

5 There will be more traffic making the
6 move because there will be more traffic turning
7 into the garage. But also, at this point, I don't
8 see any reason why that U-turn movement that takes
9 place today would not still be permitted in the
10 future.

11 And that's something, again, that can
12 certainly continue to be worked out. It's a valid
13 question. Councilman DiCicco's comment about the
14 ongoing traffic committee is the kind of thing we
15 will certainly keep at the top of the list.

16 And, again, at this point, I see no
17 reason why that movement couldn't be maintained.

18 PRESIDENT STREET: Isn't it fair to
19 say, though, that in addition to Pier III and Pier
20 V residents, there may be some other commercial
21 establishments that have an interest in people
22 being able to go south and then come north?

23 MR. ORTH: There may be, yes, sir. I
24 think that's quite possible.

25 PRESIDENT STREET: There may be some

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2 other -- I only say that to point out -- actually,
3 I'm familiar with that turn, and it -- it just --
4 I think it underlines Councilman DiCicco's point
5 that there really is work to be done on some of
6 these problems, and it's not an unimportant detail
7 that you are interested in and that the committee
8 will certainly follow and we will, of course,
9 support the District Councilperson. It's
10 primarily his responsibility.

11 But I think you have made your point
12 here, and we appreciate your coming. And, you
13 know, we will be mindful of the need to consider
14 your specific problems in all of this.

15 MR. CAHILL: Thank you.

16 MR. SALIGMAN: Thank you.

17 PRESIDENT STREET: Thank you.

18 COUNCILMAN DICICCO: Thank you.

19 PRESIDENT STREET: John Terry? Is Mr.
20 John Terry here?

21 (Not present.)

22 PRESIDENT STREET: Doris Casper, Miss
23 Casper?

24 She's here. I see her -- I see someone
25 who, I believe, has identified herself as being

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2 Miss Casper.

3 MS. CASPER: My name is Doris Casper.

4 And I live at Society Hill Towers, north building
5 I formerly had a townhouse in Queen Village,
6 which, unfortunately, I had to get out of because
7 I couldn't walk the stairs anymore.

8 I am very happy living at the Towers; I
9 am unhappy with what's going on at Penn's
10 Landing. Number one, I am against the hotel
11 because of the traffic it's going to bring and
12 because I object to \$10 million of HUD money
13 required for it. And my idea was that the hotel
14 belonged at Market Street, where the DeBartolo
15 project is now being proposed.

16 And at first, I was against it, but I
17 went to the town meeting with the Old City Civic
18 Center. And there, they expressed their very
19 great displeasure with the proposed 20 restaurants
20 that were going to be in the DeBartolo project.

21 By the time the DeBartolo people
22 presented their presentation to the Society Hill
23 Civic Association, which was held at Pennsylvania
24 Hospital, they had decreased the 20 restaurants to
25 8, which they said would be very large

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2 family-oriented restaurants, which sounded a lot
3 better and seemed to be less competitive with the
4 Old City restaurants.

5 It seems to me that the DeBartolo
6 people are accommodating themselves to community
7 interests and so I've come to think that I
8 probably support it. My only concern is that the
9 Riverview is developing a family-oriented project.

10 They're now we're going to have, I don't know,
11 18 movies, and they're going to put something
12 across the road.

13 What upset me was, at the Society Hill
14 Civic Association, we were told that no City money
15 would go into DeBartolo. And then I see in the
16 paper that 60 million, or whatever it was, of City
17 money is going to go.

18 And so I came today to find out what
19 that meant, and I discovered that TIF money is
20 different than City money. And I presume that
21 we'd get it back, if I understand it correctly.

22 So, by and large, I think I am now for
23 the DeBartolo. I just hope we don't have two
24 family-oriented entertainment centers one mile
25 apart Market Street and Riverview.

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2 But I'm still very much against the
3 hotel -- not because it's going to block my view,
4 I don't have that view, but because it's going to
5 make Dock Street a major thoroughfare.

6 I don't care what the person who was in
7 charge of the road projections says, cabs are
8 going to go in and out of that hotel, straight up
9 and down Dock Street, which is going to become a
10 main street leading either to Walnut or to
11 Spruce. And I think the amount of traffic it's
12 going to bring to our community, on top of
13 DeBartolo and on top of South Street, is going to
14 be absolutely untenable.

15 Thank you.

16 PRESIDENT STREET: Thank you very much.

17 Councilman Cohen.

18 COUNCILMAN COHEN: I just want you to
19 know you're ahead of me. You apparently know the
20 difference between City money and TIF money. But
21 I must tell you that as of now, I do not know the
22 difference, so you have some company. I'm hoping
23 that this will become more clarified to me as --

24 MS. CASPER: It sounds to me like TIF
25 money we get back.

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2 COUNCILMAN COHEN: Well, that's not
3 clear in my mind.

4 MS. CASPER: I hope I'm right.

5 COUNCILMAN COHEN: I would like for you
6 to be right.

7 PRESIDENT STREET: Bertha Barksdale.

8 (Bertha Barksdale comes forward.)

9 MS. BARKSDALE: Ladies and gentlemen
10 and Members of City Council, my name is Bertha
11 Barksdale. I'm here on behalf of ACORN and the
12 Living Wage Campaign.

13 As many of you know, the Living Wage
14 Campaign is a grass-roots effort of 50
15 organizations who believe that corporations should
16 be accountable to the City of Philadelphia.

17 Bill No. 970586 would require companies
18 that want our tax dollars to pay a living wage
19 with benefits, and I hope you will support the
20 bill on June 3rd.

21 I am a low-income person. And when I
22 read about the amount of money these companies are
23 getting, I was appalled, and I would have made
24 preference of allocation of monies to schools,
25 payment of health care, to hire more police, or to

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2 get jobs for the neighborhood. Instead, we are
3 here today because this money is going to
4 corporations that claim they are bringing jobs to
5 the City. And you, as Members of City Council,
6 must decide if these companies are good for the
7 City or not.

8 My insight of the economic development
9 plan for the City does not work. Let me say it
10 again -- it does not work.

11 Homelessness and joblessness are
12 important issues that are evident. But, to my
13 understanding, this project would supply X-amount
14 of jobs. And I do commend them for this.

15 As Members of Council, what I am asking
16 from you is this: Before you say yes or no,
17 demand to know from these companies what are they
18 paying? Are they paying a living wage? Are you
19 paying health care? There are already 165,000
20 jobs that pay below \$7.50 an hour in
21 Philadelphia. We don't need 100 more of them.

22 Before my tax dollars go to another
23 company, make sure this company is giving back to
24 Philadelphia. Don't sell us out. It's our
25 future. Make companies pay a living wage.

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2 Thank you.

3 PRESIDENT STREET: Thank you very much.

4 MS. BARKSDALE: Thank you.

5 PRESIDENT STREET: I would like the
6 record to reflect that there was previously-
7 scheduled a hearing of the Council's Committee on
8 Commerce and Economic Development. Miss Barks was
9 here for that hearing.

10 And I would like for most of her
11 testimony to be made available to the Council
12 Committee on Commerce and Economic Development,
13 which is hearing the bill that Miss Barksdale
14 spoke to. We appreciate her coming here and her
15 patience and would like to make sure that her
16 testimony is a part of the appropriate record.

17 At this time, the Chair recognizes
18 Councilman Nutter who would like to make an
19 announcement.

20 COUNCILMAN NUTTER: Thank you, Mr.
21 President, and I will follow up as Committee Chair
22 on Commerce and Economic Development on making
23 sure that that testimony gets over to where it's
24 supposed to be.

25 Mr. President, there was an

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2 announcement made earlier about a continuation of
3 a previously-recessed hearing on Commerce and
4 Economic Development regarding the bill that has
5 generally been referred to as "the living wage
6 bill."

7 It had originally been recessed till
8 today, at 10 o'clock. There was an earlier
9 announcement that it was being recessed until June
10 3rd, at 2 o'clock. There has been a change. That
11 bill and its hearing has now been recessed to the
12 call of the Chair. The various parties have a
13 fair amount of work to do on the bills, and we're
14 going to take some time to make sure they get
15 squared away properly.

16 Thank you very much.

17 PRESIDENT STREET: Thank you very much.

18 The Chair recognizes Councilwoman
19 Fernandez.

20 COUNCILWOMAN FERNANDEZ: Thank you, Mr.
21 President. We're going back to the --

22 PRESIDENT STREET: We are now going
23 back to the testimony on the various TIFs that are
24 currently in front of the Council unless -- and I
25 really would like to get Mr. Steven Zwick, an

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2 architect. Could we get him? I think he's a
3 member of the general public who wishes to
4 testify.

5 COUNCILWOMAN FERNANDEZ: I just had a
6 couple of questions on the Penn's Landing one,
7 which I wanted to get in.

8 PRESIDENT STREET: We'll get Mr.
9 Hankowsky and then we'll get right back to it.

10 MR. ZWICK: Excuse me, Council
11 President Street, I'm also a member of the AIA
12 Urban Affairs Committee. Don't represent them,
13 but I do take part in that organization.

14 Now, I just want to say from the
15 outset, I'm not against development; I'm against
16 -- oh, I'm sorry.

17 For the record, my name is Steven
18 Zwick. I own my own practice which is called Z
19 Texture P.C. and I formerly worked at a firm
20 called J. Curilla (ph.) Architects, who currently
21 is expanding the Riverview Complex. I did the
22 original design for the Riverview Complex.

23 In addition, I've designed a number of
24 the more successful entertainment venues along
25 riverfront, including the Maui Club, the Engine 46

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2 Steak House. And I also currently do work for
3 Electric Factory. I designed the Electric Factory
4 and also the renovation of the TLA, which has just
5 occurred.

6 In addition, the Philly Rock at the
7 airport. In that context, I've also worked in
8 bringing an \$80 million+ project to my home town
9 of Evanston, which is a project that includes
10 130,000 square feet of retail and --

11 PRESIDENT STREET: Mr. Zwick --

12 MR. ZWICK: Okay.

13 PRESIDENT STREET: You have established
14 your qualifications.

15 MR. ZWICK: Okay. In that context, I
16 think what Mr. Simon said is correct.
17 Philadelphia is underdeveloped, and I'm glad that
18 he's willing to come here and spend the money.

19 I have some queries or questions about
20 why he was the exclusive developer, thus giving
21 away any negotiating power if there had been an
22 RFP issue process.

23 Consequently, I don't disagree with the
24 TIF; I disagree with the amount of the TIF almost
25 being 36 percent of the total cost of the project.

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2 If there had been an RFP process, if it had been
3 negotiated, I think the terms could have been more
4 favorable.

5 As for the specifics of the design of
6 this project, I think the designer has missed a
7 lot of the cues of what already exceeds at the
8 riverfront.

9 Specifically looking at the garage -- I
10 mean, I wrote a short letter. And in this letter
11 to my buddy, Ed, I cited these flaws with what I
12 feel are design flaws of the project.

13 First, 50 percent of the river frontage
14 is the back of a parking garage.

15 Second, the placement of the outdoor
16 public space on the roof of the structure
17 disconnects people from the river. As an analogy,
18 compare a roof garden to sitting in Rittenhouse
19 Square.

20 Three, the promenade along the river is
21 not developed. This quay is juxtaposed next to --
22 it's either a 35- or 55-foot wall that detracts
23 from the pedestrian experience.

24 Four, the elevations presented
25 especially along the river are monotonous and are

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2 scaled to be perceived from New Jersey and afar;
3 they are not scaled for the pedestrian and, thus,
4 will not be friendly. As are the existing peers
5 are not scaled for the pedestrian, as walking down
6 Chestnut or Walnut is scaled for the pedestrian.

7 The campo is inward-looking. The
8 retail follows a path to the quote/unquote, campo
9 not to the river.

10 The viability of the movie theater is
11 questionable with the Riverview expansion, the
12 existing Ritz theaters and the proposed theaters
13 in the Riverwalk project; i.e., movies are already
14 split among the existing theaters. Plus patrons
15 want to go where the movie they want to see is
16 being shown. Consequently, with the product
17 split, there is no assurance that a movie theater
18 at this location will be the draw anticipated.

19 Furthermore, where would you go to a
20 movie; one that offered free parking or one that
21 you had to pay an additional \$5 for parking?

22 Again, the draw is the river. I don't
23 think the designers who designed this project have
24 spent enough time down there and understood what
25 the actual draw is.

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2 And, also, in terms of creating traffic
3 from the promenade, you would want to design what
4 I call "draws" at both ends of the promenade --
5 potentially a hotel at one side and an
6 entertainment attraction at the other end. And
7 that would create traffic to and from along the
8 riverfront and create a strolling process.

9 Consequently, my unfortunate
10 conclusions as to what is being proposed with this
11 design is that it is an approximation of a
12 suburban mall placed in an urban location, that
13 the users of this facility may not necessarily
14 spill over into the nearby areas, and those nearby
15 areas already are a draw in and of themselves and
16 are successful.

17 The concentration of exclusive
18 retailers and restaurants that may locate in this
19 facility may be detrimental to the fabric of the
20 City where such retailers would be better placed
21 on Chestnut, on Walnut, on Market Street.

22 And, consequently, I don't think the
23 project in its current form -- not that it can't
24 be as successful as it potentially can be. And
25 let me emphasize this. I think if there's a

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2 little bit more thought -- well, actually, a lot
3 more thought and input from people who live in
4 this community or designers in this community
5 interacting with the, you know, project's
6 architect, that we can have a very successful
7 project there.

8 So, therefore, as opposed to my initial
9 reaction, which Mr. DiCicco had to withstand, I am
10 not against it; I am for it but, I want to say it
11 developed properly. And if this means opening up
12 the design process or bringing in the likes of
13 (unintelligible) a consultant to the City who
14 worked with -- who's doing the project in Evanston
15 as a consultant -- I think he has designed
16 projects in Denver, Portland, in the Philippines,
17 and several other locations that I can't call to
18 mind right now. He's based in Berkley,
19 California.

20 So not only do I question the amount of
21 the TIF money that's used, but I do have a lot of
22 problems with the development and the amount of
23 TIF money that's being proposed today.

24 Thank you.

25 PRESIDENT STREET: Thank you very much.

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2 COUNCILMAN DICICCO: Excuse me, Mr.

3 President.

4 PRESIDENT STREET: The Chair recognizes

5 -- reluctantly recognizes Councilman DiCicco.

6 COUNCILMAN DICICCO: Thank you. And

7 you and I did have -- you attended the Queen's

8 Village presentation last week.

9 MR. ZWICK: Yes.

10 COUNCILMAN DICICCO: You currently

11 reside in Rittenhouse Square?

12 MR. ZWICK: I currently reside on South

13 16th Street, near Rittenhouse Square, but I don't

14 think that in any way --

15 COUNCILMAN DICICCO: No, that's not my

16 question. I just wanted to know where you reside.

17 You had indicated -- Thursday evening,

18 you showed me a number of projects that you had

19 designed. And today you indicated -- described a

20 few of those places -- Maui, Engine 56.

21 MR. ZWICK: That's correct.

22 COUNCILMAN DICICCO: Riverview, is that

23 also one of --

24 MR. ZWICK: Correct, the original

25 Riverview.

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2 COUNCILMAN DICICCO: Are they projects
3 that are owned and developed by Mr. Blattstein
4 (ph.)?

5 MR. ZWICK: Maui is owned by Rick
6 Blattstein.

7 COUNCILMAN DICICCO: The Blattstein
8 family.

9 MR. ZWICK: The Blattstein family. I
10 do not -- I will currently not do any work for
11 Bart because me and Bart do not get along, and I
12 have no allegiance to Bart. And I am not here on
13 Bart's behalf, if that's what your inference is.

14 COUNCILMAN DICICCO: No, I just wanted
15 -- I was curious as to -- I noticed most of the
16 pieces that you showed me, the developments you've
17 showed me are --

18 MR. ZWICK: I do -- I do all of the --

19 COUNCILMAN DICICCO: And I know that
20 Mr. Blattstein has had an interest in --

21 PRESIDENT STREET: Mr. Zwick, we
22 appreciate your coming.

23 MR. ZWICK: I do all of --

24 PRESIDENT STREET: Mr. Zwick, Mr.
25 Zwick, we don't --

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2 MR. ZWICK: Okay.

3 PRESIDENT STREET: This is a hearing on
4 Penn's Landing development, nothing else.

5 MR. ZWICK: Okay. No, I --

6 PRESIDENT STREET: And I appreciate
7 your contribution.

8 MR. ZWICK: I think there was an
9 implied inference that --

10 PRESIDENT STREET: Mr. Zwick, please.

11 COUNCILMAN DICICCO: I have no further
12 questions, Mr. President.

13 PRESIDENT STREET: Thank you, thank you
14 very much.

15 Are there any other members of the
16 general public who are here who wish to testify on
17 any of the bills that are in front of us, any
18 member of the general public: I want to get the
19 members of the general public on the record before
20 we go back to Mr. Hankowsky and the professional
21 staff.

22 MR. FINA: Mr. President, I'm Robert
23 Fina with PIDC, but I have testimony that was
24 provided by E.F. Muronda on the Cecil B. Moore
25 Avenue TIF. It's in writing, and there are a

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2 number of copies, if I could just present that to
3 you for the record.

4 PRESIDENT STREET: That's fine.

5 MR. FINA: Thank you.

6 PRESIDENT STREET: Is there any other
7 member of the general public that's here? Going
8 once, going twice. Any member of the general
9 public?

10 I see a distinguished gentleman
11 approaching the Chair and would appreciate if you
12 would identify yourself for the record, sir. He
13 is now about to be joined by another man who
14 himself is dapperly dressed in a three-piece suit.

15 MR. RUBIN: Yes, I'm Jonathon Rubin of
16 R.J. Cousins Contracting and Vice President of the
17 Contractors and Small Business Association.

18 My company, R.J. Cousins, performs
19 demolition work and is located at 1633 West
20 Bristol Street, in Philadelphia.

21 We currently employ 16 people, of which
22 are minority. And without us, I feel they would
23 be left out of the (unintelligible). We have only
24 been in business for two years.

25 One of my concerns and why I'm speaking

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2 here is the contract and opportunities for Section
3 3 and small businesses in the City of
4 Philadelphia. It is my understanding that
5 whenever HUD money and the 108 is involved, that
6 there is a federal mandate which requires 10
7 percent of the contracting dollars to go to
8 Section 3 City small businesses. Me, along with
9 Councilman Cohen, I'm still kind of unclear on the
10 TIF and exactly the 108 money in terms of the
11 entertainment center.

12 But, basically, I was here to voice my
13 concern in terms of the PIDC administering the 108
14 funds and the lack thereof. And I just wanted to
15 state for the record that Section 3 businesses
16 were overlooked. I've heard my minority women,
17 DBEs but nowhere have I heard Section 3 businesses
18 mentioned throughout the whole course of the day.

19 PRESIDENT STREET: Thank you very much.
20 Yes, sir.

21 MR. RODGERS: My name is David
22 Rodgers. And I am President of the Contractors
23 and Small Businesses Association. And I am here
24 in regards to that same matter.

25 And it is to my understanding that PIDC

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2 was to administer, but from the hearings that I've
3 been listening to thus far, there will be no CDBG
4 funds funded for the Penn's Landing project.
5 However, PIDC has a poor track record in
6 implementing requirements for utilization of City
7 Section 3 small businesses controlled by
8 lower-income persons. PIDC has no enforcement of
9 federal requirements and no staff to enforce this
10 rule or these rules.

11 We recommend that the City should
12 provide assurances that the City Section 3 small
13 businesses shall receive appropriate shares of
14 contracts. All bids and contract should include
15 requirements to utilize City Section 3 small
16 businesses and independent organization such as
17 the Contractors and Small Businesses Association
18 should monitor the bidding and contracts to ensure
19 the implementation of the federal law and City
20 Section 3 small businesses.

21 And with that, we'd just like to also
22 say that on behalf of our membership, we haven't
23 heard anything in regards to this Section 3
24 mentioned here today, as Mr. Rubin had made
25 mention of. There was mention of minority- and

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2 women-owned businesses but nothing in regard to
3 Section 3, and that's a major concern of ours that
4 we need to address with the City of Philadelphia.

5 PRESIDENT STREET: Thank you very much.

6 I'm familiar -- maybe not quite as
7 familiar as you are, but I'm familiar with the
8 problem that's raised by the Section 3 Program.
9 And I have asked Joyce Wilkerson and Marla
10 Hamilton in my office to work with PIDC,
11 developers, and other people to make sure your
12 that your concerns are covered.

13 As you know, the details of the
14 minority participation in employment and
15 contracting and the like are all being worked
16 out.

17 I would appreciate very much if you
18 could be sure to leave -- be sure to leave your
19 names and phone numbers with Miss Diaz here so
20 that, you know, you can be among the groups that
21 have an opportunity to participate, you know, in
22 the economic development that's going on here and
23 other places.

24 Its refreshing to have you here. So
25 often people who have an interest -- and you

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2 certainly have a stake in all of this. Too often,
3 we only hear from you long after a public hearing,
4 long after things are done.

5 But, hopefully, we can take care of
6 your concerns. You have our commitment that we
7 will look into it and make sure we can do what we
8 can do.

9 MR. RODGERS: Yes. We thank you very
10 much, Council President.

11 And your statement is very well
12 received. And it is very true that these things
13 have occurred long after the fact. However, we
14 intend to make an abrupt change to that as we go
15 along.

16 PRESIDENT STREET: Thank you very much
17 for coming. We appreciate it.

18 MR. RODGERS: Thank you.

19 MR. RUBIN: Thank you.

20 PRESIDENT STREET: Is there anyone else
21 here from the general public?

22 (No response.)

23 PRESIDENT STREET: Seeing no one, Mr.
24 Hankowsky, I think it's time for you and your
25 team.

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2 The Chair recognizes Councilwoman

3 Fernandez.

4 COUNCILWOMAN FERNANDEZ: Thank you, Mr.

5 President.

6 I have two major questions. One was
7 regarding the jobs that are estimated to be
8 created. And the background information says
9 there's an estimated 1300 -- no -- yeah, 1350
10 full-time equivalence.

11 Could you explain what this "full-time
12 equivalence" means?

13 MR. HANKOWSKY: Yes. As you know, in
14 certain situations, some things may be staffed
15 with part-time people. For example, the garage
16 might be active -- more active on a Saturday night
17 than it would be on a Wednesday morning. And,
18 therefore, there may be people who would -- extra
19 people who would be employed in that function
20 during that time frame.

21 So what we looked at was the
22 equivalency of a full work week and how many full
23 work weeks of jobs are created. And that's 1350.
24 There well might be more people employed because
25 some of those jobs might be part-time in nature.

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2 A restaurant, for example, might have waiters on a
3 Saturday night that aren't full-time because
4 you're just busier then.

5 COUNCILWOMAN FERNANDEZ: Do you have
6 any comments about living wage?

7 MR. HANKOWSKY: I believe I shared my
8 comments at a separate hearing on that subject.

9 COUNCILWOMAN FERNANDEZ: You know,
10 certainly, this full-time equivalency does raise
11 questions about what pay scales might be and
12 benefits and stuff like that.

13 MR. HANKOWSKY: Right, right.

14 COUNCILWOMAN FERNANDEZ: But I don't
15 think that we want to go into that for five hours
16 right now.

17 MR. HANKOWSKY: I think not. And I
18 think it was seven since I was here the whole
19 hearing.

20 COUNCILWOMAN FERNANDEZ: One other
21 thing I wanted to clarify. In the background
22 materials, you talk about a lot of the other
23 traffic improvements that would be made, and
24 there's always cost involved.

25 Could you, for the record, clarify if

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2 there are any City capital dollars going into
3 these traffic improvements?

4 MR. HANKOWSKY: There are none. You
5 might excuse me, I apologize. In the project
6 plan, you might note that the TIF district, in
7 fact, is slightly larger than the area that Simon
8 DeBartolo is going to actually lease, that
9 actually goes out into the street to make use of
10 the TIF dollars eligible.

11 So, for example, the traffic lights,
12 stop lights, etc., that were discussed just a
13 moment ago with regard to Pier III and moving them
14 and all of that is part of the cost of the
15 project. It's termed in the budget "off-site."
16 And it's funded from the TIF proceeds.

17 And to be very specific to your
18 question, we are using no City capital dollars.
19 My only amendment to that is the project underway
20 today that's dealing with the Market Street ramp,
21 that was a previously-approved City capital
22 project, that's happening. But the TIF project
23 we've described today is not using City capital
24 dollars.

25 COUNCILWOMAN FERNANDEZ: And do you

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2 have an estimate of the cost of these traffic
3 improvements, even though they're covered by the
4 TIF?

5 MR. HANKOWSKY: Yes, we do. The
6 off-site improvements are \$4.6 million, which
7 includes the ramp that will take you from
8 Christopher Columbus up to the viaduct, the new
9 viaduct, the new traffic intersections.

10 COUNCILWOMAN FERNANDEZ: So if someone
11 were trying to make a favorable case for this TIF,
12 you could argue then that not even City capital
13 dollars are used for these traffic improvements,
14 even though that would be customary with a lot of
15 other projects.

16 MR. HANKOWSKY: That's exactly correct,
17 Councilwoman.

18 COUNCILWOMAN FERNANDEZ: And, lastly, I
19 think we had in some of the briefing discussions
20 issues about engaging SEPTA actively in dealing
21 with some of the traffic potential and congestion
22 down there, and I would just like the record to
23 note that I hope there will be serious discussions
24 about whether it is attractive, tourist trolleys
25 going up and down Delaware Avenue and whatever. I

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2 think dealing with traffic down there to try to
3 reduce car congestion as much as possible would be
4 great for the whole waterfront.

5 MR. HANKOWSKY: Yeah. I'll just note
6 for the record, Councilwoman, that SEPTA has been
7 involved in the planning process from the
8 beginning. We've made allowances, for example,
9 that in the new viaduct, that there would be
10 pull-off lanes so that, for example, the buses can
11 easily drop off people, the loop buses that work
12 Center City, the Phlash, or should there be some
13 subsequent modes.

14 And I believe -- I'll do this simply
15 because I believe the gentleman from SEPTA has
16 left, but he had indicated that this was the most
17 transit-accessible project he's seen in 15 years.
18 And, as we know, we have the Market subway stop
19 right at the end of Market Street, which would now
20 come across this bridge and bring you right into
21 the project.

22 COUNCILMAN DICICCO: When SEPTA was
23 brought in, it was not just to deal specifically
24 with Penn's Landing, but to deal with the entire
25 area, as what we referred to as the "Historical

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2 District," everything east of Market Street, maybe
3 as far south as Washington Avenue, as far north as
4 probably Vine Street or thereabouts, to talk about
5 how we move people around, as we begin to continue
6 to attract people to the City -- conventioners
7 and people to the Simon DeBartolo project, to the
8 historical district, how to better utilize public
9 transportation and move people in and about the
10 area, to hopefully reduce some of impact that we
11 would normally anticipate with visitors coming by
12 car. Once they park their car, how do we get them
13 to move from one venue to another?

14 And that was part of what the agreement
15 was with Mr. Simon and the Simon DeBartolo Group
16 and Penn's Landing Corporation, that we needed to
17 include public transportation, and SEPTA has been
18 at all but one of the meetings, I think the first
19 meeting that I convened in June. We didn't even
20 think about it until some time thereafter. But at
21 every other meeting, they've been present. They
22 don't have a plan in place, but they are working
23 with us to develop a plan.

24 And the Streets Department traffic
25 engineer people, they're a part of this

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2 transportation committee to talk about what we may
3 need to do in terms of the impact on neighboring
4 communities in Society Hill, when you come off of
5 Columbus Boulevard onto Spruce Street, Walnut
6 Street, how to utilize the traffic signals. Do we
7 need to change directions, do we need the
8 increase? And Mr. Orth, Dick Orth, spoke at all
9 of our meetings.

10 We may even need to, just by simply
11 changing some of the traffic devices, the timing
12 on them to get people to move quicker through the
13 area.

14 COUNCILWOMAN FERNANDEZ: But I'm also
15 thinking, like you say, once you get people there,
16 say they're parked, my dream would be that there
17 would be maybe built into the parking cost then a
18 transit pass so that it would basically be free to
19 keep moving around, 'cause my sense would be that
20 the more people can move around without having to
21 walk huge, long distances, they're more likely to
22 move around to different things and spend money in
23 a whole lot of different ways.

24 COUNCILMAN DICICCO: Well, that's part
25 of the whole thing, incorporating shuttle

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2 systems. And, you know, it's all in the designing
3 stage right now. And at some point, I think we'll
4 have something that will be really futuristic as
5 far as what we're used to having in Philadelphia
6 in moving people around.

7 MR. HANKOWSKY: I think, as we know,
8 Penn's Landing does own a series of rubber-wheeled
9 trolleys that now operate seasonally. But in this
10 plan, long-term, they would operate year round.
11 Because now, you're right, we would have this
12 anchor that would bring people year-round and
13 would move people be up and down the waterfront.

14 COUNCILWOMAN FERNANDEZ: But are there
15 costs to those?

16 MR. HANKOWSKY: Those are now -- those
17 are owned by Penn's Landing Corporation.

18 COUNCILWOMAN FERNANDEZ: And are they
19 free for the customer?

20 MR. HANKOWSKY: Yes.

21 COUNCILWOMAN FERNANDEZ: I think that's
22 where we have to move. Because sometimes, say, if
23 you have a family of five, and you say, Oh, you
24 know, it's an extra five bucks. But if it's free,
25 it's sometimes a real attraction.

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2 MR. HANKOWSKY: An inducement.

3 COUNCILWOMAN FERNANDEZ: Right.

4 The last question was in the -- when
5 the feds passed the transportation bill last week,
6 I noticed on the list was the money for the tram,
7 the Philadelphia-to-Camden tram, and it's also
8 mentioned in your proposal.

9 From what you know of what you've been
10 working on here and now that there's some federal
11 dollars, what's your estimate of the financing and
12 do you have a sense of a time line of when this
13 tram might become a reality?

14 MR. HANKOWSKY: Right. The Delaware
15 River Port Authority has engaged an engineering
16 firm, Fredrick R. Harris. They've engaged them in
17 a series of phases.

18 They completed Phase I, which is an
19 initial analysis of what might be doable now.
20 They are now in Phase II, which was to do more
21 detailed cost estimates of the physical
22 construction costs, as well as the financial
23 feasibility, what would you have to charge for the
24 tram to make it pay for itself operationally.

25 And they're to conclude that work

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2 somewhere, I believe, in the next 30 days, fairly
3 shortly.

4 The indications are that the cost of
5 constructing the tram on both sides of the river
6 is probably somewhere in the order of magnitude
7 of, say, 20 to \$25 million, somewhere in that
8 order of magnitude. That the Delaware River Port
9 Authority, actually when they approved the
10 Kvaerner transaction, also basically agreed that
11 they would look at putting in up to 15 million for
12 a tram.

13 If you add the 8 that you noticed in
14 the ISTE bill, you're at 23, which looks like, if
15 the numbers are in that 20-to-25 range, that there
16 is the funding resources that would equal the
17 cost. I can't sit here and tell you it's a done
18 deal, but it's clearly in striking distance.

19 The timing -- and there been a series
20 of meetings DRPA and the Simon DeBartolo
21 organization, Penn's Landing looking at literally
22 where would you land it, where would you drop
23 columns so that it could be integrated with this
24 project?

25 I think the hope of everybody is that

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2 you would be building both projects
3 simultaneously, in part, because it would very
4 difficult to come back later and add the tram.

5 So you might see construction of the
6 tram also occurring in calendar '99 as well as the
7 construction of this project.

8 COUNCILWOMAN FERNANDEZ: That would be
9 one of the fastest projects. When I first heard
10 of the tram I thought, Oh, my God, you know, I
11 hope I live long enough.

12 MR. HANKOWSKY: I agree with that. It
13 would be one of the fastest projects.

14 COUNCILWOMAN FERNANDEZ: Thank you.

15 PRESIDENT STREET: The Chair recognizes
16 Councilman Cohen.

17 COUNCILMAN COHEN: Mr. Hankowsky, how
18 many years have you been coming to City Council on
19 various projects?

20 PRESIDENT STREET: Watch yourself, Mr.
21 Hankowsky. The lawyer in him is coming out.

22 MR. HANKOWSKY: I can see it, I can see
23 it.

24 I've been coming to City Council 15
25 years.

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2 COUNCILMAN COHEN: For 15 years. You
3 have seniority in presenting these programs.

4 I have the general sense that if -- and
5 I think I've been at many of these hearings, maybe
6 most of them, maybe even all of them.

7 MR. HANKOWSKY: Close to all.

8 COUNCILMAN COHEN: And I have a sense
9 that if I added up all the job projections of all
10 the various proposals you gave, which Council
11 approved, that Philadelphia would be bursting at
12 the seams with respect to population -- that's a
13 comment, you don't have to answer that one.

14 But have you ever made an analysis of
15 the programs that went ahead? I don't mean the
16 programs, you know, that faltered along the way
17 and never got built, like any number of them, but
18 those that went ahead.

19 Has there ever been any analysis by
20 PIDC as to what the actual job production was?

21 MR. HANKOWSKY: There have been
22 different analyses, to answer that question in
23 part, and I do want to in fact comment on your
24 comment.

25 COUNCILMAN COHEN: Okay, very good.

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2 MR. HANKOWSKY: Because it is
3 integrative. We all know that the City has lost
4 thousands, tens of thousands of jobs.

5 COUNCILMAN COHEN: Hundreds of
6 thousands.

7 MR. HANKOWSKY: Now, if we look back 30
8 years, hundreds of thousands. And I think we must
9 all be cognizant of the fact that what is causing
10 that to happen. And there are a variety of
11 factors; some are corporate behavior, some are the
12 cost of doing business here, the environment in
13 certain areas, and whatever. And the City's
14 economy is a vibrant, dynamic engine.

15 So, in effect you're right. Last year,
16 we gained 1300 jobs. That does not mean that every
17 job stayed static and we added 1300 jobs. It may
18 mean we lost 9,000 and gained 10,300. Every year,
19 there's an addition and a subtraction.

20 And over the years, for example, the
21 programs where we're directly lending money, money
22 that you have provided us or provided to us
23 through the federal government to grant to the
24 City, there are job reports that companies are
25 required to file over a three-year period.

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2 I can't tell you honestly I've kept
3 track of the first deal we did 40 years ago, but
4 we do keep track over somewhere between a three-
5 and five-year period of projects have financed to
6 see whether they have created the jobs they were
7 supposed to or they did not. I don't have that
8 information with me today, but I'd be happy to
9 provide it.

10 And what it shows us is that some
11 companies didn't do what they said they were going
12 to do. They went out of business, they made bad
13 business decisions, their business went under.

14 But overall, if you take the
15 collection, the portfolio of transactions, we have
16 exceeded the number of jobs we said would get
17 created by those projects. There's also been
18 particular studies.

19 For example, the Convention Center,
20 which was why I was here 15 years ago for the
21 first time. You know, there's now been a look
22 back that has been done by the Pennsylvania
23 Economy League that, in fact, has looked at, Did
24 the jobs come out of that project that we thought
25 would come out of that project? And in attempt to

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2 document, in fact, Did it make sense for us to do
3 these things?

4 And, overall, the answer is that by the
5 net collection of what we do, we do meet these job
6 projections. What would be most dramatic, of
7 course, is if we could also make sure we don't
8 lose any jobs because then they would all be a net
9 gain.

10 So the exercise has --

11 COUNCILMAN COHEN: Well, I'm not asking
12 you to be responsible for the job losses. All I
13 would like to see is -- the latest thing I saw was
14 -- maybe it was a year or maybe two years ago.
15 It was a newspaper article that said that the --
16 it was either The Inquirer or The Daily News
17 saying that they had made a study and kind of
18 found no jobs, and that maybe was before they
19 considered the Convention Center.

20 But I'm just saying I think it would be
21 good to come up with an answer.

22 MR. HANKOWSKY: Yeah.

23 COUNCILMAN COHEN: Because it's so easy
24 to come before us and say there are going to be
25 these jobs. And I think by this time, there ought

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2 to be a performance record.

3 I'm not speaking against this
4 particular proposal; I'm just saying that we don't
5 really do our job if all that happens is folks
6 come before us and say, We're going to give you
7 500 jobs or 300 or 50, whatever the number, and
8 nobody watches what happens.

9 We ought to have a performance record,
10 and I would like to request that you prepare it or
11 have your staff prepare it, send it to the
12 President of City Council so we can circulate it
13 and have something that can be used as a serious
14 basis for discussion.

15 MR. HANKOWSKY: Surely.

16 COUNCILMAN COHEN: Now, from what
17 you've been saying today, would it be fair to say
18 that if you had to compare the Kvaerner project
19 and this project, that this would be the biggest
20 bargain imaginable?

21 Because I've seen projections that have
22 indicated that Kvaerner is costing anywhere
23 between 100 to \$400,000 to produce a job. I'm
24 talking of total -- not just City money, but
25 governmental money -- City, State and federal.

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2 And from what you're saying, this is,
3 by your definition of what is City money, this
4 isn't costing anything. Is that about right?

5 MR. HANKOWSKY: With regard to the
6 Penn's Landing project?

7 COUNCILMAN COHEN: Yes. I'm just
8 talking about in terms of the Penn's Landing, just
9 Penn's Landing.

10 MR. HANKOWSKY: That's right. We're
11 not using the General Fund or Capital Budget. We
12 are taking a piece of the future tax.

13 COUNCILMAN COHEN: Yes.

14 MR. HANKOWSKY: Which won't exist
15 unless we do this project, and reinvesting them in
16 the project.

17 And I would agree with your
18 characterization. This is a bargain in that
19 sense.

20 COUNCILMAN COHEN: Well, if your
21 analysis is right in any sense, I would say.
22 Because the Kvaerner from government money, I
23 think there's something like \$400 million involved
24 in federal, State, and local monies.

25 MR. HANKOWSKY: 397.

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2 COUNCILMAN COHEN: That will produce,
3 by Kvaerner's estimates, about a thousand jobs.
4 Some people think it's a high figure, some people
5 don't.

6 But here, I gather, there are about
7 1500 jobs, we're being told, will be coming about,
8 and that the money involved -- even if you use my
9 definition of City money, meaning the TIF money --
10 it's 69 or 70 million, as against some 400
11 million. To me, that's a big bargain, you know if
12 it holds.

13 Let me go on to the question of why
14 isn't this City money? You know, based upon what
15 you just said, and that's my feeling. We're
16 taking away tax money that will come later. Say,
17 if this project could be developed without TIF
18 money, when any project gets developed -- there
19 were a lot of hotels in the City that got
20 developed without TIF money, right?

21 MR. HANKOWSKY: Well, I think we need
22 to be careful here.

23 COUNCILMAN COHEN: All right, be
24 careful.

25 MR. HANKOWSKY: When we look at

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2 historically hotel projects, Franklin Plaza --
3 City-assisted. We bought the land, leased it to
4 'em and guaranteed that loan. And, in fact --

5 COUNCILMAN COHEN: Is that they Wyndham
6 Franklin Plaza?

7 MR. HANKOWSKY: Yes, indeed.

8 COUNCILMAN COHEN: We're still paying a
9 million a year, aren't we?

10 MR. HANKOWSKY: No. What's happened
11 there is there was a default. The City had to
12 make it up. But since then, we have actually
13 gotten the City off that guarantee it had made to
14 City Hall.

15 COUNCILMAN COHEN: So we're not paying
16 that million dollars?

17 MR. HANKOWSKY: No, not anymore. It's
18 not as if that project happened unassisted. That
19 hotel was assisted. Sheraton Society Hill -- \$6.5
20 million urban development action grant, UDAG, a
21 soft loan. For years, we got no money back. And
22 Omni -- UDAG.

23 COUNCILMAN COHEN: We're getting some
24 money back now on the Sheraton Society Hill?

25 MR. HANKOWSKY: We got some of it back.

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2 As the economy turned around, we got some of it
3 back.

4 The Omni at Independence Mall, urban
5 development action grant.

6 The Belleview, when -- after the second
7 time around -- I think we all know it's been
8 through a number of lives. The second time
9 around, same thing, we did a guarantee of a
10 portion of the financing on that project to make
11 that happen.

12 So it is not the case that hotels have
13 just happened, quote/unquote, on their own. We
14 have, as the public, participated in a number of
15 those transactions. And, of course, in the
16 current environment, we've had lot of people come
17 to us and say, help me do -- you know, can I get
18 some of that TIF money or HUD money or whatever,
19 and we've been saying no more than we have been
20 saying yes.

21 COUNCILMAN COHEN: Could you -- just
22 with respect to the last comment. Would you be
23 able to furnish us with some information as far as
24 requests for TIF money?

25 MR. HANKOWSKY: Yes.

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2 COUNCILMAN COHEN: And rejections?

3 MR. HANKOWSKY: Yes, yes. It's a list
4 that's now over 40 --

5 COUNCILMAN COHEN: That would contain
6 the analysis of why you've rejected it.

7 MR. HANKOWSKY: Yes. We've had over 40
8 requests.

9 COUNCILMAN COHEN: Because that must
10 mean you have certain criteria --

11 MR. HANKOWSKY: Yeah, we do.

12 COUNCILMAN COHEN: -- that you have to
13 apply.

14 MR. HANKOWSKY: We do.

15 COUNCILMAN COHEN: If your response in
16 the memorandum could indicate the kind of criteria
17 you use, so that it does not seem to be that
18 anybody who asks gets it. That would be --

19 MR. HANKOWSKY: Right. Right.

20 COUNCILMAN COHEN: That would be a very
21 helpful thing.

22 MR. HANKOWSKY: Surely.

23 COUNCILMAN COHEN: Now, in the last
24 analysis, nobody can ever guarantee the success or
25 failure of a business propose, right? You know,

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2 it depends on a lot of factors. It could be maybe
3 the design was wrong or maybe the design was
4 right, but the economic times prevent the success.

5 But in a situation like this, we've
6 been talking earlier today about minority
7 employment, minority entrepreneurship, why isn't
8 it also fair to talk about the kind of wages that
9 are paid?

10 I assume in the construction industry
11 that most of the jobs, or maybe all of them, are
12 union wages. And I expect that they will be above
13 what anybody calls this so-called living wage,
14 what the young woman referred to before.

15 But why wouldn't it be appropriate that
16 when we're giving some form of government
17 assistance, some form, without identifying whether
18 it's City or not City money, why wouldn't it be
19 appropriate and good for the City of Philadelphia
20 to talk in terms of what can we do to guarantee or
21 at least make more likely that the jobs will be
22 held by actual Philadelphia residents?

23 What could be done to make certain that
24 there's a certain minimum pay level? Which, in
25 the bill before City Council on living wage, I

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2 think, is \$7.50, something on that --

3 PRESIDENT STREET: That's 7.90, \$7.90
4 an hour.

5 COUNCILMAN COHEN: Okay, \$7.90. What
6 would be wrong, if anything, with our indicating
7 -- maybe we can't enforce it -- with our having a
8 policy saying we would like to have wages paid
9 that would enable the economy of not only the
10 family, you know, to be stronger but the economy
11 of the whole City to be stronger? Because when
12 families gain economic strength, so does the City.

13 MR. HANKOWSKY: Right. I'll try to
14 make it a short answer, though it's a very
15 complicated question. And as I said before, I
16 spoke a little bit at the living wage hearing.

17 As a personal matter, I'm speaking
18 personally at the moment, I don't think the issue
19 is whether people should or shouldn't earn that
20 amount of money or have benefits. I mean, I have
21 a lot of empathy for those issues for a host of
22 reasons.

23 But the question is, how that is done
24 in a way that makes the most sense for the City
25 long-term overall. And if we take a single

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2 project and say, Pay this for this project, and
3 the rest of the world doesn't change their
4 behavior, and now you're the Simon group, and
5 you're attempting to attract a tenant to this
6 project, and they say, Wait a minute, I can put my
7 store at Fifth and Walnut, and I don't have to pay
8 that, and I'm in a competitive disadvantage paying
9 this because my competitors in Cherry Hill or
10 Pennsauken or King of Prussia don't pay that.

11 Then what you do is you don't -- I'm
12 afraid what you do is, you don't actually create
13 1300 jobs paying a living wage. I think what
14 happens is you don't create 1300 jobs.

15 COUNCILMAN COHEN: Well, isn't that the
16 same answer with respect to minorities? I mean,
17 won't some employers say, 'cause they always have
18 said --

19 MR. HANKOWSKY: No.

20 (Unintelligible - parties talking over
21 each other.)

22 MR. HANKOWSKY: This is an economic
23 issue. This is an economic issue and I don't
24 agree.

25 You know, I think the issue with regard

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2 to minorities or female firms or disadvantaged
3 firms is one of access. It's not one of pay them
4 more to do the work; it's make sure they have an
5 opportunity to get a piece of that work in a
6 competitive environment.

7 The issue of the living wage bill is
8 whether the City should establish within its 125
9 square area of miles its own minimum wage in a
10 situation where it's not done everywhere else.

11 COUNCILMAN COHEN: Well, Mr. Hankowsky,
12 I'm not talking --

13 MR. HANKOWSKY: What the bill does is
14 says we're going to do it only where we touch the
15 project.

16 COUNCILMAN COHEN: But here --

17 MR. HANKOWSKY: You'll have a
18 differential behavior across the street.

19 COUNCILMAN COHEN: Well, why isn't fair
20 for government, which represents all the people,
21 the poor as well as the rich, the people who are
22 in the middle class, those desiring to work
23 themselves up to the middle class, every element,
24 the rich people, City government represents all of
25 that. It is using one way or another the power of

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2 all of the people to make this transaction
3 economically feasible.

4 What is wrong in the City proposing to
5 say, Look, we'd like to take care of all of the
6 people? Isn't it possible to work out some sort
7 of system?

8 Because I think that any economic
9 analysis would show that the costs would be
10 absolutely minimal. I mean, how many jobs could
11 there be that they would hire that would pay less
12 than \$7.90 -- if that's the figure -- an hour?

13 I'm just saying that I don't think the
14 City is making the effort because I think, from
15 what I gathered from Mr. Simon talking here, I get
16 the sense that he has a pride in what the company
17 does. And I think the City would expand the
18 horizons of the companies that it does business
19 with if it would begin raising this issue.

20 Maybe don't need a law if the City were
21 to have a policy, you know, that would move in
22 that direction. Maybe others would decide it's
23 good business because, you know, sometimes
24 companies say that things that pay off for working
25 people are good. Wasn't there that big ad the

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2 other day in The Inquirer showing how many years
3 people have worked with them? And said, Whatever
4 The Inquirer has done, the main credit should go
5 to this list of people, who are employees.

6 I'm just suggesting, and I won't
7 belabor this beyond this, Mr. President, I'm just
8 suggesting that the City ought to rethink its
9 approach and maybe begin to raise and maybe with
10 this company, this whole question to see whether
11 -- how close can you get to the 7.90 as a
12 guarantee?

13 What would it cost? I'd like to have
14 an analysis. What would it cost these companies?
15 I think they'd make a -- if it's successful,
16 they'd make a very great profit paying the living
17 wage. And they could get credit not only for a
18 great entertainment complex, but for a great human
19 entertainment complex.

20 Thank you, Mr. President.

21 PRESIDENT STREET: Thank you very much.

22 Mr. Hankowsky, is there any way of
23 knowing how many minimum-wage jobs are likely to
24 be created in this proposed Penn's Landing
25 entertainment development?

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2 MR. HANKOWSKY: Our estimate at this
3 point would that be out of that 1350 jobs, about
4 75 percent would pay greater than the living wage
5 defined, and 25 percent might be less than -- the
6 living wage being the 7.90.

7 PRESIDENT STREET: Right.

8 MR. HANKOWSKY: So about 25 percent
9 might be between minimum wage and living wage.
10 And 75 percent would be above.

11 That's an estimate. Obviously, it's
12 going to vary by how many tenants actually go in.

13 PRESIDENT STREET: I understand. Thank
14 you very much.

15 Are there any other questions of any
16 other Councilmembers?

17 (No further questions at this time.)

18 PRESIDENT STREET: Is there anyone else
19 who wishes to testify? Is there anyone present in
20 the chamber who wishes to testify? Is there
21 anyone who wishes to testify?

22 (No response.)

23 PRESIDENT STREET: If not, we will
24 stand in recess until tomorrow morning, at 9
25 o'clock a.m. sharp, 9 o'clock a.m. sharp.

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2 (Adjourned at 1:32 p.m.)

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RE: COUNCIL COMMITTEE OF THE WHOLE

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JOSEPHINE CARDILLO,
Registered Professional Reporter