COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING - COMMITTEE OF THE WHOLE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 30, 2004, 10:10 a.m.

- - -

RESOLUTION 040160 - Resolution confirming the appointment of Pedro A. Ramos as City Solicitor

BILL 040157 - An Ordinance creating the 436 Walnut Tax Increment Financing District, being the area generally bounded by Walnut Street on the north, Fourth Street on the east, Fifth Street on the west, and Spruce Street on the south and approving the project plan of the Philadelphia Authority for Industrial Development ("PAID")for the redevelopment of the 436 Walnut Tax Increment Financing District and making certain findings and declarations, all in accordance with the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other offices of the City to execute documents and do all things necessary to carry out the intent of this Ordinance.

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DAVID COHEN
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JACK KELLY
COUNCILMAN JAMES F. KENNEY
COUNCILMAN JUAN F. RAMOS
COUNCILMAN FRANK RIZZO
COUNCILMAN FRANK DI CICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN DARRELL L. CLARKE
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN BRIAN J. O'NEILL

- - -

Whole - 3/30/04 - Res. No. 040160

P R O C E E D I N G S

- - -

COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a public hearing of the Committee of the Whole.

I would ask Mr. McPherson to please read the title of Resolution Number 040160.

MR. McPHERSON: Resolution 040160. Resolution confirming the appointment of Pedro A. Ramos as City Solicitor.

COUNCIL PRESIDENT VERNA: Mr. Ramos, would you take the witness table, please.

Good morning and welcome. I certainly would like to say that I think the Mayor has made an excellent choice in selecting you as the City Solicitor.

I would just like to ask one question, if I may. Under the Charter, the City Solicitor represents both the Administration and City Council. How do you intend to resolve any conflicts that might arise in representing both branches of City government?

MR. RAMOS: Good morning, President

Verna.

And before answering, I'd just like to ask whether you'd like me to formally submit my testimony for the record and offer it or answer questions, and then...

COUNCIL PRESIDENT VERNA: What are you offering in testimony, your background? I think we're all very familiar with your background.

MR. RAMOS: Okay. Certainly. I'd be happy to jump right to it.

COUNCIL PRESIDENT VERNA: I know you rather well. And if you feel it's necessary.

MR. RAMOS: Absolutely. Absolutely. First of all, I don't plan any departure from the way in which City Solicitors before me have handled the intention established by the Charter. I think that the intention established is one that creates a potential conflict but not a conflict in itself.

We're lucky in the City to have an extraordinary team in the Law Department

Whole - 3/30/04 - Res. No. 040160

who are very experienced in managing the multiple parties involved in our representation of the City: the Mayor's office, the City Council, boards and commissions.

However, when a real legal conflict does arise, as the City Charter provides, we would work with the President of Council and Council to engage where -- engage outside Council for a separate representation.

COUNCIL PRESIDENT VERNA: Thank you. Are there any questions from members of the committee?

The Chair recognizes Councilman Ramos.

COUNCILMAN RAMOS: Good morning, Madam President. Madam President and fellow colleagues, for your information, I must admit I am closely related to the City Solicitor designate.

Therefore, I have to, per the Philadelphia Code, recuse myself from the confirmation process of the City Solicitor

designate. I will not be able to speak of his qualities, nor will I be able to vote for him.

However, I can be present for this extraordinary moment in my family history. Madam President, I request to speak after the confirmation process.

COUNCIL PRESIDENT VERNA: Thank you. Again, I would ask, are there any questions, members of the committee, of our witness?

(No response.)

COUNCIL PRESIDENT VERNA: I just took for granted that everybody knew Mr. Ramos's background. I didn't think that it was necessary, but if people feel that they want him to give a brief summary of his background, I'd be happy to entertain that.

COUNCILMAN O'NEILL: Just a point of order. I know that Councilman Ramos also meant that he would not say anything disparaging or be able to say anything disparaging as well.

Whole - 3/30/04 - Res. No. 040160

Being that he's a brother, he knows both sides of the applicant, as all brothers do, even in a very warm way.

But the process itself, and I'm just -- I know we have our Solicitor here, but I don't want to put him on the spot. The process is actually, I believe, final when we vote on Thursday.

So, I think you may not want to speak until that process is over. I think we're still in the middle of it up till Thursday. I'm not sure what your intent was, but I think --

COUNCIL PRESIDENT VERNA: All right. Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

I just wanted to ask a brief question of the nominee as he's getting briefed.

MR. RAMOS: I'm sorry. Excuse me.

COUNCILMAN CLARKE: What Council

Whole - 3/30/04 - Res. No. 040160

District do you live in?

MR. RAMOS: I live in your Council District, Councilman.

COUNCILMAN CLARKE: Fifth District, sir?

MR. RAMOS: Yes, sir.

COUNCILMAN CLARKE: I know you won't show any preference to your particular District Councilperson.

MR. RAMOS: I'm also a former proud resident of the First District, and I'm sure we'll continue to be well served in the Fifth District.

COUNCILMAN CLARKE: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

In general, what will your strategy for attracting and retaining a highly qualified staff that reflects the diversity of the City be?

MR. RAMOS: Certainly with the fiscal challenges that the whole City faces, we don't have the flex -- don't have

as wide a flexibility as my predecessor, Judge Diaz, had in being able -- in his hiring ability.

However, I do think that there is turnover, and it's incumbent upon not only the City Solicitor but every manager in the Law Department to attract the best attorneys to public service to the City, and to do so in a way that brings a diversity of opinions and a diversity of experiences to the City and to the Law Department.

I believe that there's a whole lot to the notion that the more diverse the population, the opinions, the more rigorous the debate, the better the product.

COUNCIL PRESIDENT VERNA: Thank you.

Is there something that your counsel is pointing out to you that you would like to mention?

MR. RAMOS: No. I'm going to ask Louis Rossman, who's our legislative representative to Council, to come up and consult on the issue raised by Councilman

Whole - 3/30/04 - Res. No. 040160

O'Neill.

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record.

MR. ROSSMAN: Good morning. I'm Louis Rossman. I'm a senior attorney in the City Law Department. I'm the appeals and legislative unit of the Law Department.

I'm sorry. The question is with respect to the procedure on the resolution?

COUNCIL PRESIDENT VERNA: Yes.

MR. RAMOS: At what point does it become final?

MR. ROSSMAN: Well, I would imagine that you're going to make -- Committee of the Whole will make a recommendation to the Council as a body as to approval of the resolution. I guess resolutions are formally approved at Stated Meetings of the full Council body.

COUNCIL PRESIDENT VERNA: Correct.

MR. ROSSMAN: So that at the end of this hearing, I would imagine you'll hold a meeting of the Council of the Committee of

the Whole and vote on a recommendation on the resolution, and then Thursday vote on the resolution itself.

COUNCIL PRESIDENT VERNA: Correct.

I think we all know what the procedure is. But Mr. Rossman, I think Councilman O'Neill's issue was somewhat different.

COUNCILMAN O'NEILL: I don't mean to prolong the hearing. I just wanted to make sure that my freshman colleague, who stands in the unusual and unprecedented position, I think, of having to even consider an abstention on such a vote.

All I can say is that in an analogy dealing with legislation -- I don't know how close the analogy would be interpreted -- I from to time have had to deal with an issue of conflict, although not one as nice as this one.

And it clearly has been stated to me that at each public hearing or time of Council meeting, that I am to state the conflict or potential conflict and not able

Whole - 3/30/04 - Res. No. 040160

to speak on the matter one way or the other.

And I just wanted to, taking that same analogy after the process may be on Thursday rather than -- rather than today. And I just didn't want to --

COUNCIL PRESIDENT VERNA: Councilman, I think we would all agree with you, and I'm sure that Councilman Ramos clearly understands the issue.

MR. RAMOS: I stand by the Law Department, so that I adhere to the decision of the Law Department.

COUNCIL PRESIDENT VERNA: And what is it that the Law Department states?

MR. RAMOS: I appreciate both Councilman's comments, first that the new Councilman will adhere to the advice of the Law Department; secondly, the footnote by Councilman O'Neill, that given the relationship between an older brother and a younger brother, I wouldn't presume that all that the older brother had to say would be positive.

(Laughter.)

COUNCIL PRESIDENT VERNA: Very good. Any questions or comments from members of the committee?

(No response.)

COUNCIL PRESIDENT VERNA: Okay. Since I do see that we have a number of members of the City Solicitor's Office, perhaps we ought to consider this at this point.

(Public hearing recessed at 10:18 a.m.)

(Public hearing reconvened at 10:20 a.m.)

COUNCIL PRESIDENT VERNA: Okay. We will now resume our public hearing of the Committee of the Whole. And I would ask Mr. McPherson to please read the title of Bill Number 040157.

MR. McPHERSON: Bill Number 040157, an ordinance creating the 436 Walnut Tax Increment Financing District, being the area generally bounded by Walnut Street on the north, Fourth Street on the east, Fifth

Street on the west, and Spruce Street on the south, and approving the project plan of the Philadelphia Authority for Industrial Development for the redevelopment of the 436 Walnut Tax Increment Financing District.

COUNCIL PRESIDENT VERNA: All right. The record will indicate that... Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

I would like to be recorded as voting a big aye, underscored, capital letters, with exclamation points, on Resolution 040160.

COUNCIL PRESIDENT VERNA: The record will so indicate that.

To the committee members, I would just like to say that we will hear from all of our witnesses; and after their presentation, we will then have a question and answer period.

Good morning. Welcome. Please identify yourself for the record and

Whole - 3/30/04 - Bill 040157

proceed with your testimony.

MS. NAIDOFF: Good morning President Verna and members of City Council. My name is Stephanie Naidoff; and I am the City Representative and Director of Commerce.

I'm appearing here today to testify in support of creating the 436 Walnut Tax Increment Financing District.

With me here are Susan Rivera, President of ACE INA and Mark Schweiker, President and CEO of the Greater Philadelphia Chamber of Commerce, and my colleagues from PIDC, Robert Fina, and Sam Rhoads.

Approval of this Tax Increment Financing District or TIF will leverage a $74 million investment in 436 Walnut Street, and is critical to retaining ACE INA's headquarters in the City of Philadelphia.

As you will hear from Susan Rivera and Mark Schweiker, ACE INA is a very important corporate citizen to the City of Philadelphia, providing employment for

1,000 people within the City and making significant contributions throughout the community.

Without the TIF, we run the serious risk of losing these valuable jobs, as well as the opportunity to encourage additional job growth and significant capital investment in an underutilized office market.

Philadelphia is facing intense competition from adjacent states, as leases for several large corporations all come due.

While I believe that the efforts to create broad based tax reform may ultimately be the best tool for retaining major employers of the City over the long term, those benefits cannot be put in place in time to address the immediate challenges.

In the current competitive environment with our neighboring states putting multi million dollar incentive packages on the table to encourage our

businesses to relocate, tax increment financing is one of only a few tools to help us retain these businesses.

Tax increment financing is a very appropriate tool to support this project because it requires significant private capital investment that translates to increased property value and incremental tax revenues for the City and the School District.

In this case, ACE INA will be investing $52.5 million in private funds as part of a total project budget of $74 million to purchase and rehabilitate the building at 436 Walnut Street. This investment is a strong vote of confidence in Philadelphia that will have enormous direct and spillover benefits.

We commend ACE INA for its support and look forward to a continued partnership with this longstanding Philadelphia company and good corporate citizen.

We've added language to our agreement with ACE INA that would require

the TIF revenues offered by the City to be reduced in the event that ACE does not maintain the current level of employment.

In addition, we've structured the TIF to minimize the impact on the School District by excluding the Use and Occupancy Tax from this transaction.

All UNO taxes received by the City as the result of ACE INA's growth will continue to be made available to the School District.

This project is part of a comprehensive strategy to retain major employers in the City of Philadelphia. Our business retention program has involved the collaboration of many partners critical to the success of a thriving business district.

The Commerce Department, with its economic development agency PIDC, hosts a bimonthly strategy meeting with these private and public partners, including the Greater Philadelphia Chamber of Commerce, PECO, the Center City District, and the

Governor's Action Team.

The group identifies impending lease expirations and provides outreach to ensure that these companies renew their investment in the City of Philadelphia.

This targeted retention program has been enormously successful, with 67 total lease renewals in 2002, 2003, representing occupancy for a total of 4.6 million square feet.

We plan to continue these successes in 2004, and have started the year by announcing the retention of the ARAMARK Corporation.

ARAMARK is one of just seven Fortune 500 companies located in Philadelphia, employing 1200 in its Center City headquarters facility alone.

The legislation before you today will allow us to retain one of our largest private employers, and positions that company to continue to grow in the City.

I'm confident that once you hear the testimony provided by ACE INA on the

company's challenges in retaining its headquarters operation in Philadelphia, and from my colleagues at PIDC who helped to structure a financial package addressing those concerns, you will agree with me that the legislation deserves the strong support of the City.

I thank you for your consideration of this important legislation, and I ask that you hold your questions until you've heard the testimony from ACE, the Chamber, and PIDC. Thank you.

COUNCIL PRESIDENT VERNA: Good morning.

MS. RIVERA: Good morning, President Verna and members of City Council. My name is Susan Rivera. I am the President of ACE INA headquartered here in Philadelphia.

ACE INA is a growing, global commercial, property and casualty insurance company. ACE INA can trace its roots back to the founding of the Insurance Company of North America at Independence Hall in Philadelphia in 1792.

For over 200 years INA has been part of the City's business landscape and a prominent contributor to its philanthropic and social needs.

ACE is proud to continue this trend today by giving back to the City in many ways. As part of our strong commitment to the City, in the past five years alone ACE has donated millions of dollars and many thousands of volunteer hours to various Philadelphia based charitable organizations, focusing on support for Philadelphia public schools and educational programs.

As a company, ACE benefits from what Philadelphia has to offer, as much as the City benefits from ACE. With its outstanding colleges and universities, theaters and art museums, diverse base of potential employees, broad business community support, and convenient mid-atlantic location, Philadelphia remains very attractive to ACE. For these reasons, having our headquarters in Philadelphia

helps ACE recruit and retain high quality employees.

With this as a backdrop, you can understand our desire to stay in the City, but as an executive officer of ACE INA, I have a responsibility to maximize returns to our shareholders.

Since our lease at Two Liberty Place expires in 2006, we have an obligation to find a solution that enhances our shareholder value by decreasing operating costs in today's increasingly competitive environment within the insurance industry.

As a result, when we began our real estate review process, our main objective was to decrease our overall occupancy costs.

Although we had a desire to continue our long relationship with the City of Philadelphia, we needed to open our search of potential properties to the entire Delaware Valley.

We viewed numerous properties and held discussions with several public

entities. In our search, we identified the 436 Walnut property as a suitable site that would allow us to stay in Philadelphia.

However, we came to realize that without governmental incentives and assistance, this would not be the best choice economically.

The challenge is to find a way to fill the financial gap between our board approved maximum investment of $52.5 million and the actual costs of staying in Philadelphia.

To their credit, the funding packages offered by the Commonwealth and the City of Philadelphia meet these criteria and can potentially allow ACE to remain in the City.

The purchase of the 436 Walnut building and related renovations represents a significant investment on our part. This is a major change for ACE which has historically leased its headquarters.

The total incentive package, including the TIF, makes buying the

building at 436 Walnut economically acceptable to ACE and our board of directors.

Our decision and board approval to buy the property and remain here, as compared to leasing a facility out of the City for our U.S. headquarters, is influenced wholly by the inclusion of the Commonwealth's and City's total incentive package.

As I stated earlier, ACE has a long business and philanthropic association with the City of Philadelphia. We look forward to playing a major role in the City's continued growth and success through our long-term capital investment of $52.5 million, and our commitment to the implementation of the Economic Opportunity Plan.

We are, therefore, asking for your consideration and support of the TIF presented to you today.

I thank you for your time and support.

Whole - 3/30/04 - Bill 040157

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Governor.

GOVERNOR SCHWEIKER: Good morning, President Verna.

For the record, I'm Mark Schweiker, President and CEO of the Greater Philadelphia Chamber of Commerce.

I'm pleased to come before you today in support of City Council Bill 040157, creating the 436 Walnut Tax Increment Financing District for ACE INA.

And as you now know, ACE INA has been in Philadelphia for over 200 years and is a major employer in the City of Philadelphia, with over 1,000 high paying jobs which generates $3 million annually in Wage Tax revenue alone to the City.

I do not think I have to convince anyone here that the City cannot afford to lose this revenue stream.

Much to ACE's credit, they have chosen to stay within the City limits, despite having been offered hefty incentives to leave, as previously

mentioned by Ms. Rivera.

In addition to a being a great corporate partner, ACE has been and continues to be a pillar of strength in our community.

The ACE Foundation contributes significantly to the Constitution Center, the Police Athletic League, Philadelphia Cares, the Fairmount Park Conservancy, The Pennsylvania Ballet.

And friends, take a good look at the American Red Cross banners flying around town. Yes, that's the ACE INA logo on the bottom.

I thought this worth mentioning, as Miss Rivera was very modest in her presentation of community based initiatives, funded through the ACE INA foundation.

In my capacity as President and CEO of the new Chamber, as a result of the merger between the Greater Philadelphia Chamber of Commerce and Greater Philadelphia First, I am charged with

conducting a very ambitious regional marketing campaign called Select Greater Philadelphia, the Place to Prosper.

This is a $16 million four-year initiative to market the greater Philadelphia region nationally, as well as globally, to successful businesses and ambitious entrepreneurs.

It is incumbent to the success of this business branding campaign that we retain and grow businesses in the City. That is why I felt it important for me to personally appear here today in support of ACE and its 1,000 employees, to urge you to pass Bill 040157, thereby creating the tool that will guarantee this great company and outstanding corporate asset to remain in Philadelphia for at least the next 20 years.

The City cannot afford to lose ACE. ACE has demonstrated a significant commitment to this City, by pledging approximately $52.5 million of its own money to fund this project. It will be one

of the few if not the only corporate owner occupied headquarters in Center City.

Put another way, ACE has talked the talk and walked the walk on this proposal and certainly is deserving of your consideration.

We're in the economic fight of our lives. And if we are to win, we must be competitive and retain companies like ACE INA.

Thank you so much for this opportunity, President Verna.

COUNCIL PRESIDENT VERNA: Thank you. May we hear from PIDC at this time?

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

MR. FINA: Good morning, President Verna and members of City Council.

My name is Robert Fina. I'm Senior Vice President at Philadelphia Industrial Development Corporation, PIDC, and I'm here today to testify on behalf of creating the 436 Walnut Tax Increment Financing

District. With me today is my PIDC colleague, Sam Rhoads.

MR. RHODES: Good morning. My name is Sam Rhoads. I'm also with PIDC.

MR. FINA: The proposed TIF consists of a single building of approximately 365,000 square feet known as 436 Walnut Street. The building is 50 percent occupied, underutilized, and requires significant capital improvements.

As such, the Planning Commission has designated the district a blighted area, and the Board of Revision of taxes has reduced its market value to $17.6 million.

Creation of the 436 Walnut TIF will enable ACE, which employs 1,000 in its headquarters location, to retain and expand, growing here in the City of Philadelphia.

Without it, the opportunity for enormous capital investment in the TIF District, and the developer's current jobs and future employment growth, will be lost.

Many of the points I'll make you've

already heard, but I believe they're very important to get on the record.

The investment ACE is undertaking is substantial, $74 million to acquire and renovate 436 Walnut Street. A significant portion of this funding is private.

Of total costs of $74 million, $52.5 million will be funded by ACE, $13 million by public loans and grants, and $8.5 million by incremental tax revenues.

Incremental increases in real estate and Business Privilege taxes shall be used to pay the TIF note over a 20-year term.

To minimize the impact on the School District, no Use and Occupancy tax will be used to pay the TIF note.

ACE's current lease term expires 2006. ACE has decided to vacate its current location. Therefore, the only question is whether they relocate inside the City or outside the City.

ACE has undertook a cost analysis of several regional sites, and has determined that the purchase of 436 Walnut, with the

associated public benefit package, including the TIF, is the only option that can accommodate its needs within the City of Philadelphia.

The project is expected to create approximately 206 construction jobs, and retain and create 950 full-time equivalent permanent jobs. The balance of 200 other employees will be retained in either scenario and are not at risk.

Market value of the District after improvements is estimated to be $35 million, doubling the current market value of $17.6 million.

As currently occupied, the project site will continue to generate taxes of approximately $1.8 million per year initially, and $46.9 million over the 20 years from within the District. Of this amount, $36.5 million would go to the City, and $10.4 million would go to the School District.

If the project is completed, the City is estimated to collect $67.1 million,

and the School District is estimated to collect $17.5 million over 20 years, after subtracting the TIF funds.

Thus, the project represents a net gain within the TIF District of $30.6 million to the City, and $7.1 million to the School District over the next 20 years, which will be lost if the TIF District is not approved.

In addition, the improvements and increased occupancy of 436 Walnut will further stimulate the Independence Mall area, leveraging other recent public investments and cultural attractions and associated amenities.

Since introduction of the bill, PIDC has met with the City Council staff, the School District staff, the School Reform Commission, the Department of Revenue, the Controllers Office, PICA, and the Minority Business Enterprise Council to review the project plan.

With the exception of the Controllers Office, these representatives

Whole - 3/30/04 - Bill 040157

have been overwhelmingly supportive of 436 Walnut TIF. And the School Reform Commission approved its participation in the plan at its meeting on March 17th.

Based on these discussions, we have made three changes to the project plan which were circulated to Council members last week, and are offered here today as a revised exhibit to the bill.

We have made a change to the project plan to clarify ACE's schedule, with occupancy commencing 2006.

Based on our feedback from the Controller and requests of the Administration, we have added a clawback, whereby TIF revenues are reduced to the extent that ACE's Philadelphia employment drops below 920 employees.

COUNCIL PRESIDENT VERNA: 920?

MR. FINA: Several improvements to the economic opportunity have been made based upon input from MBEC and the City Council technical staff.

In closing, I would like to note

that today's hearing is required by the Pennsylvania Tax Increment Financing Act to create a TIF District, and that the Act requires City Council to wait at least three weeks for final consideration. Under the State Act, Council will not be able to act on this bill until their regularly scheduled meeting on April 22, 2004.

In order to expedite this project, however, I am requesting your approval of Bill Number 040157, creating the 436 Walnut Tax Increment Financing District at your meeting of April 22nd.

I would be happy to answer any questions you may have now. Thank you.

COUNCIL PRESIDENT VERNA: Mr. Fina, the TIF has been valued at $8.5 million. What is the funding source of the $1.5 million City funds reflected on Page 6-A?

MR. FINA: The $1.5 million of City funds is economic stimulus dollars that City Commerce has approved, as well as the Mayor's office.

COUNCIL PRESIDENT VERNA: What is

the source or sources of the State's share of $11.5 million, and what is the status of that funding?

MR. FINA: There is a letter from the Department of Community and Economic Development providing these dollars. And that letter stipulates that $10 million would be a PIDA loan, a Pennsylvania Industrial Development Authority loan that would be conduit through PIDC. Then there was a $1.5 million grant from the State.

COUNCIL PRESIDENT VERNA: You're absolutely certain of receiving those dollars? My question is, what happens to the project in the event that the State's funding is not forthcoming or reduced?

MR. FINA: Well, those funds have been committed in writing, so I think there would be some action that ACE would take or a negotiation at least that ACE would take with the Commonwealth to find those dollars.

Nothing is certain, but we're fairly sure, since it is in writing, that the

Commonwealth will honor that. They've been very much part of the process to maintaining ACE in the City of Philadelphia.

COUNCIL PRESIDENT VERNA: And when is it anticipated that the new jobs will be created?

MR. FINA: Those jobs... It's over three years projected at this point, starting in 2008.

COUNCIL PRESIDENT VERNA: And how many new jobs are we looking at?

MR. FINA: They're projecting 150 new jobs.

COUNCIL PRESIDENT VERNA: 150.

Thank you. The chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I have some questions, Madam President, but my questions are for the MBEC program, and I think they're on their way.

COUNCIL PRESIDENT VERNA: Has a call been made to them?

MR. FINA: Yes.

Whole - 3/30/04 - Bill 040157

COUNCIL PRESIDENT VERNA: Yes. They are on their way.

Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Mr. Fina

MR. FINA: Good morning, Councilman.

COUNCILMAN GOODE: I was pleased to see this actually defined as a retention project, rather than a job creation project because it is primarily a retention project; is that correct?

MR. FINA: That is correct, sir.

COUNCILMAN GOODE: And what is the cost per job created?

MR. FINA: On the retention and creation, it's $10,000 per job for the TIF.

COUNCILMAN GOODE: What is the cost per job created?

MR. FINA: Oh, that would be substantially higher.

COUNCILMAN GOODE: Would it be

$98,331 per job created?

MR. FINA: Well, Councilman, that's probably the math. However, as you noted, it is a retention project. These jobs will be lost to the City of Philadelphia if the TIF is not approved and ACE leaves the City.

COUNCILMAN GOODE: So the cost per job created is $98,331.

MR. FINA: Councilman, you could look at it that way. But as I said, since you and I both agree that this is a retention project, all these jobs would be lost to the City. And so the math is better put forth that it's $10,000 per job created and retained.

COUNCILMAN GOODE: So in your calculations, in terms of public cost per job, are you always going to loop in retention and creation?

MR. FINA: That's not the case, unless we know the jobs will be absolutely lost if the business does not receive the public benefit.

Whole - 3/30/04 - Bill 040157

COUNCILMAN GOODE: As part of the document submitted to Council on this TIF, you also do an examination of all the TIFs. And you say you have retained or created over 30,000 permanent jobs. What's the breakdown, in terms of retention and creation of that 30,000 jobs?

MR. FINA: We have that information, Councilman. If you bear with me, I could get that for you.

COUNCILMAN GOODE: Okay. But while we're waiting for that, what should be the cost per job created, in terms of public dollars?

MR. FINA: I'm sorry, Councilman.

COUNCILMAN GOODE: What should be the cost per job created, in terms of public dollars?

MR. FINA: You don't mean just for 36 Walnut; you mean the program at large?

COUNCILMAN GOODE: In terms of the economic development strategy for the City, what should be the cost per job created, in terms of public dollars?

Whole - 3/30/04 - Bill 040157

MR. FINA: Well, that varies with the source of funding. That requires a different amount, such as HUD requirements --

COUNCILMAN GOODE: I'm saying, how much should it cost the public sector to create jobs on average? You can give me a range.

MR. FINA: I'd say between $25,000 and $50,000.

COUNCILMAN GOODE: Between $25,000 and $50,000.

Are you familiar with job creation tax credit that's available on a local level?

MR. FINA: Yes.

COUNCILMAN GOODE: Did you offer a job creation tax credit?

MR. FINA: Part of the State funding is tax credits to the...

COUNCILMAN GOODE: There is a local job creation tax credit as well.

MR. FINA: Well, certainly ACE availed themselves of that, if they

qualify.

COUNCILMAN GOODE: That is 150 times $1,000 per new job over five years.

Next question is: I'm assuming that you still consider tax financing to be part of the City's economic development strategy.

MR. FINA: Yes.

COUNCILMAN GOODE: Past, present and future?

MR. FINA: That's difficult to say what the future will bring us, Councilman. If there's huge tax reform, obviously the tax increment financing may not be applicable.

COUNCILMAN GOODE: What's the net job creation since the City started using TIFs?

MR. FINA: I have that information but not readily at my hand.

COUNCILMAN GOODE: That's the third question we're looking for an answer for, all related to job creation.

MR. FINA: Councilman, you're very

insightful, and you always asking very penetrating questions. And we can't always prepare for every question that you may have.

COUNCILMAN GOODE: Let me ask this question: As part of the qualification for TIF to fulfill the but for requirement, we're dealing with just a lack of economic competitiveness of the City. So, wouldn't everyone qualify for a TIF, every business?

MR. FINA: No.

COUNCILMAN GOODE: We're talking about the but for requirement. Part of what you... Can you give me the definition of what qualifies someone under the but for requirement?

MR. FINA: Councilman, that's a fairly extensive --

COUNCILMAN GOODE: You actually forwarded it in testimony. I just can't find it. I was looking for it. You forward a new definition of the but for requirement.

MR. FINA: There's basically two

categories. One's regional competition. So, we try to meet that regional competition. And at this point the competition, as we understand it, working with ACE, is that the differential between Philadelphia and other sites is $35 million.

COUNCILMAN GOODE: I'm asking a general question about who qualifies in the but for requirement, just as a matter of policy, not as it relates to the specific project.

MR. FINA: That there are not other funds available that will fill the gap between what the private capital markets are providing to retain or create jobs and what the total cost of a project is.

COUNCILMAN GOODE: That's one. You listed three of them. And I just can't find the documents, as there are about 50 documents sent over.

You listed three definitions of what qualifies, in terms of the but for. This may be it.

MR. FINA: Oh, it's our policy?

COUNCILMAN GOODE: Yes. Oh, here it is. One, the project has insufficient cash flow to support the project cost; two, the lender's collateral loan policies and equity terms prohibit providing amounts necessary; and three, the cost of doing business in the City are disproportionately higher or competing jurisdictions offering subsidy.

My question is: If those are the three qualifications, couldn't just about every business in the City qualify for a TIF? Because the cost of doing business in the City is disproportionately higher, and competing jurisdictions can offer anybody they want a deal.

MR. FINA: Well, in their policy too, Councilman, we talk about -- we use TIF as the last resort. We try to use other economic development programs first.

First we determine there is a gap, look at other economic development programs. And then if no other program is

readily available or the company does not qualify, then we'll consider TIF. And we try to limit the amount of TIF to exactly what the gap is.

COUNCILMAN GOODE: Going back to the earlier question, have you found information yet? Of the 30,000 jobs you claim to have created or retained through TIFs, how many jobs were created and how many retained?

MR. FINA: Total permanent jobs created are 5,243.

COUNCILMAN GOODE: So roughly 25,000 were retained and only 5,000 created. So, what do you think the cost per job is for those 5,000 jobs?

MR. FINA: The 30,000 jobs is not all the -- That's all the TIFs that were approved, not all the TIFs that have gone to settlement.

COUNCILMAN GOODE: The question is, what do you think the cost per job is for the 5,000 jobs created through all the TIF projects?

MR. FINA: If you bear with us, we'll do the math and tell you that exact...

COUNCILMAN GOODE: Okay. While you're looking for that, figuring that out, can you tell me why the clawback provision is on jobs created and retained, as opposed to just jobs created? Why won't we have a clawback on just the jobs created?

MR. FINA: Because the whole purpose of this TIF is to retain ACE here in the City of Philadelphia.

COUNCILMAN GOODE: I understand that. And the TIF will allow them to do that.

But why not put a clawback still on the jobs created, as opposed to jobs created and retained?

MR. FINA: Well, we came up with a figure of retained and created.

COUNCILMAN GOODE: It's 80 percent of jobs.

MR. FINA: Retained and created, yes.

Whole - 3/30/04 - Bill 040157

COUNCILMAN GOODE: Why not just put the clawback when the job is created?

MR. FINA: Because we think it serves the City better because there's a larger number of jobs.

If we did 80 percent of 150, they'd only need to create 120 jobs. And we'd rather have all these jobs.

COUNCILMAN GOODE: I wasn't suggesting 80 percent of 150. I was suggesting you come up with a formula, in terms of clawback provision, that just directly relates to jobs created.

I mean, we can give away tax dollars for years just trying to keep companies here, and never have a net job gain.

And I ask you the question again, if you found the answer by now, what's the net job creation from all the TIF projects?

MR. FINA: The net job creation is 5,000 jobs.

COUNCILMAN GOODE: No, I'm not talking about from the projects. I'm talking about what is the... Since we've

been doing TIFS in the City, have we lost jobs, gained jobs? Is job creation flat?

MR. FINA: Our information indicates that we've created 5,000 jobs from the TIF projects that have gone to settlement.

COUNCILMAN GOODE: I understand that, Bob; and you understand what I'm asking also. You started doing TIFs in what year?

MR. FINA: 1996.

COUNCILMAN GOODE: Okay. What has been the City's experience, in terms of job creation since 1996?

MR. FINA: The City at large?

COUNCILMAN GOODE: Yes, Bob.

MR. FINA: I believe the City's lost jobs.

COUNCILMAN GOODE: Okay. So the strategy is not necessarily working.

MR. FINA: Well, you recall, Councilman, that we looked at most TIFs on a project-by-project basis.

COUNCILMAN GOODE: And that's the problem. There is not an economic

Whole - 3/30/04 - Bill 040157

development strategy --

MR. FINA: Well, that is --

COUNCILMAN GOODE: Excuse me. For job creation.

MR. FINA: Well, Councilman, we believe we would have lost substantially more jobs.

If you take the PSFS Hotel --

COUNCILMAN GOODE: Well, I understand that. That's why you're employing a retention strategy.

And I'm suggesting that you not have a job creation strategy that's aggressive, just in terms of job creation, which is part of the reason why you wouldn't do a clawback on just the jobs created.

It's also the reason why you wouldn't pursue a job creation tax credit because you're pursuing a retention strategy which will never put us in a position of net job creation.

MR. FINA: Councilman, we believe that if we don't retain these jobs, it would be devastating for the City of

Philadelphia. If all the commercial tenants in the City of Philadelphia leases expired and they left, it would be devastating.

COUNCILMAN GOODE: But you can't give them all TIFs, right?

MR. FINA: No. We haven't. This is the first of 60 some businesses that have renewed leases that we're providing a TIF for.

COUNCILMAN GOODE: We'll still have net job loss as you continue to give away tax dollars.

MR. FINA: That may be true, Councilman, but there are other economic factors that cause that.

COUNCILMAN GOODE: So you actually do not believe that the clawback provision should just deal with job creation.

MR. FINA: I'm sorry?

COUNCILMAN GOODE: You actually believe that -- Well, let me ask you this because I didn't do the math on this: What percentage of the retained and created

jobs... What percentage of the created and retained jobs reflects just retention? It's a total of 950, I believe, and 150 are new jobs. The 800 are retained, I'm assuming. Is that...

MR. FINA: Yes, that's correct.

COUNCILMAN GOODE: I don't have a calculator on me.

MR. FINA: Yes, that's correct.

COUNCILMAN GOODE: So the 800 reflects what percentage of the 950?

MR. FINA: We'll do the math. I don't have a calculator with me either, but...

COUNCILMAN GOODE: You said it's close to 80 percent?

MR. FINA: 85 percent?

COUNCILMAN GOODE: So they don't have to create one job.

MR. FINA: Well, I mean, they're making an investment of --

COUNCILMAN GOODE: Let me ask one more question, Bob. Would you consider putting a clawback provision that just

relates to job creation?

MR. FINA: We could consider that, Councilman.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you, Councilman.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Madam President, I also had several questions about the participation plan, but I know Councilwoman Tasco was in front of me, as it related to that. And I do believe Mr. Roundtree is here. Okay. I'll defer to her on that.

I did have another question with respects to the analysis on the revenue associated with the creation of... well, the retention of these particular jobs.

And I wanted to know, when you did the analysis on that, did you take into account -- Well, let me ask a question

first. This particular company is moving out of a building, and they have approximately how much square feet in the existing operation?

MR. FINA: I believe it's about 550,000 square feet.

COUNCILMAN CLARKE: All right. Will there be any revenue to the City and the State lost as a result of them leaving that particular space?

MR. FINA: Councilman, we believe -- They're leaving that space. They -- They -- We have one opportunity to retain them in the City. If we don't retain them --

COUNCILMAN CLARKE: I understand that.

MR. FINA: -- they're lost.

COUNCILMAN CLARKE: If you can ask --

MR. FINA: And the revenue from 436 will be lost.

COUNCILMAN CLARKE: All right. I understand that. Can you just answer the

question?

MR. FINA: Well, I mean, that's a private landlord there, which certainly PIDC would provide whatever economic development tools we have to assist that landlord. But it really depends on how fast that landlord can rent up the space there.

COUNCILMAN CLARKE: Do we have any sense that there is a possibility of renting that space?

MR. FINA: Well, we're very positive with what the Chamber and the Commerce Department are doing to select Philadelphia, that they'll be lots of opportunity.

COUNCILMAN CLARKE: So do we have a policy in place that when we offer a TIF or any other financial incentive for a company to maintain its presence in the City or create jobs in the City, that we do in fact take into account the space, the leased space or the building that they're vacating? Is that a part of the process?

Whole - 3/30/04 - Bill 040157

Do we automatically trigger something within the government that looks at ensuring as best as possible that that space is quickly leased?

MR. FINA: Councilman, you passed legislation where you've asked the Finance Department and the Commerce Department to look at different tax incentives and other programs to retain office tenants here in Center City. And PIDC in Center city District is participating in that very action.

COUNCILMAN CLARKE: You guys are actually working on that?

MR. FINA: We have been working on it, yes, sir.

COUNCILMAN CLARKE: All right. I haven't gotten a status report. I wasn't sure.

MR. FINA: We're a little slow. We've been working on it.

COUNCILMAN CLARKE: I understand. You have a full plate.

So the answer to the question...

And I'm not sure... I'll ask the question again. Is there, through PIDC or Commence or any other entity in the government, when we offer an incentive, be it a TIF or any other government incentive, do we immediately trigger a process within the government that looks at helping the owner of the facility, building, lease out the space that will be vacated as a result of this company moving to another location?

MR. FINA: As you know, we have a number of funding sources, a number of programs. And we contact landlords on a continuing basis to assist them in --

COUNCILMAN CLARKE: I'm asking about a particular landlord, a landlord who now is losing a tenant.

MR. FINA: We have communicated with him.

COUNCILMAN CLARKE: All right. So we have a process in place that -- When we offer a TIF -- And I understand that -- You know, I support TIFs, obviously. But my question is... I'm going to keep asking it

until you give me a straight answer. Is there a process that's triggered by us offering any kind of incentive from government that immediately contacts the existing property owner that loses the tenant? And he would probably lose it anyway, potentially, because this particular company has indicated that it will probably leave the City.

But do we automatically contact that property owner and say, look, we have some things in place. We want to help you lease out this facility, because to simply move jobs around doesn't really create what we're trying to create, additional jobs.

MR. FINA: You're absolutely right, Councilman. But this is the first time that we've had this circumstance, that we've been involved with a TIF or other large financing program over the past year. Because we're dealing with all these commercial tenants who have leases expiring in the next couple years, to retain them. So, we're looking at this. We're working

with landlords and tenants.

COUNCILMAN CLARKE: So as we move ahead and possibly entertain additional TIFs or KOIZs, there will be a policy in place to address the potential loss of tenants and substantial loss of tenants from the existing buildings.

MR. FINA: We have met with many landlords who potentially may lose tenants by the actions you're talking about.

COUNCILMAN CLARKE: And that's led by PIDC or Commerce?

MR. FINA: Yes.

COUNCILMAN CLARKE: Who's the point person?

MR. FINA: PIDC.

COUNCILMAN CLARKE: Who's the point person?

MR. FINA: The point person?

COUNCILMAN CLARKE: Mm-hmm.

MR. FINA: Sam Rhoads.

COUNCILMAN CLARKE: Sam? Sam, you're the guy?

MR. RHOADS: Yeah -- No, it's...

There is a group of folks who meet regularly to look at these issues. And it includes the Center City District, it includes the Department of Commerce, it includes PIDC, it includes the Governor's Action Team. So it's a group that meets regularly, and to confront exactly these issues.

COUNCILMAN CLARKE: So if and when the KOIZ legislation reaches City Council, I can expect that we will be able to have the conversation with this team or you as the point person about the potential loss of tenants in the existing properties.

MR. RHOADS: Certainly.

COUNCILMAN CLARKE: Okay. Okay.

Madam President, I want to thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning, gentlemen.

MR. FINA: Good morning.

Whole - 3/30/04 - Bill 040157

COUNCILWOMAN BROWN: First let me personally thank the leadership at ACE for your commitment to remain in Philadelphia.

And with all TIFs, my principle interest is what the impact will be on the Philadelphia Public School System. To that end... But let me first follow up on Councilman Goode's question regarding the targeted tax credit.

When companies come to you looking for tax credit opportunities, procedurally what do you do in-house with regards to the options available to them? What happens?

MR. FINA: Well, Councilwoman, we have a number of programs. And we first analyze what the company's telling us. We look at their numbers, look at what costs they have, and we find out how sincere they actually are about their alternatives.

COUNCILWOMAN BROWN: Two years ago the legislation was passed regarding targeted tax credit. Procedurally, what happens within your shop, if it comes to with regards to ensuring that at least this

option is available to them?

MR. FINA: Well, we refer them to the City Commerce Department or to the Finance Department, who provides -- who can explain that much better than we can. It is a City program. It's not a PIDC program.

COUNCILWOMAN BROWN: So PIDC is in no way responsible for ensuring that the connect happens with the Commerce Department? You simply refer them.

Is there any subsequent follow-up once the connect happens at the School District -- I mean, at the Commerce Department?

I yield to Councilman Goode, Madam President.

COUNCILMAN GOODE: Point of information.

COUNCIL PRESIDENT VERNA: Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Is tax income and financing a PIDC program?

MR. FINA: Yes. Under the State law

it has to be an IDA or IDC that recommends it to the legislature and the School District. So the answer is yes.

COUNCILMAN GOODE: So, there is an development... Sorry for taking this -- There is an economic development incentive at the Revenue Department, that you're going to refer people to the Revenue or Commerce Department, because it was not specifically suggested in legislation that PIDC first try to offer just $1,000 per job?

MR. FINA: We inform our clients of every economic advantage they have a right to, Councilman, that they have a right to, such as a ten-year tax abatement. We tell them they have a right to that but they must pursue it.

COUNCILMAN GOODE: I don't want to take any more of the Councilman's time. I'll follow up later. But you package these deals.

MR. FINA: Yes.

COUNCILMAN GOODE: You don't just

Whole - 3/30/04 - Bill 040157

hand people a menu.

MR. FINA: No.

COUNCILMAN GOODE: Okay. Thank you.

COUNCILWOMAN BROWN: So with that said, PIDC is not responsible for ensuring that perspective candidates for tax credits are aware of all -- of the options to them. You punt that to the Commerce Department. Is what I'm hearing?

MR. FINA: We work very closely with the Commerce Department and the Finance Department, when appropriate, with a client, just like we refer people to L & I to get their ten-year tax abasement. They must provide it, so we can't do that for them.

COUNCILWOMAN BROWN: So then we should look to the Commerce Department to ensure that programs like the targeted tax credit are accessed and utilized; is that what I'm hearing?

MR. FINA: I think --

COUNCILWOMAN BROWN: Who is responsible, ultimately?

MR. FINA: Ultimately the City is responsible for that program. PIDC is not. But we certainly package it and refer our clients to take advantage of every opportunity that they can, that's available to them.

COUNCILWOMAN BROWN: Okay, then.

MR. FINA: As a matter of right, we'll say.

COUNCILWOMAN BROWN: I understand that the School District, according to your testimony on Pages 2 and 3, will see a net increase of $7.1 million over the 20-year lifespan of this TIF.

That plus the $30 million to the City will make for a convincing argument on why we need to keep this corporate citizen here.

Help me understand how you arrived at those numbers.

MR. FINA: Yes. We calculated the amount of Use and Occupancy tax that will be generated from the TIF District when the improvements are completed, and we ran that

through for the term of the TIF. And the aggregate amount was $12,130,000. And we subtracted the actual base, which is being paid now, of $137,000 from that. And that's the amount of... over 20 years that the School District will receive.

And then we subtracted the amount that they're receiving now from the property. And so the aggregate is $7.1 million over the 20 years.

COUNCILWOMAN BROWN: And I did hear you say in your testimony that the SRC did approve this, correct?

MR. FINA: Yes, they did, on March 17th.

COUNCILWOMAN BROWN: Okay. On Page 2 of your testimony, third paragraph, you say, the project is expected to create approximately 206 construction jobs. What kind of impediments would get in the way to achieving that goal? Because you use the word expected.

MR. FINA: Well, it's difficult sometimes when techniques in construction

change. So that may be 200 jobs; it may be 120 jobs. This is the estimate that we use, based upon the cost of the improvements that we're being advised are going to occur in the Fifth District.

COUNCILWOMAN BROWN: And then you say retain and create 950. If you could please break that down for us.

MR. FINA: Okay.

COUNCILWOMAN BROWN: How many would be created specifically for this project, and how many would be retained? Unless I missed that in the testimony.

MR. FINA: Well, within the TIF District there's 800 jobs being retained and 150 being created.

COUNCILWOMAN BROWN: Okay.

MR. FINA: ACE is retaining 200 other jobs that are not at risk that will be in another location.

COUNCILWOMAN BROWN: All right.

MR. FINA: And they're not part of the 950.

COUNCILWOMAN BROWN: Okay. ACE

plans on putting 800 people in this building, as you just stated, correct?

MR. FINA: 950.

COUNCILWOMAN BROWN: 950 in this building.

MR. FINA: Yes.

COUNCILWOMAN BROWN: Currently, 1,000 employees in its headquarters; is that accurate?

MR. FINA: Yes.

COUNCILWOMAN BROWN: Okay. And on Page 250, okay, you said it would be 950 employees. That looks like a net loss of 50. Would that be the accurate assumption?

MR. FINA: No. Because 200 other employees currently in the City of Philadelphia will be retained in the City of Philadelphia. So there will be 1150 in total in the City of Philadelphia.

COUNCILWOMAN BROWN: Okay. With these types of packagings, do you ask for guarantees or source protections to ensure that those 800 remain in Philadelphia?

MR. FINA: We negotiated a clawback

with ACE where they must retain at least 920 jobs here in the City of Philadelphia.

COUNCILWOMAN BROWN: Is that a first? Is that unprecedented? Is that a practice? What is it?

MR. FINA: That is unprecedented. But we hope to make it a precedent.

COUNCILWOMAN BROWN: Okay. Thank you for your testimony.

Thank you, Madam President.

MR. FINA: Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Kelly.

COUNCILMAN KELLY: Good morning, Mr. Fina.

MR. FINA: Good morning.

COUNCILMAN KELLY: Mr. Fina, in your testimony you mention that the building is 50 percent occupied. Could you tell me who is occupying the building now at 436 Walnut?

MR. FINA: There is one large tenant

and one small tenant. The one large tenant is One Beacon; the small tenant is Exliebers (phonetic).

COUNCILMAN KELLY: Are they going to remain in Philadelphia; do you know? Where are they going to be relocated?

MR. FINA: Their lease continues through 2008. And ACE is committed to not -- not to force them out.

COUNCILMAN KELLY: Okay. In other words, in 2008 their lease would expire, and they would have to be relocated; is that true?

MR. FINA: PIDC is working with One Beacon when that eventuality occurs.

COUNCILMAN KELLY: Okay. Could you tell me: What type of reduction are you talking about with the TIFs with those clawbacks?

MR. FINA: Well --

COUNCILMAN KELLY: If you fall under 920.

MR. FINA: What we would do is divide the 920 by the number that they

actually have, and then multiply that by the incremental tax. That would become a percentage. And then multiply that percentage by the incremental tax that they were to receive the following year. And they will have that deducted from their -- from that amount of incremental taxes.

COUNCILMAN KELLY: I see. In other words, if it falls drastically below the 920, then it would be substantial.

MR. FINA: Yeah. Well, let's say if it went down to 460, just as -- because I could do the math easy. That's 50 percent.

So they would get 50 percent of the incremental tax the next year. But if they didn't move the jobs back up, then they would get -- that would continue. So that's a drastic example that we do not expect to happen.

COUNCILMAN KELLY: Okay. Well, just following up on Councilman Clarke, he evidently has mentioned that there's going to be a lot of activity, I guess, with the TIFs and the KOIZs in the upcoming months

or years.

And I'm sure that you're going to have to have some kind of a plan implemented to do something with the relocation of all these people from all the other buildings that are going to be moving into these newer buildings.

MR. FINA: That's correct.

COUNCILMAN KELLY: Okay. Thank you.

Thank you, Madam President.

MR. FINA: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman O'Neill.

COUNCILMAN O'NEILL: Thank you, Madam President.

Mr. Fina, you mentioned the $1.6 million economic stimulus money?

MR. FINA: $1.5 million. Yes. sir

COUNCILMAN O'NEILL: $1.5 million.

MR. FINA: Yes, sir.

COUNCILMAN O'NEILL: Is that a grant or a loan?

MR. FINA: That's a grant.

COUNCILMAN O'NEILL: And is it out of current fiscal year's budget or is it out of the upcoming '05 fiscal budget?

MR. FINA: I'd have to check with Commerce what budget that's in.

COUNCILMAN O'NEILL: Okay. Will you check now?

MR. FINA: Yes.

I'm told it's current, Councilman.

COUNCILMAN O'NEILL: Okay. To '04?

MR. FINA: Yes.

COUNCILMAN O'NEILL: How many public dollars, excluding incremental taxes, are involved, City dollars, are involved in this transaction?

I'm not talking about credits against taxes that we might not have gotten, same as the incremental taxes, but obviously the $1.5 million is direct City money.

MR. FINA: There are no other dollars from the City other than the TIF.

COUNCILMAN O'NEILL: Okay. So the $1.5 million grant is the out of pocket,

sort of, if you will.

MR. FINA: That's the way to phrase it, Councilman.

COUNCILMAN O'NEILL: Okay. I just want to thank PIDC and Commerce, and actually, the applicant. This is about the best information I've gotten on a TIF. And that was done on a short, fast track. But... And the Chamber.

I think people really put their heads together on this. If this is what we're going to see in the future, I think we have a good chance of succeeding.

MR. FINA: Thank you, Councilman. I appreciate that. And on behalf of all of us, I thank you.

COUNCIL PRESIDENT VERNA: Councilman, are you finished?

COUNCILMAN O'NEILL: I'm finished.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

Mr. Fina, isn't there some post 9/11

insurance underwriting issue, either corporate policy or overall insurance issue, that at the same time the lease is expiring, the inability or the difficulty in housing more than 1,000 people in what's called a Trophy building, which would be Liberty, wasn't that part of what, kind of -- part of the catalyst, in addition to the lease expiring?

It may be an ACE corporate policy alone or it may be an overall insurance industry issue.

MR. FINA: That's a question that we're going to verify with ACE, how they want us to respond to that, Councilman.

COUNCILMAN KENNEY: Okay.

MR. FINA: I think it's a fair question. But I just want to check to make certain I'm not speaking against company policy.

COUNCILMAN KENNEY: In general terms, it would seem that after 9/11 housing 1,000 or more employees in a large building must be difficult to insure, just

in general terms.

MR. FINA: I'm not qualified to answer that.

COUNCILMAN KENNEY: Who are our competitors for ACE?

MR. FINA: New Jersey, principally; Bucks County. I don't believe Delaware, but they did look at --

COUNCILMAN KENNEY: Delaware is kind of a general contender for everything, isn't it?

MR. FINA: Yes.

COUNCILMAN KENNEY: But... So it's Jersey, Bucks County, potentially Delaware.

Can you talk about any type of incentives that you were aware of that were waived out there? Because I heard some big numbers coming out of Jersey.

MR. FINA: New Jersey was offering $32 million cash.

COUNCILMAN KENNEY: Cash?

MR. FINA: Yes.

COUNCILMAN KENNEY: Does that include...

MR. FINA: Oh, I'm sorry. I misstated. It's $22 million cash and $10 million of additional incentives.

COUNCILMAN KENNEY: And how does that, in your business, in your industry rank as an incentive? Was that a major one, a minor one, medium sized one?

MR. FINA: That's a very significant incentive. We're not able to match that incentive with ACE. We are fortunate we convinced them to stay with the incentives that we proposed.

COUNCILMAN KENNEY: What's the condition of the building at 436 Walnut right now? What would you... Is it -- What would you term it, in terms of office class?

MR. FINA: I'd say it's probably Class C.

COUNCILMAN KENNEY: C?

Isn't it a historic building?

MR. FINA: I don't believe so, Councilman. And actually, two buildings, one 12 stories and another 6 stories, fused

together years ago. 9 and 12.

COUNCILMAN KENNEY: There's been some extensive discussion about TIFs and strategy and issues relative to the number of TIFs we've done and what their effect has been.

I want to ask you from the opposite side. Do you have an estimate on what number of jobs we would have lost had we not used TIF?

MR. FINA: Yeah.

COUNCILMAN KENNEY: I know we're about five -- you estimate about 5,000 created. I'm talking about, what would we have lost had we not had TIF as a weapon?

MR. FINA: The TIFs that have closed have created all net new jobs. They're hotels, the other... Quite a few hotels. But in the Kverner project. I mean, they were all net new jobs, so we have not done retained jobs until now with the TIFs.

COUNCILMAN KENNEY: Do you have -- From your experience, I think you've been involved probably with every TIF since '96.

MR. FINA: Yes.

COUNCILMAN KENNEY: Had you in your own calculations determined what potential loss there would have been had TIF not been a tool to use in retention?

MR. FINA: Well...

COUNCILMAN KENNEY: I mean, if you don't know now, I'd be interested in having you do some calculation, just to give us an idea of perspective.

MR. FINA: Well, at least 800 jobs, Councilman.

COUNCILMAN KENNEY: At least 800?

MR. FINA: Yeah. Including this one.

COUNCILMAN KENNEY: I would be interested in knowing in the future what you would have estimated the overall loss would have been had TIF not been here.

MR. FINA: We'll do that calculation.

COUNCILMAN GOODE: Madam President, point of information. Madam President. Madam President.

Whole - 3/30/04 - Bill 040157

COUNCIL PRESIDENT VERNA: A point of information for Councilman Goode.

COUNCILMAN GOODE: Just for clarity of the record, I believe Mr. Fina just testified that TIF has not been used for retention before; is that correct?

MR. FINA: That's correct.

COUNCILMAN GOODE: Thank you.

COUNCILMAN DiCICCO: Have TIFs resulted in retention, even though it wasn't anticipated?

MR. FINA: With one exception, all the projects are new. There was -- And the job creation was new, Councilman, such as Kverner. Those jobs did not exist. The PSFS Hotel did not exist. So, all new jobs.

But in the PNC Bank Center, the first TIF we did, there's retention there. But...

COUNCILMAN KENNEY: But what?

MR. FINA: So we will -- we will do that calculation and get that to the President.

Whole - 3/30/04 - Bill 040157

COUNCILMAN KENNEY: And additionally, if you could kind of extrapolate what that loss of those unretained potential jobs would have been, relative to the City's economy, loss of tax dollars.

MR. FINA: Okay. There's an economic formula that you could use a multiplier effect and do indirect jobs for every job created. Normally it's called a RIMS formula.

COUNCILMAN KENNEY: You know, I voted on every TIF I think we've done since '96. And this one seems to me to be really a no-brainer in the scheme of TIFs.

And again, we always look retrospectively at TIFs, to see whether or not it had the effect that we've desired. Sometimes perhaps not; sometimes minimally.

But I think this one to me seems to be a relatively easy one to vote for because of the historic nature of this company in the City, and because of the job retention and the additional creation. It

seems to me to be one of the better ones. So, thank you for your testimony.

MR. FINA: Thank you, Councilman.

COUNCILMAN KENNEY: You're welcome.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Madam President.

Good morning, Mr. Fina, Mr. Rhoads.

On the subject of job retention, as it relates to this particular TIF, we understand that we will be keeping those 800 jobs, actually 1,000 jobs possibly because the other 200 that will not be located at this particular site may have left as well. That's a possibility, I'm sure.

But when we talk about TIFs, just thinking of a few that, when we've done some for hotels, as an example, they may not necessarily be described as retaining jobs.

But there are ancillary or retaining

jobs in the restaurant industry, as an example. But for some of the hotels and the fact that we're able to accommodate larger conventions, there is a spinoff that does retain jobs, maybe not specific to that TIF building or that project, but other jobs are being retained Citywide. And that's, I guess, hard to calculate, although we can guesstimate on the jobs that are retained.

MR. FINA: There are economic models that you can use to do that, Councilman. And... You know, we don't do that because we'd rather do real nose counts of people.

COUNCILMAN DiCICCO: And I understand that. But in a broader sense there is job retention --

MR. FINA: Oh, absolutely.

COUNCILMAN DiCICCO: -- somewhat related to every TIF that we've done --

MR. FINA: Absolutely.

COUNCILMAN DiCICCO: -- or will do. In some shape or form.

MR. FINA: There's not only job

retention; there's also job creation.

COUNCILMAN DiCICCO: Job creation as well.

MR. FINA: Yes.

COUNCILMAN DiCICCO: All right. I just have two other questions. Of the 150 new jobs that we're anticipating, what is the average salary of those jobs? Does anyone know? Approximate?

MR. FINA: About 79,000, Councilman, annually.

COUNCILMAN DiCICCO: 79,000 annually per job. Anyone do the calculations on... I could probably do that real quick. It's about, what? $3.2 million a year in Wage Tax, just rounding it off?

MR. FINA: Yes.

COUNCILMAN DiCICCO: So we pick up an extra $3.2 million on Wage Taxes just on those 150,000 jobs.

And where I'm going is, I'm certainly not going against what Councilman Goode was talking about earlier, but the $98,000 job creation is considerably offset

by what we collect in the Wage Taxes.

MR. FINA: Yes. I would agree with you, Councilman.

COUNCILMAN DiCICCO: Okay. Thank you.

I have no further questions, Madam President, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Councilwoman Marian Tasco.

COUNCILWOMAN TASCO: I have some question, Mr. Fina, but I also -- if there are questions for this group, I'll wait because I want to call Mr. Roundtree.

COUNCILWOMAN BLACKWELL: Thank you. Are there follow-up questions?

COUNCILWOMAN TASCO: I just want to ask one question.

COUNCILWOMAN BLACKWELL: Certainly.

COUNCILWOMAN TASCO: What is the source of energy for this building?

MR. FINA: When it's completed?

COUNCILWOMAN TASCO: Yes.

MR. FINA: Councilwoman, I've asked that question of ACE. And they're still in

the very preliminary engineering of the building, so they haven't made a determination of what source they're going to use.

COUNCILWOMAN TASCO: The choice is between... What would be the choices?

MR. FINA: Well, I mean, it's an older building.

COUNCILWOMAN TASCO: Mm-hmm.

MR. FINA: So they haven't -- They have -- And it already has a fueling system, so they'll have to look at that to see what's the most economical basis for them to rework that system, replace that system, buy an alternative system. And that has not been determined yet.

COUNCILWOMAN TASCO: Well, given the fact that PGW is just about bankrupt, it would be very helpful if we could encourage these companies that we grant TIFs to use gas as a source of energy.

COUNCILMAN DiCICCO: If you can guarantee they won't shut the gas works down.

COUNCILWOMAN TASCO: Well, the representatives at ACE are sitting in the audience. We ask you to give serious consideration to the use of gas. It is clean, it is economical, and will help the City.

But with all respects to PECO, but they don't provide anything.

COUNCILWOMAN BLACKWELL: Councilwoman, we asked the question already in lieu of our hearing in about an hour. And we were advised that they're using both, the plans are to use both.

COUNCILWOMAN TASCO: Well, I mean, they use electric for the lights. I mean, that doesn't cut you out. That's a given.

I was talking about heating. I did say energy. I was talking about heating. Okay.

COUNCILWOMAN BLACKWELL: Councilman DiCicco, what are you saying?

COUNCILMAN DiCICCO: They may have an incentive to negotiate a deal with PECO.

COUNCILWOMAN TASCO: Then I'll come

with my other question. I have questions of Mr. ...

COUNCILWOMAN BLACKWELL: Thank you. I won't comment. I thought of something but I better leave that alone.

Donna, you have a question.

COUNCILWOMAN TASCO: I'm sorry.

COUNCILWOMAN BLACKWELL: We had follow-ups for these witnesses, Councilwoman Miller, and Councilman Rizzo, I know. Are there other questions for these witnesses?

Councilwoman Miller?

COUNCILWOMAN MILLER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

COUNCILWOMAN MILLER: My questions are pretty much around employment related issues, so I know that that's part of what Councilwoman Tasco wants to ask. But I don't know whether you have this information, Mr. Fina. Maybe someone from ACE INA can provide some information to us.

Whole - 3/30/04 - Bill 040157

Of the 800 current employees or 1,000 current employees, or the 800 that's going to remain here, how many are Philadelphia residents? What types of jobs are they? And I'll wait for those two. I have a couple more. And what is the diversity of the current work staff -- work force?

MR. FINA: I do have an answer for you, Councilwoman Miller.

COUNCILWOMAN MILLER: Okay.

MR. FINA: There are 300 Philadelphia residents in their current force work. 48 percent of their current work force is female, 20 percent of their current work force is minority. 40 percent female; 20 percent minority.

COUNCILWOMAN MILLER: It's my understanding that this is a national headquarters. So you have directors, in terms of titles of positions... What types of positions currently exist at INA?

MR. FINA: They have a number of positions, from clerical to executive. And

the average salary is quite good. It's 79,000 some dollars annually.

COUNCILWOMAN MILLER: Well, if you have any clerical positions that are available for $79,000 a year, I have some people we can refer for that.

MR. FINA: I've given them my resume also.

COUNCILWOMAN MILLER: What level of minorities are a part of the senior level staffing, and minorities including -- that also means women.

MS. RIVERA: Sorry for the delay. I have by job grade. In our executive job grade we have 117 total -- I don't have a calculator with me -- of which 56 are females and 16 are minority. And that's just in our executive top level job grade.

COUNCILWOMAN MILLER: What types of positions do you anticipate having with the 150 future jobs?

MS. RIVERA: Housed here in Philadelphia is a number of things. It's basically our U.S. headquarters, so you

will have executives from our Claims Department, from our Finance Department, from our Underwriting Departments. We have significant accounting staff at Two Liberty Place today, so there will be a lot of professional accountant positions there.

And then our Philadelphia region where it's largely underwriters that underwrite insurance risks located in the Mid Atlantic territory is something that we're growing. And a significant portion of the asset staff will be underwriters for the Philadelphia territory.

COUNCILWOMAN MILLER: So, actually, you know, I think Councilwoman Brown mentioned that or someone did, that Philadelphia is trying to retain college students here in the area. But it sounds like that this may not be a company where an entry level person could become employed.

MS. RIVERA: No. Actually, we have a significant plan with Temple and a number of universities here. I think last year

alone we hired in excess of 20 college students just to work here in Philadelphia

They are phenomenally bright. And they come in as junior underwriters, and then move up throughout the ranks. They can come in as entry accountants and move up throughout the ranks.

One of our major initiatives is basically to grow our staff by training and hiring our own. And Philadelphia and the universities here in the talent pool is tremendous for us to be able to do that.

COUNCILWOMAN MILLER: Okay. Is there an equal opportunity plan for employment, to increase the level of minorities that are employed there, other than the construction jobs? Talk about that.

MS. RIVERA: This is Kaywin Gales. He's our head of Human Resources at HUSA.

MR. GALES: Thank you. Absolutely. We monitor all of our promotions, as well as our hires within the organization. We post all our positions internally, as well

as externally, using Career Builder and monster.com.

As Susan mentioned, we are working actively with Temple University, as well as Drexel University here in the City. We are now establishing a relationship with Howard University in Washington, D.C. for the recruitment of diverse candidates to join our work force. That's ongoing.

As I said earlier, we monitor each quarter our movement of our employees within our work force.

COUNCILWOMAN MILLER: Okay. I'd like to have information directed to the Chair on your employment opportunities and knowledge skills and abilities and competency that one must have or should have to seek employment there, to apply for a position. You can give that to the Chair.

MS. RIVERA: We can do that. Absolutely.

COUNCILWOMAN MILLER: Thank you. Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: And we'll be happy to distribute that information to all my colleagues.

Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam Chair. Good morning.

Mr. Fina, I'd just like to go back and refresh my memory on some of the TIFs that we've already granted.

Looking back at the Convention Center garage, the Avenue of the Arts garage, the report here suggests that the cost per job for the Convention Center garage was $152,000 for every job, and the Avenue of the Arts garage at $242,000 per job. That's Office of the City Controller.

Looking back at those two projects, now that they've been around a while, could you just comment on the requirement for TIFs for those two facilities?

MR. FINA: I believe both those calculations were premature calculations by the Controller.

At the time the retail had not been

occupied as quickly as the garage, so the employment was slower to occur. Therefore, when you do an earlier calculation like that, it's going to appear that the costs are much higher.

COUNCILMAN RIZZO: Well, what are the costs? You're saying these are in error, the Controller's report is in error?

MR. FINA: Yeah. It's just a matter of how you -- how you calculate. They took the sum of the total TIF revenue stream; not the amount of the TIF note, not the amount of the TIF loan, but the repayment.

And we do not calculate job creation on that basis. We don't divide the jobs into the total debt service that's paid.

An example, an average person pays two-and-a-half times what their mortgage amount on their house is. But when you look at it, you say your mortgage is X. You don't say it's two-and-a-half times X.

And by doing that calculation, that's a calculation that economic development agencies do not utilize. The

Whole - 3/30/04 - Bill 040157

Controller decided to do it on that basis.

COUNCILMAN RIZZO: Has that been pointed out to the Controller --

MR. FINA: Yes.

COUNCILMAN RIZZO: -- that discrepancy in your policy?

MR. FINA: Yes. Well, I sent a letter -- I sent two letters to the Controller. One was the letter -- his response to his letter just on this TIF on 436 Walnut TIF; and the other was on the annual report that he did. He had a section on TIFs about it.

And I pointed out a number of the technicalities that I thought he utilized that economic development agencies would not utilize. And therefore, it made the situation look much more exaggerated than it was.

COUNCILMAN RIZZO: Let's just go back to the Avenue of the Arts garage. As a professional, looking back at that TIF, based on the, obviously, numbers that aren't correct in front of me, could you

just comment on that particular TIF, the benefit, the job creation --

MR. FINA: Yeah.

COUNCILMAN RIZZO: -- the job retention that has occurred with the Avenue of the Arts garage.

MR. FINA: Yeah. Garages are very high because there's not -- you don't need a lot of employees to manage them. Meaning -- High, meaning a lot of public subsidy per job.

COUNCILMAN RIZZO: Then why do we do it?

MR. FINA: Well, because the Avenue garage -- Avenue of the Arts garage was needed for the Kimmel Center. They needed that garage, otherwise the Kimmel Center -- And there's where your indirect jobs were created.

COUNCILMAN RIZZO: But if it was needed by the Kimmel Center, why did we need a TIF? It was going to make somebody money for somebody that built the garage, correct?

Whole - 3/30/04 - Bill 040157

MR. FINA: Well, the Kimmel Center is not making money, sir.

COUNCILMAN RIZZO: Pardon me?

MR. FINA: The Kimmel Center is not making money.

COUNCILMAN RIZZO: No, no. I'm not talking about the Kimmel Center. I'm talking about the garage.

My point being, if it was needed -- Somebody made a decision that it was needed. Now you're telling me that maybe it wasn't needed because the Kimmel Center is not making money?

MR. FINA: No. Just the opposite. It was needed to support the Kimmel Center.

COUNCILMAN RIZZO: I understand that. But why did we have to do a TIF to get somebody to build a garage that was going to be a money-making... Am I to assume the garage is making money?

MR. FINA: Yes.

COUNCILMAN RIZZO: The garage is making money?

MR. FINA: Yes. But all these

projects make money. I mean, that's --

COUNCILMAN RIZZO: Do you think --

MR. FINA: -- the system.

But the capital -- the development cost on a private sector, capital markets basis, was insufficient for that garage to be built.

COUNCILMAN RIZZO: Do you believe that the strategy for anyone that is planning to relocate, part of the process is to ask for a TIF?

Do you believe that that's kind of like the standard operating procedure, that anybody that wants to do anything, go for it, try, you can't -- it can't hurt you to ask? Do you believe that that's become part of the culture, to go after a TIF?

MR. FINA: Councilman, that's not so. That has not occurred. It's not part of the culture.

COUNCILMAN RIZZO: It's not?

MR. FINA: No. We've only closed nine TIFs. We do 100 transactions a year, PIDC does. And we've closed nine since

Whole - 3/30/04 - Bill 040157

1996. So you can see that it's a very small percentage of our total transactions.

COUNCILMAN RIZZO: Thank you.

Thank you, Madam Chair.

MR. FINA: Thank you, Councilman.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Ramos.

COUNCILMAN RAMOS: Thank you, Madam Chair.

A couple of these questions are probably more for Susan Rivera or anyone else from the company.

Let me just say that I have some -- I have high regards for this company. In the mid to late '50s, I remember as a child this company knocking on my family door selling an insurance policy to a new -- to a new migrant to the area. And the person spoke Spanish. And at that time my parents were not bilingual.

And my father still tells the story of this company, of how the insurance man became almost a part of the family, when we knew very few people in this City.

And he kept that insurance policy until just probably less than a decade ago. So, I have a historical piece to contribute through my family with our relationship with this company.

And I sure would like -- I sure would not like to see this company leave this town because we have not found a way to keep them in this City.

I have been a construction worker most of my adult life. I retired from construction to become a Councilman. And I don't regret it. And I learned a lot in the field as a construction worker.

So every time I sit here in this City Council, and I see the possibility of jobs, this construction worker is very interested always in what's going to create jobs, especially in that industry where I acquired a couple herniated discs and a couple nips and scratches here and there over the years. So when I see that you're going to create 206 construction jobs, I say, I know at least 200 construction

workers that are out of work now that can use this work.

And that although you talk about providing permanent jobs, I realize that construction jobs are not permanent.

But through the eyes of this construction worker, when I see that you're going to start this project in this year, and it's going to wrap up somewhere in the year 2006, I see a good run, and I see the possibility of making some money and being able to maintain my family.

And these construction workers are looking at this. I passed it on to some of my -- to my friends. I passed it on to other people, that this -- that there's going to be this major renovation at 436 Walnut Street.

Are you going to -- Are these going to be union jobs? I see someone from the company back there nodding this way (Indicating).

MR. FINA: Well, then, I'll do the same, Councilman.

Whole - 3/30/04 - Bill 040157

COUNCILMAN RAMOS: Is that a yes?

UNIDENTIFIED VOICE: Yes.

MR. FINA: The answer is yes.

COUNCILMAN RAMOS: Susan Rivera says yes. So these are union jobs.

But also you talk about equivalent permanent jobs. And by the description of the work that you do, it seems as though you might, although you have some clerical positions -- correct me if I'm wrong -- that they are many high level management type of positions and executive positions; is that correct?

MR. FINA: I believe Susan gave a fairly good presentation of the diversity of the positions that will be offered, from accountants to clerical, to underwriters, to junior underwriters, and to executives.

COUNCILMAN RAMOS: I guess what I'm getting at is that for you to -- between the clerical and the executive, there's this level of people that need to be highly trained, maybe highly educated. Is that so?

MR. FINA: Well, what Susan indicated, that last year they hired 20 individuals that came right out of undergraduate school for positions with them. So, they may be highly educated, but they're probably not highly trained.

COUNCILMAN RAMOS: And even though your -- your work force from Philadelphia is significant, I would ask you to consider a program or maybe you do -- maybe you have it -- a program that will help train Philadelphians in these positions that you have in your company, so you'll have a bigger pool of Philadelphia workers at all levels of your company.

MR. GALES: Kaywin Gales, Executive Vice President, Human Resources, ACE INA.

Presently within ACE we have a variety of training programs for all levels of employees. Those individuals who are hired into underwriting or accounting or whatever function an individual may be hired to, we do have a tuition reimbursement program where we provide

tuition assistance to our employees. It's one of the best in the industry. We're very proud of that.

We also have programs in place where employees can get professional designations and take advantage of those programs as well, as well as on-the-job training.

So we have put in place an internal program, both for technical training and leadership training for all of our employees.

COUNCILMAN RAMOS: Do you have any outreach into the Philadelphia community to make known these jobs that you have and these training programs that you provide?

MR. GALES: Well, one of the things we're doing, we work with several agencies within Philadelphia. We work with Inroads Philadelphia, as well as Aspira, to increase entry level hires into the organization and reach out to Philadelphians.

We are also very active with things such as People's Emergency Center which is

over in West Philadelphia. That is a homeless center for children and youth. We work with volunteerism to train individuals for jobs within Philadelphia.

COUNCILMAN RAMOS: Have you considered doing something with the public school system or at CCP? Or are you doing anything with the School District or with CCP?

We're looking for a Philadelphia work force that you can go to to fill these jobs in your company.

I know CCP does a lot of this for many companies in the City. And I would suggest that if you haven't -- if you don't have anything like this, to seriously consider going over there to CCP or maybe another institution.

But I know that they provide, and the School District's very much interested in projects where companies come and want to be able to pick of their pool of Philadelphia students to move into the job market.

MR. GALES: Absolutely. Through the ACE INA Foundation we've worked very closely with the City of Philadelphia school system.

We're also beginning to work with the Urban League of Philadelphia, as well, to look at outreach programs for developing individuals within the Philadelphia area.

COUNCILMAN RAMOS: Okay. I want to offer myself to be of help to this good company, and anything that has to do with job creation and job training.

MR. FINA: Thank you.

COUNCILMAN RAMOS: Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you. Thank you, Madam President.

Let me first follow up on Councilman Juan Ramos's reason for not wanting to see the company leave.

Whole - 3/30/04 - Bill 040157

When I looked at the enormous number of initiatives you have in the Philadelphia public school system and other civic driven kinds of activities, that's not the reason why I would not want to see you leave. And the number's huge, and that should not be understated or overlooked. I wanted to put that on the record.

Secondly, I need to very briefly make it clear of the disconnect that exists between PIDC and our City Department of Commerce around the targeted tax credit piece.

And we know in the past my one criteria for supporting TIF have been the impact on the Philadelphia public school system.

As we go down this road, I just want it clear on the record that the criteria will grow. To the extent that targeted tax credits are a part of the discussion, that will help me move to a place of wanting to support. And to the extent that is not a part of the discussion, then that will have

some impact on where I ultimately end up.

So the disconnect exists. It needs to be fixed. We have a new Commerce Director who I'm sure just learned about that today.

So I would hope that PIDC would take the initiative to have us sit down with the Commerce Department and let them know this is a public policy issue that needs to be implemented.

MR. FINA: We will do so.

COUNCILWOMAN BROWN: Okay. Item number three. And Councilwoman Tasco wanted to hear from Jim Roundtree.

I would like to hear from you, from where you sit, what provisions are in place to ensure the meeting of the goals as stipulated in the letter to President Verna on March 29th.

Traditionally, what do you do in-house to ensure the meeting of MBE WBE goals? Let's go with what exists right now in-house around that issue.

MR. FINA: Normally there's an

oversight committee. And they have the responsibility to monitor. And if the company fails to meet the goals, that would be -- that are stipulated in the Mayor's recent Executive Order in 17-500, that would be a breach of contract.

COUNCILWOMAN BROWN: And that's actually in the legislation.

MR. FINA: It's actually in -- That's a part of the project plan which is part of the legislation, so the answer is yes.

COUNCILWOMAN BROWN: Is that a new practice or what?

MR. FINA: About a year ago, maybe a little longer, City Council required that the economic opportunity plan be part of the project plan which is part of the legislation.

COUNCILWOMAN BROWN: For TIFs?

MR. FINA: For TIFs, yes.

COUNCILWOMAN BROWN: Okay, then.

Is this the first TIF project where you have -- Is this the first TIF we've

done since that executive order was passed?

MR. FINA: Progress Plaza probably was the first.

COUNCILWOMAN BROWN: Okay. All right, then.

MR. FINA: I think even Councilman Goode voted for that Progress Plaza.

COUNCILWOMAN BROWN: And it was probably because... Okay.

Thank you for your testimony. And I'll do follow up to Councilwoman Tasco with Jim Roundtree. Thank you for your testimony.

MR. FINA: Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: My questions were on the...

COUNCIL PRESIDENT VERNA: All right. For the witnesses here, the Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Mr. Fina, you shouldn't have given me that lead in. Actually, the one TIF project I voted for, I'm still halfway convinced that that's the only project that actually needed the TIF, from having worked on a project before coming to City Council.

To clarify the record, of the 800 jobs that are being retained, was the testimony that 500 of those people don't even live in the City?

MR. FINA: 300, Councilman.

COUNCILMAN GOODE: Do or don't?

MR. FINA: 300 live in the City.

COUNCILMAN GOODE: So 500 of those people don't live in the City.

MR. FINA: That would be the math, yes, sir.

COUNCILMAN GOODE: Okay. So, how many of the 150 new jobs are going to be for Philadelphia residents?

MR. FINA: Well, PIDC is a little greedy. We hope all 150 are Philadelphia residents.

COUNCILMAN GOODE: But not a

guarantee for Philadelphia residents.

MR. FINA: No.

COUNCILMAN GOODE: How many of the 206 construction jobs are guaranteed for Philadelphia residents?

MR. FINA: I don't think any of them are guaranteed, but I would say there would be a large percentage.

COUNCILMAN GOODE: Why would you say that?

MR. FINA: Just the nature of the business. And as Councilman Ramos has indicated, he knows many construction workers, and I'm assuming he means very qualified construction workers out of work. And they'll have the opportunity to be hired.

COUNCILMAN GOODE: Let's move on.

How many of your clients -- Getting back to the job creation tax credit, how many of your clients have been approved for local job creation tax credits?

MR. FINA: I don't know that answer right now, Councilman. I'll try to find

out.

COUNCILMAN GOODE: Do you know how many applicants have been approved, period, for the job creation tax credit locally?

MR. FINA: No, I don't.

COUNCILMAN GOODE: If I told you it was nine applicants approved, how many jobs do you think have been created through that tax credit?

MR. FINA: I wouldn't know, Councilman.

COUNCILMAN GOODE: Let's say 1,065. Let's say of the 9 applicants that have been approved, one company is creating 135 jobs, one company is creating 160 jobs, one company has created 200 jobs, and another company has created 425 jobs. But you're not aware that any of those are your clients.

MR. FINA: I'm not aware, Councilman. But, you know, the PIDC is a large staff, and they could be our clients. I'll find out.

COUNCILMAN GOODE: Okay.

MR. FINA: In fact, if you could you give me the names, I could find out quickly.

COUNCILMAN GOODE: Okay. Actually, I'd rather bring ACE to the table.

COUNCIL PRESIDENT VERNA: Councilman, would you conclude with the two witnesses first?

COUNCILMAN GOODE: Not really, because it's a question related to PIDC. Whoever wants to testify regarding whether they were offered a local job creation tax credit. We're referring to the Commerce Department for local job creation tax credit.

COUNCIL PRESIDENT VERNA: Whoever is able to answer the Councilman's question from ACE, please approach the witness table.

Mr. Roundtree, please stay where you are. I'd like to conclude the...

COUNCILMAN GOODE: I just want to know whether they were offered a tax credit or not.

Whole - 3/30/04 - Bill 040157

MR. FINA: Councilman, I'll try to respond first, and then --

COUNCILMAN GOODE: I would like ACE to respond.

MR. FINA: Well, why don't I give you my answer, and that will set the frame for --

COUNCILMAN GOODE: You've already given me your answer. You told me that you basically refer your clients to the Commerce Department in order for them to be offered a local --

MR. FINA: Well, that's a general --

COUNCILMAN GOODE: -- job tax credit.

MR. FINA: Well, that's in general. But they didn't qualify, since this was a retention business that we were providing incentives to.

COUNCILMAN GOODE: They absolutely qualify, if they're creating more than 25 jobs.

MS. RIVERA: We presented our project... I'm sorry.

COUNCIL PRESIDENT VERNA: Identify yourself.

MS. RIVERA: Susan Rivera with ACE INA.

COUNCILMAN GOODE: I actually have a very specific question. Were you told that there was a local job creation tax credit available?

MS. RIVERA: I think I have the answer to your question. We presented our project to the City Commerce Department.

We got an offer letter back from them saying what benefits. And job creation was not one of the benefits that was outlined in that offer letter.

COUNCILMAN GOODE: So are you aware that you actually -- you actually qualify for $750,000 in tax forgiveness, in terms of your business privilege tax?

MS. RIVERA: I don't know if we know that.

MR. FINA: Councilman, we're taking the Business Privilege tax. So, if that incentive would have been reduced, we'd

have less to provide for the TIF. And we --

COUNCILMAN GOODE: And you would have less need for that $750,000 worth of TIF.

MR. FINA: The TIF is used for the development capital cost. That's what the loan is. So, that gap would have been filled if they had reduced their tax liability.

We needed that tax liability to cover the amount of capital improvements that were going to be made to the property.

COUNCILMAN GOODE: You know, that definitely doesn't make sense, particularly in light of what Councilwoman Brown said.

Are you saying you can't offer someone $750,000 in tax forgiveness, in terms of Business Privilege tax because you need that money to pay back a loan. But the loan to pay back includes that same $750,000 that they would be saving in tax liability.

MR. FINA: The loan repayment

includes that tax liability.

COUNCILMAN GOODE: Could I ask ACE this last question. One, are you interested in pursuing a local job creation tax credit?

MS. RIVERA: Sure.

COUNCILMAN GOODE: And two, are you opposed to the clawback being related just to job creation, rather than job creation and retention?

MS. RIVERA: I think I would have to, you know, counsel with our members of our staff to see if that would be something that would be feasible.

COUNCILMAN GOODE: But you're not absolutely at this point opposed to having a clawback related just to job creation, as opposed to job creation and retention?

MS. RIVERA: We need to go back and do our homework and see if that's something that would be acceptable to us.

COUNCILMAN GOODE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're

welcome.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

Your company is an old company, considering the original foundations were INA. Was INA your predecessor company?

MR. FINA: That's what ACE had testified to, yes.

COUNCILMAN COHEN: I thought at one time there was a general feeling that businesses of all kinds felt that they were entitled to make profits because they undertook risks; and that they were very proud of that fact, and therefore they stayed away from government help. Has that philosophy changed?

MR. FINA: No. I don't believe that philosophy has changed, no.

COUNCILMAN COHEN: Well, is it that an executive today is tested by how much money he got from the government agency, government source, local, State or Federal,

for example, as against other executives?

I mean, I don't really understand why you're asking for assistance in the form of a TIF, because whatever you don't pay in taxes -- and I don't think you ought to pay any more than you should.

But I'm wondering why you seem to feel or what is the justification for a successful company, with large numbers of people, not paying its own way in the risk category, you know, or in the costs you use.

You're certainly experts on risk analysis and on what makes good sense. Would you move if you had to pay the whole thing yourself?

MR. FINA: Councilman, there's been a bit of testimony --

COUNCILMAN COHEN: I'm just trying to get... I'm not being critical of your company particularly.

I want to know what if somebody calls companies to try to get tax refunds of any kind? Is it that this is part of a

campaign to lower taxes, and this will go as long as necessary until you get the taxes lowered? And I can understand that. You know, you would want to do that generally, checking on your taxes.

But I'm puzzled by the fact that what I regard as a strong point of private business of saying, we're entitled to these profits because we run the risks.

MR. FINA: Councilman, I don't represent ACE. I represent PIDC.

COUNCILMAN COHEN: What's that again?

MR. FINA: I could give you an answer.

COUNCILMAN COHEN: Have you run into that from time to time?

MR. FINA: Mr. Rhoads is also from PIDC.

COUNCILMAN COHEN: Well, does PIDC go around making these offers to firms?

MR. FINA: Not exactly, Councilman. It's a rather involved process which we talked about how, you know, when we analyze

a project.

But what happens is that ACE has made a decision at the end of 2006 to leave its current location in Philadelphia. They're not renewing that lease.

They looked at a number of scenarios, including New Jersey and other places that were putting incentives on the table to move to.

PIDC proposed a TIF for this project to fill a gap between what they were willing to provide --

COUNCILMAN COHEN: What who was willing to provide?

MR. FINA: ACE. ACE is making a $52,500,00 investment in 436 Walnut Street.

COUNCILMAN COHEN: Yes. That's a noble purpose.

MR. FINA: PIDC and the State are putting approximately, with the TIF, another $20 million into the project to retain them. The TIF is $8.5 million. The State's providing $13 million. I'm sorry. The State's providing $11.5 million.

Whole - 3/30/04 - Bill 040157

COUNCILMAN COHEN: Well, isn't it largely a con game, that this is a method by which a private business, any private business that gets involved in this, tries to cut its taxes by getting the government to invest in it? But the government doesn't get any dividend. Do we make any money? Suppose everything works fine. What do they give us, other than interest?

MR. FINA: They give us $60 million in Wage Taxes over the course of 20 years. City Wage Tax cannot be TIFed. So that's what we're doing.

COUNCILMAN COHEN: Don't the people of Philadelphia give you much more altogether?

MR. FINA: But -- But --

COUNCILMAN COHEN: I don't see -- I don't hear of PIDC or anybody else saying to the average homeowner, don't move and we'll get you some form of TIF. I don't understand.

MR. FINA: You'd have to make improvements to get the TIF. You don't get

it --

COUNCILMAN COHEN: Doesn't the homeowner make the improvement?

MR. FINA: They could, but the TIF would be very nominal.

COUNCILMAN COHEN: Say that again.

MR. FINA: The TIF would be nominal. I mean, they're eligible, if City Council would approve it. But I doubt City Council would approve that because it would be nominal.

COUNCILMAN COHEN: Well, I would doubt it because we're told by the Mayor that we are in terrible financial trouble. Therefore, I'm beginning to question on what basis does government, which we're told has to cut back on services, we're going to cut recreation centers, we're going to cut swimming pools. Yet we're going to have money for TIFs? I mean, that seems like a strange thing for a municipal government to do.

MR. FINA: Councilman, there's gaps in this project. We're closing it with the

TIF mechanism. There's substantial benefits to the City of Philadelphia if ACE is retained in their 800 jobs.

COUNCILMAN COHEN: I just think we very much underestimate ourselves if we think we have to go and beg to have a company stay, and then cut their tax rates.

I didn't see anybody from Council jumping up yesterday during hearings when some witnesses who are homeowners said that if the City continues whatever they were talking about doing, they were thinking of moving.

I didn't see any government agency present to jump up and say, no, don't move yet; we have something to offer you; you know, we'll make it worth your while; we know you want to get out of here; we're an awful place, Philadelphia; we're not worthy of having anybody live here; so to continue to live here, we're going to give you a real tax break. Nobody said that. And I think for good reason. Because it's not needed.

Whole - 3/30/04 - Bill 040157

I'm just worrying whether governments are not being used as... And PIDC -- And I'm not talking personally to you. But I'm questioning the whole philosophy behind the TIF, as to why is it that we have to sort of bribe businesses to stay here.

If I had my way, I'd say, you don't want to be here? Go where you want to go. Don't stay here in Philadelphia. We'll do without them.

Why don't we say that and see what happens? Because all I think we're doing is creating an incentive whereby an executive, to be considered a success, has to say, you know that company down the street? When they moved here, they only were given $5 million. But we doubled the score to $10 million or $20 million.

You know, Philadelphia is so rocky, and it's so anxious to get people because everybody's leaving in droves.

Now, I don't believe people leave in droves when treated fairly. But I think

governments are permitting themselves to be beaten into submission by business interests. And that's the reason there's so much skepticism politically on economic matters.

Democrats, as well as Republicans, seem to feel the first priority is to get government funding into the hands of business, so that, like President Bush says, there's never going to be any money for things like affordable housing, because that's social planning.

You know, once you think about making houses livable for ordinary citizens then that's a crime. But it's no crime at all -- it's the height of wisdom in this country today -- to give money away to big corporations. And to me that's got everything twisted.

We started this business many years ago when I was still in Council on the theory of need. If a business proposal came -- and it couldn't have been done except by -- because the company didn't

have the money, and had no means of getting a loan approved by a bank, then we were faced with the reality of: This project can't go unless we give a sum of money, then mostly in the form of tax abasement.

But that wasn't enough. It apparently wasn't in the minds of businesses getting them enough money, so they changed the rules to permit these new developments like TIFs and KOZs.

You know, the start the KOZ. Wonderful idea. We're going to take care of blight.

And then we find the blight is down at 17th and Arch, right in the heart of Center City. Because nobody seems to level truthfully with legislative bodies.

And again, I'm not referring to you personally. I'm referring to the whole concept of industries seem to work hard in developing stories, justifying moving all the tax money to business.

Now, I say there's a distinction. When we talk -- When people like me talk

about moving money into the hands of those that don't have it, the poor people, we're saying, look, do it in housing. Help disabled people get decent housing. Help poor people live decently.

But now this thing at the business end has deteriorated into, I think, a competition. And who can whipsaw a government agency easier?

And I think -- I say it respectfully, and not intending to hurt anybody's feelings. But if I have to hurt your feelings, I guess I have to do it. Just --

MR. FINA: Councilman, I take nothing personally. And you make some very good points, but we are in a competition.

We're in a competition with New Jersey and Delaware, and Bucks County to keep these jobs and these taxes here in the City. So, we are in a competition.

New Jersey offered $32 million, $22 million in cash, and $10 million in tax incentives, to lure ACE out of

Philadelphia.

COUNCILMAN COHEN: Maybe a year from now the $32 million in New Jersey will be going up to $40 million, maybe $50 million. We're going to keep on doing it?

MR. FINA: Well, they're buying the building. ACE is buying the building and making improvements to that building. They're making huge improvements, $52 million, as I indicated. So, ACE is making a substantial investment here.

COUNCILMAN COHEN: Let me say on this Walnut Street business, that building isn't empty, is it, that they're going into, that ACE is going to? Doesn't that place already have tenants?

MR. FINA: It does have tenants, yes.

COUNCILMAN COHEN: They've been there quite a while.

MR. FINA: It's only 50 percent occupied.

COUNCILMAN COHEN: How much?

MR. FINA: 50 percent occupied.

The building's half vacant.

COUNCILMAN COHEN: Well, there are a lot of buildings in Philadelphia that are not occupied at all. Isn't that true also? Isn't the vacancy rate high?

MR. FINA: The vacancy rate is not actually high in Center City Philadelphia. It's only about 12 percent.

COUNCILMAN COHEN: Well, tell me -- Then, let's talk Center City. It seems to me the switch from Center City is your example to the whole range of the City.

What's the difference between the two statistics you just gave me? You said the vacancy rate is not high in Center City.

MR. FINA: Yeah. The overall vacancy rate in Center City is 12 percent. The vacancy rate at 436 Walnut Street is 50 percent. That building needs a lot of capital improvements.

COUNCILMAN COHEN: I'm saying if you continue this, all you're doing is driving the City's finances downward. You're not

helping the City at all because you're using a technique that is increasingly used to divide government agencies, that business is so smart and so big and so powerful and so rich that it's able to compel governments to bid against each other?

I mean, that's quite a frightening thing to think that business is that powerful that it can move governments to have to compete with each other, where Pennsylvania gets angry at New Jersey because New Jersey is offering to steal our people away from us.

And so, to compete with them, we got to offer more than New Jersey. Such a tale and such a chase after business has no end. It's just going to keep costing more and more money. And I think -- Isn't that the essence of something known as blackmail, if it's done not in a business context?

You know, if you permit yourself to be put in a position of demeaning yourself in order to survive, you're going to have

Whole - 3/30/04 - Bill 040157

to demean yourself more and more. I'm very troubled by the concept.

I have nothing against this particular business, except I'm just stunned that an old reliable company, with hundreds of employees, comes to a City like Philadelphia, where I think the statistics show that one-third of the people who pay taxes live at or below the poverty line, and says to them: You've got to -- With your shortage of tax receipts, you've got to have enough money to wage a successful war against New Jersey or Delaware or Connecticut or God knows who the rival may be.

I'm just worried about that whole political picture. And it gives me a different sense of the role of business. I don't understand it. I don't think the company that you're competing for has the same financial need, for example, as the City.

The City... They haven't issued any statement, have they, that they're

Whole - 3/30/04 - Bill 040157

desperate, that they're going to ask everybody to use the raises more carefully so they'll need fewer of them in the future? Or that they don't ask their customers to come in with paper and pen so that they don't have to buy them for their customers?

I mean, we're doing that kind of thing. We're asking people to pay to file an application for a job with the City. Whoever heard of such an insane idea?

We think that's normal, while the Mayor, who proposes that people who want to apply have to pay a certain fee to just have their application considered, and at the same time apparently supports this, because PIDC is the -- an Administration run agency, right, Philadelphia agency?

MR. FINA: Well, Philadelphia [sic] is a private not-for-profit corporation with contracts with the City of Philadelphia.

COUNCILMAN COHEN: Yeah.

COUNCILMAN RIZZO: Point of

Whole - 3/30/04 - Bill 040157

information.

COUNCILMAN COHEN: Go ahead.

COUNCILMAN RIZZO: Mr. Fina.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you. I'm sorry, Madam President.

Mr. Fina, what do we do to verify that these alleged offers of $30, $40, $50 million are real deals? Do we... I mean, talk is cheap. How do you know that these are real offers? What do you have in your file to show me that New Jersey offered -- Did you say $33 million? And $23 million with $10 million... And how do you really know that this is not a sales hype?

MR. FINA: Well, you do the best you can. And we have looked at numbers, Councilman. We've looked at what New Jersey has offered, their incentive packages.

COUNCILMAN RIZZO: But you wouldn't think that they'd have a letter in their file that they could share with you, signed

Whole - 3/30/04 - Bill 040157

by the Governor or signed by the secretary of X, Y, Z, to show that that's a legitimate offer?

MR. FINA: We can share that information with you. Yes, we do see that.

COUNCILMAN RIZZO: Okay. Thank you. Thank you for that.

MR. FINA: You're welcome, Councilman.

COUNCILMAN COHEN: May I go back, Madam President?

COUNCIL PRESIDENT VERNA: You're back.

COUNCILMAN COHEN: I raised before with you the question of whether there was another tenant in the building. Tell me what happens. Won't that other tenant feel that the other tenant never got the benefit of a TIF today?

At least I never remember this property coming up before for consideration for a TIF or any part of it. Won't that tenant feel wronged? Is there a tenant currently that has a lease that expands?

MR. FINA: The tenant has a lease that runs through 2008, and ACE is not forcing that tenant to relocate from the premises at all.

COUNCILMAN COHEN: No, but how do their executives take it? They haven't done nearly as well as the new people, who have not contributed to the rental at all for the building. And yet the new tenant comes in at a successful rate.

The new tenant probably disturbs the work of the old tenant. It's awful hard to have such a large movement in a building without disturbing the current work force.

But how do you protect the present tenant's rights? Have you discussed this? Does the present tenant feel that their role is going to be better off with this new tenant coming in?

MR. FINA: We have reached out to the new tenant, Councilman. And the tenant has a lease that cannot -- and was not being disturbed.

COUNCILMAN COHEN: Do you mean they

Whole - 3/30/04 - Bill 040157

don't have any power; therefore, we don't even have to worry about them?

MR. FINA: They have -- They have under law a lease. You're an attorney. You know that you have rights under that document.

COUNCILMAN COHEN: Well, they may have a lot to complain about, that when the building became emptier and you no longer had tenants like the current ones in, who were loyal and are not trying to break a lease -- I think that's true -- and they're in for a longer term, then the City kicks them and doesn't show any interest in them. But new tenants coming in get benefits. I'd be very disturbed if I were a tenant in that --

MR. FINA: ACE is not a tenant. ACE is a landlord. They're purchasing the building, spending $74 million to acquire and improve the property. They are not disturbing the lease -- They are not disturbing the lease of the current tenant.

COUNCILMAN COHEN: How long does

that least last?

MR. FINA: To 2008.

COUNCILMAN COHEN: As politicians know, these years move along quickly. 2007 is our next election. It's almost... It seems around the corner.

Well, I certainly hope that the City begins thinking of these things, because I think you're being whipsawed into a terrible position.

New Jersey and Pennsylvania ought to be working together, as Delaware and any states around here, because I think we need a governmental combination to resist these efforts by business to do what it's doing.

Now, how do you work with the tenants that are in the building? How do you explain this to them? You say to them, we were lucky; we signed you up for many years, so you don't have any rights now until 2008?

MR. FINA: Councilman, they have all the rights of any private corporation that signs a lease with an independent landlord.

We will work with this tenant. We've reached out to this tenant. And when their lease expires, we'll be happy to work with them to retain them.

COUNCILMAN COHEN: And you're going to have to pay heavily then, too, probably, because you're showing them how to compel the City to share part of the costs.

Just play tough, develop a theory, maybe even call New Jersey and say, come over and invite us, because we've got to lower the costs of our rental costs or don't apply for PIDC help.

MR. FINA: I believe there's been 66 leases renewed in Center City. And ACE is the first company that we are providing a TIF for because they're the first company making an acquisition of the property and making a capital investment of $74 million.

COUNCILMAN COHEN: Well, tell me: How is the School District going to fare?

MR. FINA: We are not TIFing the Use and Occupancy tax, which is the tax that 100 percent of that goes to the School

District.

COUNCILMAN COHEN: Right. How about the --

MR. FINA: So we are not using that to pay for the TIF note.

COUNCILMAN COHEN: Are you using the 55 percent of the real estate tax?

MR. FINA: Yes.

COUNCILMAN COHEN: Goes to the School District?

MR. FINA: Yes.

COUNCILMAN COHEN: Why didn't you tell me that? Why didn't you say, we're now limiting ourselves. Instead of telling me that there's one tax we're taking off, what City taxes -- school taxes are you not taking off?

MR. FINA: I gave that information in my testimony earlier, but I'll be happy to repeat it.

COUNCILMAN COHEN: Yes. Please repeat it. There's no rule in Council that says that once a witness has given testimony, that he's covered the area and

no further questions are going to be permitted.

You know, if these questions are uncomfortable, I understand, because I think Philadelphia is digging its own grave.

MR. FINA: They're not uncomfortable at all, Councilman.

As currently occupied, the project site will continue to generate taxes of approximately $1.8 million per year initially, and $46.9 million over 20 years from within the District. That's the TIF District. Of this amount, $36.5 million will go to the City, $10.4 million to the School District. If the project --

COUNCILMAN COHEN: What goes to the School District?

MR. FINA: $10.4 million.

COUNCILMAN COHEN: And how much goes to the City?

MR. FINA: $36.5.

COUNCILMAN COHEN: Real estate tax?

MR. FINA: No. I...

COUNCILMAN COHEN: No; we were talking about real estate tax. I want to know how much goes to the City from the City's real estate tax, and how much goes to the School District.

MR. FINA: Presently the base value is $465,000 annually. That's what the property pays now, and that will continue to pay that. And that goes --

COUNCILMAN COHEN: Goes to the City?

MR. FINA: That's the property tax. Half of that goes to the City, approximately; half of that goes to the school --

COUNCILMAN COHEN: 55 percent of it goes to the School District.

MR. FINA: 58 percent goes to the School District.

COUNCILMAN COHEN: 58 now?

MR. FINA: Yes.

COUNCILMAN COHEN: And then only 42 to the City.

MR. FINA: That's correct.

COUNCILMAN COHEN: So the School

District is going to continue that part of its tax.

MR. FINA: Yes. And $137,000 and change is in Use and Occupancy tax. All $137,000 will continue as the base Use and Occupancy tax to flow to the School District.

COUNCILMAN COHEN: And what continues to flow into the City that will be comparable to what flows into the School District?

MR. FINA: The City gets approximately $407,000 a year. I'm sorry. The City gets approximately $1.4 million a year, and the School District gets approximately $407,000 a year.

COUNCILMAN COHEN: But that's made up of all different kinds of taxes.

MR. FINA: Yes.

COUNCILMAN COHEN: And the company doesn't pay those taxes.

MR. FINA: Well, they do.

COUNCILMAN COHEN: Oh, there's is company. They're not the Wage Tax from

Whole - 3/30/04 - Bill 040157

employees?

MR. FINA: Yeah. They pay Wage Taxes. We don't use Wage Taxes to pay for the TIF note. That's an ineligible tax. That goes all to the City.

COUNCILMAN COHEN: The City gets that money.

MR. FINA: Yes.

The School District will receive, if City Council approves this TIF, over the 20 years, $17.5 million.

COUNCILMAN COHEN: What would the City get if this was not a TIF?

MR. FINA: What would the City get?

COUNCILMAN COHEN: Covering that figure, instead of the School District getting $17.5 million over 20 years, what would the School District get if there were no TIF?

MR. FINA: Probably about $24 million.

COUNCILMAN COHEN: I think it's bad policy for the City to have to go and borrow. We borrowed... Was it $300

million for the School System? To enable it to be sure it's going to continue to operate, and then to cut any income to the School District.

The whole thing is maddening to me, and that's the reason I raise these questions.

All right. Thank you, Madam President. That's all I'm going to raise now.

MR. FINA: Thank you, Councilman.

COUNCILMAN GOODE: Point of order.

COUNCIL PRESIDENT VERNA: Yes.

COUNCILMAN GOODE: Madam President, I have to leave the Chambers. In my absence, I'd like to have my vote recorded.

COUNCIL PRESIDENT VERNA: Please. I think I know where you're going, but...

COUNCILMAN GOODE: No.

COUNCIL PRESIDENT VERNA: Okay.

Councilwoman Tasco and Clarke, you don't have any questions of our witnesses?

COUNCILMAN KELLY: Madam President.

COUNCIL PRESIDENT VERNA: Yes.

Whole - 3/30/04 - Bill 040157

Councilman Kelly.

COUNCILMAN KELLY: Madam President. I would just like to say... in just in regard to Councilman's Cohen's statement, I think by doing nothing -- By not doing everything we can to bring businesses into Philadelphia and to keep the ones that we have, by doing nothing, I think it's going to dry up the City.

I think in this particular case, I think PIDC is to be commended. They did a good job. I think they did a great job in making this -- making this TIF presentable today.

I also want to congratulate and commend the people from not only PIDC, but the Chamber of Commerce, and of course the president and the corporate officers from the company that's involved in this thing.

I just want to put in my recommendations, that this is going to be a very, very difficult year.

And this is the first TIF that I'm here hearing today in this presentation.

And I just wanted to say that -- again, that you did a commendable job.

And I want to thank you, and I want to thank the Chamber of Commerce, and I want to thank all the people from ACE, not only, I think, for staying in the City, and I think they're going to expand. And I want to do everything I can to help you do that.

Again, thank you very much. And thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

MR. FINA: Thank you, Councilman.

COUNCIL PRESIDENT VERNA: Mr. Fina, I know you're going to be disappointed. You're going to have to stay in the Chamber until we're finished.

MR. FINA: Be my pleasure.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Roundtree.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you very

much.

Glad you were able to come, Mr. Roundtree.

As a result of the hearings that we had last spring, relative to the minority participation on the projects that we support and which left a number of us with some disappointment, and the number of minorities and women who finally end up in the unions, I want to -- I want to talk to you about that and find out where we are.

We have talked to the people at ACE, and it seems to me that their commitment is to be inclusive. It's certainly outlined in their letter.

Talk about what they will do as the developer to have a good faith effort to maximize employment for minorities and women.

When we talked last year during the course of some of our hearings, we had a chart that showed the number of training programs in the City of Philadelphia, as well as the number of graduates, and then

Whole - 3/30/04 - Bill 040157

the number of workers who were able to access union membership.

And it was quite disappointing, in terms of the results. Have we done better? And what do you see your role in improving the lot of women and minorities who live in this City who have not been able to access permanent employment through the union process?

MR. ROUNDTREE: Good afternoon.

My name is Dan Roundtree, and I'm the Director of the Minority Business Enterprise Council.

And your first part of your statement was absolutely correct. It is going to be achievable by the support and by the energy that's driven by ACE -- and -- as a developer, and PAID and PIDC as co-developers or co-sponsors of the initiative that we reviewed.

Because a lot will come down to them making decisions as to whether or not firms are in compliance with the goals and ranges that they set forth in this plan.

I think this plan is a very achievable one. It has some aggressive tendencies to it, but -- but they all are achievable.

And we do have the kind of construction marketplace that will sustain these levels of participation.

And it has come to my -- It's my opinion that, based on the projects that I reviewed over the last several months and years, that these goals are attainable.

COUNCILWOMAN TASCO: When you talk about the skill trades in your work hours, is this 40 percent work hours or is it 40 percent participation? How are you calculating?

MR. ROUNDTREE: I'm counting it by hours, by percentage of hours. And the 40 percent is based on Philadelphia residents and by trade. And the 25 percent for minority and 10 percent for females are based on trade. The 10 percent itself for female skilled trade workers is a very aggressive one, but I think it's attainable

Whole - 3/30/04 - Bill 040157

because this is a renovation project versus the new construction.

COUNCILWOMAN TASCO: Well, when you talk about the trades, are you talking about all trades or will all the minorities come out of the laborer's district?

MR. ROUNDTREE: We are talking by trade of all the trades. Because I don't think, with the exception of the demolition, and I don't have a thorough outline of their construction plan. But with the exception of demolition, I don't think there's going to be a large concentration of laborers.

What I think you're going to have, even on a project of this size, is a small concentrated work force for rehabilitation or renovation versus new construction.

There's a difference. Most -- Although the dollar values of the contract may be comparative to a new construction, it is renovation. And so, therefore, your work force will be a smaller, more concentrated one.

Whole - 3/30/04 - Bill 040157

COUNCILWOMAN TASCO: What are the concentrated skills?

MR. ROUNDTREE: The same. I believe there would be -- Everything with the exception of the structural steel and concrete.

I think you'll still have electricians, plumbers, heating and air conditioning, because I heard you asked -- someone asked the questions about the energy activity. So that will definitely keep in consideration the pipefitters, the sheet metal workers.

And if it comes to my mind, if I missed anyone, I think those are the critical trades. And carpenters. There should be a large concentration of carpenters.

And possibly... Again, I haven't seen the building, but you should have some... a finishing trade with painting and plastering. Those, I think, will be -- make up the bulk of the trade.

I don't think you'll have a large

Whole - 3/30/04 - Bill 040157

concentration of masons or bricklayers or structural iron workers or anything of that nature. I think most of this is going to be renovations.

COUNCILWOMAN TASCO: Mr. Fina talked about an oversight committee, because in their letter they lay out all of the areas they're committed to. And INA ACE being the developer of it, has agreed to abide by the goals set forth by the contract.

Who will be the oversight committee, and how is that oversight committee selected?

MR. ROUNDTREE: The oversight committee? I think they made a recommendation, and having someone from the Office of the President, somebody from another member of Council, somebody representing PIDC, somebody's representing MBEC, someone representing the actual trade council.

And I believe there... Oh, the Afro-American Chamber, the Latino Chamber, and I believe someone else -- Oh, the

construction... But they're ex-officio members, the construction manager, the architect, and they also are committed to hiring outside consulting firm to do the actual reporting mechanism.

COUNCILWOMAN TASCO: So, how do all these people -- So many people. How do you manage all of that?

MR. ROUNDTREE: There's going to be a chairperson, which I don't know how they're going to select the chairperson. But there should be a chairperson. And that person will become the spokesperson for the organization. There will be monthly meetings.

COUNCILWOMAN TASCO: They have about 15 to 20 people overseeing this project?

MR. ROUNDTREE: It should be. It should be. And it should be a few that stakeholders. Everyone in this, and everyone that's involved should be considered a stakeholder and should be able to facilitate some change, if need be. Because one of the major problems that you

Whole - 3/30/04 - Bill 040157

have is that the subcommittee or the oversight committee will only meet once a month.

So they must empower someone or some group of people to deal with any occurrence that may come up within the -- between the meetings. And so, that's where your chairperson is going to...

COUNCILWOMAN TASCO: I understand that the Progress Plaza project is the first TIF where you incorporate this oversight committee under economic plan or has this worked in other TIFs?

MR. ROUNDTREE: See, this is the first one since the April, that I am aware of, that I have been contacted to provide any -- any participation or review of, since -- since the inception of the Ordinance 030125 and the new executive order 00103.

So, we took a very cautious approach as to how this is going to be done. I was not contacted by OIC -- about the OIC TIF.

COUNCILWOMAN TASCO: Mm-hmm.

Whole - 3/30/04 - Bill 040157

MR. ROUNDTREE: So this will be my first endeavor at trying to make this approach work.

COUNCILWOMAN TASCO: Okay. So, you will be the monitor for this? Are you saying that there will be --

MR. ROUNDTREE: We will be responsible for monitoring on behalf of the City. But ACE has agreed to hire an outside monitoring group to provide a day-to-day activity of going to the work sites, and those kind of things. But we will review the information that is provided through them.

COUNCILWOMAN TASCO: Do you know who that consultant is?

MR. ROUNDTREE: No. We recommended that they leave that open so that they can actually solicit proposals from a group of people, so they can get a very competitive scenario and inject some energy into what it is they're trying to do.

This is going to be -- Because it's such a tight construction schedule, that is

going to be the most -- the biggest challenge because they do have a very aggressive construction schedule of 17 months. And so, you won't have a lot of time to make mistakes, be it structural or philosophical, when it comes to facilitating the economic opportunity plan.

COUNCILWOMAN TASCO: Okay. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

I have to leave the Chamber for a few moments. I'd like to leave my vote as voting yes, if I am not here when the vote is taken.

I'd also like to thank ACE INA for sitting through this. I know it's not an easy process. And perhaps it should be easier to stay here in the City. And we appreciate your patience. Thanks.

COUNCIL PRESIDENT VERNA: I believe

an amendment may be offered. How are you voting?

COUNCILMAN KENNEY: I would be voting aye on the amendments also. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Roundtree, on this oversight committee, you indicated that there would be a representative from the City Council President's Office.

MR. ROUNDTREE: Yes.

COUNCIL PRESIDENT VERNA: And also a Council member?

MR. ROUNDTREE: Or someone else from Council.

COUNCIL PRESIDENT VERNA: Okay. Can you send me a letter on that, please?

MR. ROUNDTREE: Yes. It's included in their -- It's included in their economic opportunity plan, because they did go through and identify as many potential stakeholders as they could.

COUNCIL PRESIDENT VERNA: Okay. Thank you.

Whole - 3/30/04 - Bill 040157

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you. Thank you, Madam President.

Good afternoon.

MR. ROUNDTREE: Good afternoon, Councilman.

COUNCILMAN CLARKE: I have one quick question for ACE. In prior testimony they had indicated that they had a plan for college recruitment or were developing a plan for college recruitment to some way help us stop the brain drain.

And I would like to know, do you have a similar plan for minority recruitment? If I hear your numbers -- and correct me if I'm wrong -- that 20 percent of your entire work force is minority, and only 16 of the 152 of the executives in your work force are minority. And that's not reflective not only of the City of Philadelphia but of the region.

So I would like to know if you have an aggressive strategy and plan in place to

Whole - 3/30/04 - Bill 040157

increase the level of minority participation in your, you know, everyday work force.

COUNCIL PRESIDENT VERNA: Please identify yourself.

MR. GALES: Thank you. Kaywin Gales, Executive Vice President, Human Resources.

As I stated earlier, we are very committed to diversity. We had talked about the fact that we are establishing a relationship with Howard University in Washington, D.C. to increase our diversity representation. Howard University has a very good risk management program.

Additionally, last year, in the hires for Philadelphia, we hired over 200 people of which 25 percent of those were minorities.

And all the search agencies that we use, we specify diversity goals within those contracts, as well as all the recruiting agencies that we use we also specify diversity goals within those

contracts.

COUNCILMAN CLARKE: And you still only have 20 percent minority work force and 16 out of 152 in the executive level.

MR. GALES: Correct. But we are seeing a trend upward in our recruitment efforts for minorities.

We have various outreach programs. As I stated earlier, we are beginning to work with the Urban League, to reach out and to do work there as well, to attract minorities to our organization as well.

COUNCILMAN CLARKE: So you're going to adjust your strategy because the existing strategy is apparently not working, as well as at least this member would like to see.

MR. GALES: I don't know if I would say we would adjust our strategy. I think we have to stay the course, in terms of our recruitment for the various jobs within our organization. We are doing, I think and believe, the right --

COUNCILMAN CLARKE: When you say

stay the course, what do you mean? You think this is an acceptable level?

MR. GALES: I wouldn't say this is an acceptable level. I think we have to continue to work with those agencies, the urban leagues, and the various outlet programs that we have in place, the various colleges and universities, to increase our representation of our hires within our organization.

COUNCILMAN CLARKE: Well, if you're working with those agencies, and you have numbers that, frankly speaking, are somewhat abysmal; and you're saying that you're not going to alter that approach or enhance that approach, then I'm a little concerned, first, that you're not acknowledging that the numbers -- It appears that you're not acknowledging that the numbers are not what it should be; but second, that you sound like you're not even willing to entertain a change in your approach to increasing those numbers.

MR. GALES: Well, we are very

aggressive in our recruitment strategies with all the agencies that we're working with and the universities.

We have implemented the appropriate training within our organization for our managers, from a college recruiting standpoint, as well as for our diversity hire standpoint for individuals who understand our commitment to diversity, increasing diversity hires within the organization.

COUNCILMAN CLARKE: You're just saying you're aggressive. But you're not achieving the goal. I'm assuming the goal -- You have got to have more than 16 out of 152 executives. I'm assuming that that's not an acceptable number for you.

MR. GALES: It's actually 16 of 117.

COUNCILMAN CLARKE: It's still not representative of the region.

MR. GALES: It's not representative of the region, but it is --

COUNCILMAN CLARKE: It is representative of the industry?

Whole - 3/30/04 - Bill 040157

MR. GALES: It's trending in the right direction. It's a very difficult industry in which we are operating in.

As we said, we do make sure that we increase our diversity representation in every single hiring classification that we have. We stress that to our management team. We stress that to our recruiting agencies. We stress that with the colleges and universities that we are working with.

We have identified what we believe the right universities: Temple University, Drexel, Howard University, to help us increase our minority representation.

COUNCILMAN CLARKE: All right. You're not going to change your answer. That's quite clear. And I'm going to tell you, I'm not very happy with your answer.

And during the process of this oversight committee, I would hope that the oversight committee deals not only with the construction trades, but long-term opportunities, to help you adjust your thinking on this matter.

MR. GALES: We'll certainly welcome the input. Thank you.

COUNCILMAN CLARKE: All right.

Mr. Roundtree, on these numbers that we received on the construction management and the construction, there's a difference, a relatively small difference, in the minority numbers in the construction management and the participation of the construction entities you have on the MBE.

You have 25 and 30 on the construction management, and you have 30 and 35 on construction. Is there a reason why there's a difference? Is it more difficult?

MR. ROUNDTREE: Yes, because in your construction management, you're only going to have one company providing that service. But in the actual construction where we will proceed, the bricks and mortar, you're going to have more than one company, so you have more of an opportunity for participation.

COUNCILMAN CLARKE: So it's a matter

of the numbers that gives you a better opportunity.

MR. ROUNDTREE: Yes.

COUNCILMAN CLARKE: On this oversight committee, I had the occasion to sit on the two larger oversight committees on the stadiums, where we had an opportunity to handle substantially an amount more of individuals working on the projects.

It was clear, a consensus to most, that we made some mistakes early on in the process, particularly as it related to some of the apprentices and dealing with the ratios.

And as a result of that, we didn't do -- we weren't able to infuse new people onto the process; therefore, not allowing us to include an additional minority work force on the process.

Prior to the implementation of this particular oversight committee, when you look at some of the things that we did, in retrospect, on the stadium oversight

Whole - 3/30/04 - Bill 040157

committee, that can be corrected before we start this process so we don't duplicate that.

MR. ROUNDTREE: Because of your question, I think one of the things that needs to be reviewed is to establish a goal for apprentice.

But let me be clear about one thing. Because of the size of the this project, you're not going to have the volume of apprentice that you would normally have on a new construction activity.

But I still think that the -- that we should recommend that they have at least a range or a goal for apprentice, because people won't -- won't learn this trade or won't learn this activity unless they're involved in it.

So, you know, one of the suggestions would probably be to have some level of goal for apprentice.

COUNCILMAN CLARKE: Frankly speaking, I'm surprised to hear that it's going to be an oversight committee on a

project of this size.

MR. ROUNDTREE: Yeah.

COUNCILMAN CLARKE: Although it's a big dollar amount, it's not a lot of employees. So I'm happy to hear that we have that. And hopefully we will do that as we proceed along TIFs.

MR. ROUNDTREE: The other interesting part, and I think that the thing that will make this a more successful activity, is if they get the oversight committee involved much earlier.

Right now they're doing a lot of the planning. The oversight committee could be used to help them shape some of the bid packages.

Because once it starts, it will have -- As you know, in construction it's a snowball effect, and nobody will be able to stop this train.

COUNCILMAN CLARKE: Right.

MR. ROUNDTREE: And so, the more impact you have and the earlier you have the impact, the better the -- the more

successful you'll be.

COUNCILMAN CLARKE: Do we know who the general contractor will be?

MR. ROUNDTREE: No. I don't believe they've selected one yet.

COUNCILMAN CLARKE: Okay. Good. That's good. All right.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Let me continue with the questioning regarding the oversight committee, and then I'll come back to the recruitment issue.

You indicated in your testimony that you identified the members, and you indicated that a chairperson will be elected or selected, and then you used the word spokesperson.

Who ultimately is going to be accountable for ensuring that these goals are achieved?

MR. ROUNDTREE: The developer.

COUNCILWOMAN BROWN: The developer.

MR. ROUNDTREE: The developer.

COUNCILWOMAN BROWN: Okay. And because this is the first opportunity for a TIF to have MBE WBE goals in it, it's also a test case, correct?

MR. ROUNDTREE: Yes. From the Minority Business Enterprise standpoint. I understood there was earlier testimony that there was a TIF for Progress Plaza, but we weren't involved in that one.

COUNCILWOMAN BROWN: Okay. All right, then.

If I could please ask the ACE representative to come again, I have some questions regarding recruitment strategy, please.

And if I could ask Mr. Fina to please come forward again for a question around... procedurally, the standard operating procedures at PIDC, when it comes to companies who come before PIDC with an interest in TIFs.

As a matter of practice, has it been

your practice to arm corporations like ACE to help them understand that now City Council is paying attention to MBE WBE activity, so that they're not surprised when they come to testify?

MR. GALES: We do, Councilwoman. We -- We -- And this is not new. We've been doing economic opportunity plans for some time.

What you have done, what City Council has done, is made a requirement that it becomes part of the project plan, which we do now, with... Progress Plaza was the first, and this is the second.

And with the Mayor's executive order, MBEC has monitoring responsibility. So, they step forward and do the monitoring.

COUNCILWOMAN BROWN: Okay. So then I'm hearing two different answers then. MBEC will ultimately be responsible for the achievement of the goals of the oversight committee?

MR. GALES: No. They will monitor.

COUNCILWOMAN BROWN: They will monitor.

MR. GALES: They are independently monitoring.

COUNCILWOMAN BROWN: You told me that the develop would be ultimately responsible. Okay. All right. Thank you.

Having worked in higher education, I need to know: Did this project spark a recruitment strategy or did ACE have a recruitment strategy in place all along around the recruitment of women and people of color for the company?

MR. GALES: ACE has had a recruitment strategy in place all along for the recruitment of people of color and women.

COUNCILWOMAN BROWN: Okay. Of the 16, how many are professional positions?

MR. GALES: All 16 in that classification were minority.

COUNCILWOMAN BROWN: Of the 16 that are minority, how many are professionals and how many are non-professionals?

Whole - 3/30/04 - Bill 040157

MR. GALES: All 16 are professional in the executive group.

COUNCILWOMAN BROWN: Okay, then. You said that -- You mentioned the Urban League, and you mentioned Howard, and then you said that there's a list of agencies and colleges that you are working with. Could you provide that between now and the final vote? Provide that to the Chair, please between now and the final vote?

MR. GALES: Yes, we can.

COUNCILWOMAN BROWN: Okay. And finally, you said you will -- Because the former practices didn't give you the yield you desire, because we have 16 -- Let me ask you this: Of the 16, how many live in the City?

MR. GALES: Well, let me just... For a point of clarification, it's 16 in the executive group. The total minorities in the classification is 221.

COUNCILWOMAN BROWN: Okay. That was not clear to me. Okay. All right.

Do you understand the relationship

we're trying to draw between residents who live in the City, people of color who live in the City who pay taxes, and corporations who come to the City of Philadelphia looking for opportunities and tax incentive opportunities to stay? Do you understand the connect?

MR. GALES: Correct.

COUNCILWOMAN BROWN: Okay. So, you've amended -- or your strategy, the recruitment strategy, what are you doing differently that moves you to a stronger position of increasing the numbers of people of color?

MR. GALES: We are aggressively working with our universities, as well as our line management, to identify candidates of color, both women and people of color.

COUNCILWOMAN BROWN: And so that's what you're doing differently.

MR. GALES: We have been doing that continually since we've been in the City of Philadelphia. There's always been the strategy of ACE, is to aggressively recruit

Whole - 3/30/04 - Bill 040157

minorities and females to positions within the organization.

COUNCILWOMAN BROWN: Okay.

And my question was: What are you doing differently? When you say aggressively to better attain these goals, what are you doing differently?

MR. GALES: ACE acquired INA in 1999. And as soon as ACE came to the City, this is the strategy that we've put in place.

We have over the last five years been continuously moving in the right direction, in terms of our recruitment efforts for minorities and people of color.

COUNCILWOMAN BROWN: Okay, then. I'll look forward to the list that you spoke about, the universities, and non-profits that can aid you in your recruitment strategies, between now and the final vote.

MR. GALES: Thank you.

COUNCILWOMAN BROWN: Thank you very much.

Whole - 3/30/04 - Bill 040157

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you, Councilwoman.

Councilwoman Tasco.

COUNCILWOMAN TASCO: Tell the gentleman don't leave.

I think it would be very helpful if you just would agree that you would expand your recruitment opportunities to other colleges and universities where there are African Americans, and particularly Bennett College.

COUNCILWOMAN BLACKWELL: Bennett College.

(Laughter.)

COUNCILWOMAN TASCO: And some of the other historically black universities and colleges, and the United Negro College Fund schools, because there are a lot of them in various parts of the country, but whose students want -- and we're inclined to recruit young people here to Philadelphia.

So if they never see a recruiter from INA, and you can take -- There's a

college tour leaving Saturday, so you can take a college tour with one of your recruiters and go to these various institutions.

And you may find some very bright young people who are coming out of college who want to live in Philadelphia. Your recruitment helps them bring them to Philadelphia, gives you a quality employee. So all you have to do is say, we will expand our opportunities.

MR. GALES: We will expand our opportunities.

COUNCILWOMAN TASCO: Thank you very much.

Mr. Roundtree, I was looking at this Executive Order 40-403, and it says that it expires in 180 days. Is it still effective?

MR. ROUNDTREE: Yes. It still will be. We submitted a new version to the Administration for them to consider. That's what we have been working under. Until they do that -- Until they do so,

it's still in effect. And they've changed the number. It's really 0103. It was their first Executive Order of '03 that was committed.

Unfortunately, when that was printed, it was April, so they put the month of the year versus the actual Executive Order that was issued for that year. So to have --

COUNCILWOMAN TASCO: So someone can hold you technically to this order that says it expires -- is effective for 180 days.

MR. ROUNDTREE: Exactly.

COUNCILWOMAN TASCO: But they can.

MR. ROUNDTREE: They can and they have. And they have.

COUNCILWOMAN TASCO: All right. So you're going to get a new one?

MR. ROUNDTREE: Yes.

COUNCILWOMAN TASCO: The other question is, so -- And you'll let us see the new Executive Order?

MR. ROUNDTREE: Yes. Yes.

COUNCILWOMAN TASCO: Okay. I think that's it. I'm done. Thank you. That was it. I'm done. Thank you.

COUNCILWOMAN BLACKWELL: You're welcome.

Let me note that when my colleague was talking about Bennett College, I thought of Dr. Leonard Johnson, and how we have more young people from Philadelphia than any other City who go to Florida A & M.

COUNCILWOMAN BLACKWELL: Of course, I'm a Cheyney undergrad, graduate myself.

COUNCILMAN RIZZO: Point of information.

COUNCILWOMAN BLACKWELL: Point of information. Yes, Councilman.

COUNCILMAN RIZZO: I was just thinking. Of the 16 professionals that work at your corporation, the minorities, have they thought of reaching out to their colleges and let them know of opportunities? Have you kind of started it? That's a very basic place to start.

Whole - 3/30/04 - Bill 040157

MR. GALES: For the record, it's not 16 professionals. It was 16 executives in the executive classification. There's over 221 minorities who work for ACE, but --

COUNCILMAN RIZZO: Professionals.

MR. GALES: But to answer your question, absolutely. All of our professionals are reaching out to their universities. I'm an example of that. I am a graduate of Indiana University, and I reach out to that university on a regular basis.

Susan Rivera is a graduate of Villanova here in Delaware Valley, and she works very closely with that university in establishing relationships with that school as well.

So all of our professionals are reaching out to their various colleges to increase our hiring rate or retention rate, as well as the recruitment of diversity candidates to the organization.

COUNCILMAN RIZZO: I had a feeling you did that. Thank you.

Whole - 3/30/04 - Bill 040157

MR. GALES: Thank you.

COUNCILMAN RIZZO: Thank you.

COUNCILWOMAN BLACKWELL: Thank you, Councilman.

Councilman Cohen.

COUNCILMAN COHEN: One of the last group of witnesses about 15 minutes ago referred to the fact that the industry is very difficult to work in.

I was wondering if the witness could explain which industry was he referring to, the insurance industry or the construction industry?

Is any member, the witness -- I think the last witness was the one who said that, when questioned about meeting goals. I just want to know which industry he was referring to.

MR. GALES: I was referencing the insurance industry. And I was talking about recruitment within the insurance industry.

COUNCILMAN COHEN: Because recruitment in the construction industry

seems to be enormously difficult. We have been working on it many years with very little success.

But I think the suggestions you received from different members of Council is very important in the insurance industry.

It seems to me a strong approach. The universities ought to supply you with a great supply of very fine talent in the insurance industry because you don't have the barriers there that you have of an apprenticeship, of a possible union membership, and then of assignments of jobs. The last two areas are covered. The job would be with ACE, right?

MR. GALES: Correct.

COUNCILMAN COHEN: If they got it. And you would know what the business is. So all you've got to do is to find the raw talent. And that ought to be -- I'm sure there's a lot of that raw talent in the minority community that's waiting to be tapped.

So I think the whole problem is your outreach, and in convincing people that you're for real, you know, and that they have a real opportunity if they do that. If you do that, I think your company will be very successful. Thank you.

MR. GALES: Thank you.

COUNCILWOMAN BLACKWELL: Further questions from my colleagues?

(No response.)

COUNCILWOMAN BLACKWELL: Mr. Fina.

MR. FINA: Again, my name is Robert Fina. I'm with PIDC. I have three quick points to make, if I may, Madam Chairman.

COUNCILWOMAN BLACKWELL: Certainly.

MR. FINA: My first point is that PIDC will engage ACE to review their affirmative action policy in the context of Councilman Clarke's questioning earlier, and ACE has agreed to be engaged. So that will occur.

The second point is that earlier in my testimony, I need to clarify something that I had said that we are working with

One Beacon, which is not correct.

We have reached out to One Beacon and were prepared to work with them in the future if they need our assistance to stay in the City. Presently they have a lease that goes into 2008. And they expect to stay at this location until then, the location 436 Walnut.

And the third and final point I'd like to make is that there is an amendment to the Bill. It is replacing Exhibit A that was attached to the project plan -- I mean, attached to the legislation with another exhibit.

And I referred to the three changes in the exhibit earlier in my testimony. So, we're replacing Exhibit A. I'm requesting that you do that with another attached Exhibit A. Thank you.

COUNCILWOMAN BLACKWELL: Thank you. Does everyone have copies of that? Have they been distributed yet?

We've been advised that they were distributed earlier. But certainly we will

have the clerk... You have additional copies, Mr. Fina? Thank you.

MR. FINA: I do have additional copies.

COUNCILWOMAN BLACKWELL: Thank you.

MR. FINA: Madam Chairman.

COUNCILWOMAN BLACKWELL: Yes.

MR. FINA: The President of ACE would like to make a statement to clarify something also.

MS. RIVERA: Hi. I'm Susan Rivera. I'm President of ACE INA. I wanted to make a point because I think it's important given the conversation over the last 15 or 20 minutes.

You know, ACE acquired INA in 1999. We have significant retention ratios because we want to make sure that our employees like where they work. It's important for us.

So there's been job growth over the last five years, as well as limited turnover. And we think that we see progress in our outreach efforts over the

five years that we have controlled the company.

It's not perfect. We're making progress every day. But it is a priority within our organization. It's always been a top priority at ACE. And I wanted to make sure that you understood that, from our standpoint. Thank you.

COUNCILWOMAN BLACKWELL: Thank you. Thank you very much.

I think we have someone else who would like to testify.

MR. McPHERSON: Lenora Berson.

COUNCILWOMAN BLACKWELL: Thank you for your patience, Miss Berson.

MS. BERSON: My name is Lenora Berson, and I am the co-chair of the legislative committee of Center City Residents Association.

Center City Residents Association has long been concerned about Philadelphia's taxing practices. I hesitate to say policy because our taxes were not conceived as a whole but enacted

over time, piece by piece, to meet particular needs at particular times and set at rates that the traffic would bear. This ad hoc scheme has now come a-cropper, in the loss of businesses, jobs and residents.

Eager to start a dialogue on tax reform, CCRA has set up a tax study committee. The committee has made a series of recommendations which we presented to the Tax Reform Commission.

My testimony, which will be very brief, is based upon these recommendations. CCRA is opposed to the current practice of granting tax advantages to individual properties without regard to an overall tax plan.

All too often these TIFs, as they are called, are granted to properties which are able to be developed without such assistance, even if not by the developer requesting the TIF.

In particular, the granting of TIFs in the thriving central business district

makes these special advantages fail the test of economic hardship, that is, that nothing would be developed there if there weren't for a TIF.

We believe that bills such as the one that we have considered today, is being considered today, creates holes in the even fabric of the tax structure and undermines its integrity.

Their effect is to force the citizens as a whole to make up for tax relief given to the few. TIFs create the perception of special favor because they offer a remedy not open to all.

In addition, there is great controversy about the effectiveness of the TIF as an economic development tool.

Do TIFs create economic development that would not have taken place without the special legislative benefit?

And if they do, are they worth the cost in dollars to the City and the trust by the citizens of their government's fairness?

CCRA believes TIFs are part of the problem, not the solution, and urges Council to take a new look at these special tax breaks, and at the very least hold the granting of them to the higher standard of real economic hardship.

Again, thank you for giving me the opportunity to testify.

COUNCILWOMAN BLACKWELL: Are there any questions for Ms. Berson or comments?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

MS. BERSON: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILWOMAN BLACKWELL: You're welcome.

COUNCIL PRESIDENT VERNA: Do we have anyone else to testify on this Bill? Do we have anyone else to testify on this Bill?

COUNCIL PRESIDENT VERNA: Seeing no one, this will conclude our public hearing.

(Public hearing concluded at 2:05 p.m.)

CERTIFICATE

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the stenographic notes taken by me upon the public hearing of The Philadelphia City Council, taken on March 30, 2004, and that this is a true and correct transcript of same.

_____

DAVID A. DEIK, RPR and
Commissioner of Deeds

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)