COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, October 1, 2008
10:15 a.m.

- - -

PRESENT:
COUNCILMAN W. WILSON GOODE, JR., CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN BILL GREEN
COUNCILMAN CURTIS JONES, JR.
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 080573 - An ordinance amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," by expanding the program under which a credit against business privilege taxes is given...
RESOLUTION 080103 - Resolution authorizing City Council's Committee on Commerce and Economic Development to investigate, and hold hearings on, the issue of diversity...
RESOLUTION 080262 - Resolution authorizing the Committee on Commerce and Economic Development to hold hearings to inquire and investigate the missions, agreements, funding, policies, structure, business plans, operating and capital budgets, coordination of efforts and effectiveness of various economic development departments...

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COUNCILMAN GOODE: Good morning. This hearing is called to order. This is a public hearing of the Commerce and Economic Development Committee on Bill No. 080573 and Resolutions No. 080103 and No. 080262. My name is W. Wilson Goode, Jr., Chair of the Committee.

I note that a quorum is present. To my far left is Councilman Curtis Jones. To my immediate left is the Vice-Chair of the Committee, Councilwoman Blondell Reynolds Brown, and to my right is Councilman Bill Green.

The title of Bill No. 080573, amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," by expanding the program to which a credit against business privilege taxes is given to certain businesses that contribute monies to community development corporations undertaking economic development activities within the City of

Philadelphia, all under certain terms and conditions.

The title of Resolution No. 080103, authorizing City Council's Committee on Commerce and Economic Development to investigate, and hold hearings on, the issue of diversity within Philadelphia's Building and Construction Trades, and further authorizing the Committee to issue subpoenas to compel the attendance of witnesses and production of documents and other evidence.

The title of Resolution No. 080262, authorizing the Committee on Commerce and Economic Development to hold hearings to inquire and investigate the missions, agreements, funding, policies, structure, business plans, operating and capital budgets, coordination efforts and effectiveness of various economic development departments, authorities and agencies operating in the City of Philadelphia.

We will quickly move from our public hearing into a public meeting to consider Bill No. 080573, for which we heard testimony last week, and the Chair recognizes Councilwoman Brown for a motion on Bill No. 080573.

COUNCILWOMAN BROWN: Thank you, Mr. Chairman. I move that Bill No. 080573 be moved out of Committee with a favorable recommendation.

(Duly seconded.)

COUNCILWOMAN BROWN: No suspension of the rules.

COUNCILMAN GOODE: All in favor?

(Aye.)

COUNCILMAN GOODE: Those opposed?

(No response.)

COUNCILMAN GOODE: Bill No. 080573 is reported out of Committee with a favorable recommendation.

I will now move back into a public hearing. The Resolution No.

080103 will be held at the request of the sponsor, who is myself. The Resolution 080262 will be heard. That resolution's primary sponsor, along with myself, is Councilman Bill Green, and I ask Councilman Green if he has an opening statement on that resolution.

COUNCILMAN GREEN: Thank you, Mr. Chairman.

The City of Philadelphia has many fine agencies, corporations and commissions which have been set up to aid in the continued economic development of the City. Many of them also benefit greatly from the public trust, public land and public monies. As such, it should be obvious that it is essential for an elected official of the people of the City of Philadelphia to ensure that these agencies are using the best practices available to them and working for the best results of the citizens of the City of Philadelphia.

Government oversight is an

essential responsibility of legislative bodies like City Council. We have seen in Washington, DC that when our elected representatives advocate the responsibility of oversight, there is excess and abuse, and we may leave a $700 billion bill for our children as a result.

The potential cost to taxpayers of having little or no oversight and regulation demand that government from time to time hold hearings like this one. All Philadelphians should have an equal and open opportunity to be a part of the economic development of our city, not just those residents who have the financial means to exert their influence and get a seat at the table. We have the ability to exert oversight to create an open and transparent system in which our development and our economy thrive through the joint efforts of Council and other public entities and not-for-profits, such as the ones here today.

It may very well be that there are no problems, no necessary changes, that everything is running perfectly. We'd all like to believe that is true. All we want to know as elected representatives of the people of the City of Philadelphia is that it is true, or we want to be able to work with you to make it better. We want to come to you, not as adversaries, but as partners in working to expand economic development within the City for the benefit of us all.

There are three essential aspects to effective oversight: transparency, accountability and disclosure. We have asked the entities here today to disclose to Council their missions, practices, governance, policies, budgets, et cetera. We are pleased with the response and positive reactions we have received from most participants and look forward to working with you all.

Thank you.

COUNCILMAN GOODE: Thank you, Councilman.

Are there opening statements from other members of the Committee?

(No response.)

COUNCILMAN GOODE: Seeing none, Councilman Green, will you please call your first witness.

COUNCILMAN GREEN: Is the RDA here?

(No response.)

COUNCILMAN GREEN: Lewis Rosman?

(No response.)

COUNCILMAN GREEN: Then I'll call the PIDC. And I may interrupt the PIDC if Mr. Rosman or Terry Gillen show up.

(Witnesses approached witness table.)

COUNCILMAN GOODE: Good morning.

MR. LONGSTRETH: Good morning.

COUNCILMAN GOODE: Please state your name for the record and proceed with your testimony.

MR. LONGSTRETH: My name is Peter Longstreth and I am the President of the Philadelphia Industrial Development Corporation.

MR. FLUCK: And I'm James Fluck, and I'm Executive Vice-President of the Philadelphia Industrial Development Corporation.

MR. LONGSTRETH: And if it's permissible to the Committee, I would welcome the opportunity to make a four- or five-minute background introduction to the Philadelphia Industrial Development Corporation. I promise not to take too much time.

But most of all, I want to thank all of you for giving us the opportunity to be here and to share with you our activities, which your input is such an important element to. And when I talk about input, I particularly welcome your thoughts as to how we can do a better job, because I think the Councilman's comments about all doing a better job, there's always room for improvement, and we would welcome that input.

By way of background, the Philadelphia Industrial Development Corporation, PIDC, was founded in 1958. So we're celebrating our 50th year this year.

From a technical standpoint, we're a private, non-profit Pennsylvania corporation, but, effectively, we are a joint venture between the City of Philadelphia and the Greater Philadelphia Chamber of Commerce, a public-private partnership whereby the Mayor and the President of the Chamber appoint our Board of Directors.

From a practical standpoint, we really are an agent for the City. So we are the implementer of the economic development policies that the City defines, and the transactions that we effect come essentially with direction of the City.

We effect those transactions in two basic categories. We have two basic product lines, in my way of thinking. One relates to low-cost financing, where we operate bond and grant and loan programs with public and private funds to provide low-cost capital to worthy economic development projects in the City, and then we also acquire, improve and sell land, once again, to stimulate the economy, historically in the industrial parks on the edge of the City, more recently in the whole defense conversion activity, and then we represent the City in the sale of major pieces of property that they have around the City.

In these activities, the State authority, the Philadelphia Authority for Industrial Development, PAID, is an important vehicle for accomplishing a lot of the transactions. So we tend to use the term PIDC and PAID a little bit interchangeably. PAID is a state authority. It has five Board members appointed by the Mayor, and it is a vehicle for a lot of the transactions we do.

Our clients are basically employers all over the City. Historically, there's been a lot in the business community, and more recently the non-profit community has become such an important employer, that it's a very important target market for us as well.

We have 58 employees. We have an operating budget, as you've hopefully seen, of about $10 million a year, which is funded primarily from transaction and contractual fees that we generate in our daily business.

In conclusion, we've been around 50 years. It's interesting to sort of total up some of the performance measures. We've closed about 5,000 transactions in that time period, representing about $9 billion. I know compared to 700 billion, 9 kind of pales these days, but $9 billion in financing transactions, several thousand acres of land sales, and retention and creation of jobs totalling almost 500,000, which translates to probably $400 million in wage taxes.

So it's a fairly, what we believe, a very significant impact. It's an impact that we believe comes with a tremendous amount of confidence and support from the government sector, which we very much appreciate, and we're delighted to answer any questions you have.

Thank you very much.

COUNCILMAN GOODE: Questions from the Committee?

COUNCILWOMAN BROWN: Gentlemen, sir, could you please identify yourself?

MR. FLUCK: Me? Again, I'm

James Fluck. That's F-L-U-C-K. I'm Executive Vice-President.

COUNCILWOMAN BROWN: Of PIDC?

MR. FLUCK: Yes, of PIDC.

MR. LONGSTRETH: Jim is effectively the Chief Operating Officer of our company, has been there for over 20 years. If there's anybody that's going to answer the difficult questions, it's going to be him.

COUNCILWOMAN BROWN: Thank you.

COUNCILMAN GOODE: Councilman Green.

MR. LONGSTRETH: That's why he looks so happy.

COUNCILMAN GREEN: Thank you for coming today. I want to thank you for providing the documents that you did provide.

You covered a little bit of what I was going to cover in the questions in terms of getting you to describe PIDC, what it is you do, but let me just ask some general questions to begin with and then I'll get into some more specific criteria, just so people can understand really what it is that you do.

How much money has the City of Philadelphia, through loans or grants, run through PIDC since 1958; do you know?

MR. LONGSTRETH: Yeah. I mean, if you take that $9 billion number, a lot of it relates -- really the majority of it relates to tax-exempt bond issues, which really is private funding and not the City. So if you focus on loans, which is where most of that activity would be, we've made in our history about a billion dollars worth of loans.

COUNCILMAN GREEN: And grants?

MR. LONGSTRETH: Well, I can talk about grants in a minute as well, but that would be included as maybe the differential. But of the billion dollars worth of loans, the vast majority is --

COUNCILMAN GREEN: And that's not inflation adjusted. It's a billion over the 50 years.

MR. LONGSTRETH: Exactly.

COUNCILMAN GREEN: So if you inflation adjusted it, it would be probably $4, $5 billion.

MR. LONGSTRETH: Yeah. I mean, I believe you.

Of the billion dollars, or whatever that inflated number is, the vast majority is federal and state funding of our loan programs. The City has really provided relatively little. Obviously we are managing those federal and state funds because the City has decided that they want to do it that way. But in terms of the City money, I mean, I don't know the exact money, but it's relatively limited compared to the federal and state input.

On the grants side, obviously you're all familiar with the Economic Stimulus Program, and that was a fairly -- a very robust program. There's probably total a couple hundred million dollars in its history that was City funded, and obviously has become much less of a factor in recent years. And then more recently, the $150 million cultural and commercial corridor bond issue would be an example of something that flowed through us. But other than that, the City funds tend to be significantly less than the other two public sources.

COUNCILMAN GOODE: Mr. Longstreth, since you mentioned the Economic Stimulus Program, could you state for the record how that program was primarily funded?

MR. LONGSTRETH: I'm sorry?

COUNCILMAN GOODE: Since you mentioned the Economic Stimulus Program, can you state for the record how that program was primarily funded?

MR. LONGSTRETH: Yeah. The Economic Stimulus Program was, I understand, established in 1994 during, I guess, the Rendell Administration, and the concept at the time was to make direct allocations from the General Fund, with the approval of City Council, to an individual account called the Economic Stimulus Program, which would then be administered and --

COUNCILMAN GOODE: The question was, what was the source of funding?

MR. LONGSTRETH: General Fund.

COUNCILMAN GOODE: Mr. Fluck?

MR. FLUCK: The fund, it was -- yes, Councilman. It was the General Fund, Mr. Chairman, the City's General Fund.

COUNCILMAN GOODE: So the money didn't come from selling tax liens on people's homes?

MR. FLUCK: No. That was a separate bond issue, I believe you're referring to, that the City went through us on that -- through PAID on that particular bond issue, but it was --

COUNCILMAN GOODE: And half of that money went toward the School

District and the other half of that money went to the Economic Stimulus Program.

MR. FLUCK: Well, if it did, it went into the General Fund first. We get an appropriation out of the General Fund. There's not any particular indication what the source of the dollars are from the General Fund. It just comes from the General Fund.

COUNCILMAN GOODE: I happen to have been at the Commerce Department at the time. There were tax liens that were sold on people's homes. Half of the money went to the School District and the other half of the money went to the Economic Stimulus Program.

MR. FLUCK: I'll take your word for it. Again --

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: Thank you.

I know you told us what you do. What is the mission of the PIDC, as opposed to what you do on a daily, day-to-day basis with respect to transactional activity? What is your mission?

MR. LONGSTRETH: Our mission is to stimulate economic development in the City of Philadelphia by supporting the Administration in its efforts to retain and grow jobs and stimulate investment in the economy. That would be a sound bite that hopefully sums it up well.

COUNCILMAN GREEN: When is the last time City Council exercised any oversight authority over PIDC where we had hearings with respect to the activities, operations of PIDC?

MR. LONGSTRETH: I'm not aware of hearings comparable to this since I've been there, which is a little over seven years. Having said that, specific transactions in our daily activity involve City Council participation.

COUNCILMAN GREEN: Right.

MR. LONGSTRETH: So all approval of TIFs, all activities below fair market value and our land bank activities, all purchases of land. So there's a whole series of activities where City Council participates actively, but in this kind of an overview context, I'm not aware of it.

COUNCILMAN GREEN: It's my understanding that in the 50 years since your creation and, let's just agree, over a billion dollars of inflation adjusted loans, grants and appropriations through the years, that we have never sat down and looked at your operations, business practices or tried to determine whether or not the mission that you're pursuing is a mission that City Council thinks is in the best interest of the City of Philadelphia.

MR. LONGSTRETH: I'll take your word for it. I don't know.

COUNCILMAN GREEN: Okay. So where is PIDC incorporated?

MR. LONGSTRETH: It's a Pennsylvania corporation.

COUNCILMAN GREEN: And how are the Board members appointed?

MR. LONGSTRETH: It's a little bit of a complex formula, and I'm happy to go through the whole thing. As I stated in the general comments, it's a combination of appointments by the Mayor and the President of the Chamber. And as I say, I'm happy to get into detail, if you wish.

COUNCILMAN GREEN: I'll summarize it very quickly for people here. There are seven appointees that are by sort of the Administration. City Council has one of those appointees. Then there are eight appointees by the Chamber of Commerce. Then there are 15 appointees that are jointly appointed by the Chamber of Commerce and the Director of Commerce of the City of Philadelphia.

MR. LONGSTRETH: That's correct. And the only thing I would add is that the first 15 make up an Executive Committee that meets basically every two weeks and is very much involved in the operations of PIDC and approves all the individual transactions; whereas, the second group meets only four or five times a year.

COUNCILMAN GREEN: And I'll be coming back to this point, but what they approve are transactions that the staff has brought to them, is that correct, that the PIDC and staff have put together and brought to them?

MR. LONGSTRETH: Yeah. I guess I would -- that's certainly true, but we take it to our Board very much with the blessing, if not the direction, of the City; that is to say, the Administration usually through the Commerce Department.

COUNCILMAN GREEN: We'll come back to that.

MR. LONGSTRETH: Great.

COUNCILMAN GREEN: So can you describe the -- you did describe in your opening statement the governance structure of PAID, which is its five appointees from the Mayor. So how are the administrative offices of PIDC organized?

MR. LONGSTRETH: Well, our company, as I indicated, has 58 employees, and we're organized, just from an organizational structure, with a president's office that's basically myself and Paul Deegan, who manages the government relations; a group that relates to our clients, we have probably ten people in that group; two separate product groups, one obviously dealing with financing and the other real estate; and then an administrative group really run by Jim Fluck that handles all of the different functions in terms of the back office, on the one hand, and all the reporting and accounting functions that go with it. So that's a real internal staffing function.

COUNCILMAN GREEN: And what does it cost to run your operations every year?

MR. LONGSTRETH: Well, as I indicated, we have an annual budget of about $10 million.

COUNCILMAN GREEN: What are your minority hiring practices?

MR. LONGSTRETH: Well, basically I would say as a general statement, that very much in keeping with the Administration's sense of emphasis on minority inclusion as an economic development tool and priority, that PIDC tries to reinforce that at a whole variety of different levels.

Our employment today is 72 percent women and 33 percent minorities. That's one way it's reflected. It's reflected in our contracts, which are basically 20 percent minorities this last year and 15 percent women, which is a number that increases every year and we hope will continue to increase. On our loans, we're about 25 percent over the last couple of years to minority borrowers.

So this gives you a sense of our performance on that sense of priorities. It's a very important element to the City and to PIDC. And, frankly, I could go on with a number of other things, but hopefully that gives you a sense of it.

COUNCILMAN GREEN: What is the Economic Stimulus Program?

MR. LONGSTRETH: I think we just touched on it and I was kind of going through it, but it was created in 1994 --

COUNCILMAN GREEN: I'm sorry. Yes, you did cover that.

Can you describe RCAP to us?

MR. LONGSTRETH: RCAP is a state grant program in which the State government includes in its budget grant allocations to non-profits throughout the state, including in Philadelphia. The Governor's Office then determines which of those projects will in fact be funded, because typically the State budget vastly exceeds the total -- excuse me; is much below the total needs. And then our role is to assist the local grantees in making the applications and sort of managing the process, and it's a process that takes quite a while and requires a lot of assistance, to be honest.

COUNCILMAN GREEN: But that's sort of how it's written on a practical county-by-county basis. Who really decides where the RCAP money is spent?

MR. LONGSTRETH: I think -- I mean, I think historically -- and obviously it varies with administrations -- but historically each municipality presumably provides -- and I think in the case of Philadelphia did provide -- a list of priorities and a sense of what the really important projects would be. My sense is the Governor makes the final decision.

COUNCILMAN GREEN: Right, but generally, it's very unusual for the Governor to make a decision that is not on the Mayor's RCAP list?

MR. LONGSTRETH: I can't -- I don't know.

COUNCILMAN GREEN: Do you know anything about that?

MR. FLUCK: No. I'm sorry. I don't.

COUNCILMAN GREEN: Do you know how much the RCAP money is this year?

MR. LONGSTRETH: The State Legislature recently approved in the last session, I think, an $800 million number for a three-year period for the entire state. So that gives you a sense of it. I have heard that 25 percent of that will be allocated to Philadelphia.

What I would emphasize on RCAP, I believe we play a very important role. It's a role that essentially involves following directions, which we receive from the State, and the sense of priorities that the City provides to the State comes essentially from the Administration.

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COUNCILMAN GREEN: Right. So essentially it's money provided from the State that the Administration determines the priorities without ever having to go through City Council; is that correct?

MR. LONGSTRETH: I guess it probably is.

MR. FLUCK: Yes.

COUNCILMAN GREEN: So we might not know where that money was spent, what the priorities were in the context of the broader things that we're trying to do as a body in the City of Philadelphia?

MR. LONGSTRETH: I mean, I guess I would assume and even perceive that the communication of the Administration to the various particularly district Councilpeople would take into account their sense of priorities in their districts, and I'm assuming that happens at the city level and is communicated to the Governor. We're not directly involved in that.

COUNCILMAN GREEN: Okay. I'm

going to -- I'm sorry. Councilman Jones has some questions, and then we're going to ask you to step aside so we can let a witness go and testify.

COUNCILMAN JONES: Good morning.

MR. FLUCK: Good morning.

MR. LONGSTRETH: Councilman, former colleague.

COUNCILMAN JONES: I was going to put that on the record, for full disclosure purposes, that for the last 14 years, I have had the opportunity to work with you guys as the President of the Philadelphia Commercial Development Corporation. I consider us colleagues in the economic development mission for the City of Philadelphia. I have, because of that, a slightly up-close-and-personal understanding of your mission, what you do and even your contribution to the economic development community and the City of Philadelphia as a whole.

So having said that, also I'd

like to thank you and your staff for taking the freshmen around to look at what PIDC does, where they do it and how you kind of integrate. So I want to thank you publicly for that experience, and hope to work with you closely in the future.

It's my understanding that out of one of the subtexts of these hearings is to figure out for city purposes and general economic development efficiencies how we can do things, how things are done and how we can do them better.

Nothing more emphasizes the priority and importance of that other than the events of the last couple of weeks on Wall Street dealing with subprime lending that we've dealt with as a Council, and knowing that that's like a pebble in the middle of a lake and the rippling effects have yet to get to us.

So the spirit in which this Committee, and in particular myself, are asking these questions is to figure out how we can brace ourselves, how we can do things better and whether or not we're getting as much efficiency out of what we do, and to then make adjustments where appropriate. So that's the spirit of my questions that I'm going to ask.

MR. LONGSTRETH: I appreciate that.

COUNCILMAN JONES: For the people who don't know about the alphabet soups of government and the PIDCs, the PCDCs, can you clearly define some of the differences, for example, between you and PCDC, which is the agency I was involved in, and what kind of scope you kind of take on so that people watching on TV can kind of get a sense of what the differences are?

MR. LONGSTRETH: Yeah, but I would defer to you. You were there longer and probably understand it more fully, but I would have sort of said they're very similar agencies. PCDC and PIDC very much focus on the financing piece, PCDC really not so much on the real estate piece. So that would be a fundamental difference. But essentially on the financing side, a distinction between sort of scale and maybe stage of development in terms of the client type, particularly on the for-profit business side.

So over the years, I have the sense that PCDC was focused on smaller companies and maybe in certain sectors that we were less focused on, like retail and some of these other activities. And with that exception. So it's a question of scale and kind of focus on the financing side. Very similar missions and very similar kinds of organizations.

On the real estate side, I think that's a totally different function that I guess we have that PCDC did not.

COUNCILMAN JONES: So generally, if I were to stereotype it real quick, if you do stadiums, PCDC did the concession, individual business owner. That would be a kind of nice fit?

MR. LONGSTRETH: I mean, in my opinion, that would be kind of an extreme in comparison, just because the vast majority of what we've done over the years tend to be with small businesses. They're just a little bit larger and more in the commercial industrial area than maybe PCDC. But I would have said it's a similar kind of mix.

COUNCILMAN JONES: Just to give scope and size.

The second thing is, primarily PCDC has CDBG dollars, and that's, I would say, 80 percent of their budget. If I were to look at the total pie, what does that represent for you?

MR. LONGSTRETH: Well, to give you a sense, I mean, when we talk about total financing for PIDC, each year we probably disburse about $300 to $500 million, most of which is tax-except financing that simply flows through PAID as a conduit. So then we have some grant money that may be $40 or $50 million, mostly redevelopment assistance. So if we focus on just the loan part, it's somewhere between 30 and 50 million a year, of which the CDBG portion is about $5 million, maybe ten percent.

COUNCILMAN JONES: Just to give a little context, the type of characteristics that CDBG dollars have versus, for example, UDAG dollars have, can you for the record talk about the different payback character of the two of them?

MR. LONGSTRETH: Well, CDBG is obviously a federal program and is very much focused on -- it's relatively small amounts of money. It's focused on job creation, but particularly in a moderate to low-income group and it tends to be, as I say, relatively small loans.

We get, for example, PIDA, which is a state funding vehicle, very much focused on the industrial piece of the market, much larger amounts of money and very much in the sort of asset-based lending activity.

HUD 108 is another federal program that we have that tends to be much larger transactions that go to corporate. Those would be sort of the three important funding groups that we have. And, once again, if I'm understanding, PCDC is limited to just the CDBG piece of it.

COUNCILMAN JONES: The characteristic --

MR. LONGSTRETH: Does that help you at all?

COUNCILMAN JONES: That helps me, but for the public, I'm trying to give people a sense of there's certain money that we get from sources that we get put out into the marketplace and then get back and have to be used again for the same purposes, almost in a recycled fashion. There's another type of money that has gotten, UDAG money and others, that after the first blush and it comes back is discretionary.

MR. LONGSTRETH: Yeah.

COUNCILMAN JONES: Correct?

MR. FLUCK: That's correct.

MR. LONGSTRETH: When I'm talking about CDBG, I'm kind of grouping the UDAG, EDA and CDBG together, which is missing your point, but, I don't know, two-thirds of the 5 million that we do a year in that business is CDBG and the rest is UDAG and EDA, which has a lot more flexibility to it. But when I talk about $4 or $5 million of CDBG each year, it's revolved. These are all repaid dollars. We haven't received new dollars in 10 or 12 years.

COUNCILMAN GOODE: And would you not include --

MR. LONGSTRETH: This is kind of inside baseball. Sorry.

COUNCILMAN GOODE: Would you not include HUD 108 in the category of CDBG and UDAG and the others?

MR. LONGSTRETH: When I'm

talking about those three, I'm talking about revolved dollars that come back to us. HUD 108 is a series of either freestanding loans or pools, and I consider them separate.

COUNCILMAN GOODE: But the HUD 108 dollars are borrowed against future CDBG allocations?

MR. FLUCK: That's correct.

MR. LONGSTRETH: You're right.

COUNCILMAN GOODE: And about how much have you done in HUD 108?

MR. FLUCK: In HUD 108, about $200 million, but, again, that doesn't recycle. That is used to defease the bonds that give rise to the allocation. So it doesn't revolve back.

COUNCILMAN GOODE: I guess part of the question that's being asked by Councilman Jones is, what type of access would PCDC have to HUD 108 dollars that are borrowed against future CDBG allocations versus PIDC in terms of how the agencies interact or in terms of access to resources, I think is part of the question.

MR. LONGSTRETH: Good question.

Jim, do you know the answer? Because I don't.

MR. FLUCK: No. The only thing I can say is, we make a request of the Administration, which is included in the CDBG budget that's approved by Council, and that's the only way we can access the HUD 108. It is through the City. We manage that program on behalf of the City. But certainly PCDC wouldn't be excluded.

COUNCILMAN GOODE: Just a quick follow-up. Has PCDC accessed any of those HUD 108 dollars?

MR. FLUCK: I'm not aware of that. I can't answer that. None of ours have been -- if you're asking --

COUNCILMAN JONES: To give you a little help, no.

MR. FLUCK: Okay.

COUNCILMAN JONES: I'm making

these points to give context and differences between what the arsenal that PIDC has versus what PCDC has so that my colleagues and the public kind of know if we're trying to blow up something, we use a howitzer; if we're trying to do something more narrowly tailored, we use a different weapon.

And so I say that now, having put a pin in that, and let's go to land use.

MR. LONGSTRETH: But I'm sorry. Could I interrupt you just to add one point here? Because I think it relates to our cooperation with PCDC.

As I have informed, I believe, most of you, we have a relatively new program called our Emerging Loan Program, and essentially we've gone to the private banks. They've provided us lines of credit, and that, in turn, finances working capital loans to minority, women-owned businesses, and we're dealing directly with a whole range of businesses. I think what we are considering and in conversations with PCDC and others is, would PCDC, the Enterprise Center, some of the CDCs be good delivery systems for this program. So we would loan funds -- be a funding source for PCDC, which then obviously may have better access to certain sectors of the market. So that's an area where I think that kind of cooperation is very much underway, and I think it's relevant to your point.

COUNCILMAN JONES: And I appreciate you kind of seeing where I'm going with this. One of the things that I want to happen on this side of this table -- and I appreciate being on that side of the table, but now what I'm looking for us to grow to do is, if you look at models such as 8(a) at the federal level, what they tend to do is not just use one weapon to grow companies, they use every weapon at their arsenal, including financing, technical assistance and procurement opportunities. So that a company coming in at the beginning and let's say it uses a business cycle of ten years, a decade. A small company grows to be a middle company, grows to be a large employer/taxpayer, and then graduates from a program. What I'd like to see us grow to as a city and as an economic development community is where -- there was a company at Lindley Avenue called Medley Tool and Dye, once upon a time. I think it might have been even one of your clients.

MR. FLUCK: Yeah.

COUNCILMAN JONES: They should have been able to come in on a small rung, maybe through a PCDC. I'm just using them as an example. Then grow to a point where if $500,000 is the threshold of loan, which generally the Board of Directors are comfortable in providing, then it should graduate then naturally for capital needs to PCDC or other sources like that. And at the point they do, if we start to look at a local business, not because it's a minority, not just because it may be female, but because it's local and has an impact in tax revenues and the ability to create jobs -- because Medley Tool and Dye had 100 employees, most of whom walked to work, most of whom walked to work. But what happened is, they should have been graduated and looked to for city contract opportunities, meaning that they were a defense contractor that did the self-contained communication units. They almost look like the cab on the tractor-trailer. They drop down behind enemy lines, they pop up some Internet stuff and they were able to provide for the Defense Department communications, mobile communications, and they welded those cabinets together. And you're familiar with that.

At the point that the defense contract ended, there was no help for them to go into domestic markets. That same company, a welding tool and dye company, could have got the contract to do street signs for the City of Philadelphia, same skill set, same type of workforce, same kind of -- but a different marketplace, but they did not diversify and take advantage of Philadelphia opportunities.

My point to you and my point to subsequent organizations is, we got to think not just in our box, but to kind of cross pollinate programs, resources for the benefit of small businesses that can, A, get capital; B, get technical assistance; C, get contracts from the City.

It doesn't make sense that the lunch program for underprivileged children in the City of Philadelphia goes to a firm out of New York. It doesn't make sense to me that the grass cutting contract every 17 days that cuts the grass in Fairmount Park or Recreation

Department-owned land is out of King of Prussia.

In tough times we have to look at limited resources differently and kind of work together to create opportunities for Philadelphians, and the spirit of my comments today is all about that.

MR. LONGSTRETH: And your mention of technical assistance reminds me of another fundamental difference between PIDC and PCDC and another reason why cooperation on the Emerging Loan Program so that PCDC's capability of providing technical assistance, which is a critical piece of that kind of a relationship, is a further justification for that kind of partnership.

COUNCILMAN JONES: Thank you.

Mr. Chairman.

COUNCILMAN GOODE: Let me note for the record that Councilwoman Jannie Blackwell is also in attendance.

Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you

very much.

Good afternoon, gentlemen. I want to follow up on Councilman Bill Green's inquiries regarding the composition of your staff, which you provided.

Just speak to us, if you will, the composition of the Board. You've indicated from where they come, but always I'm looking to see the level of diversity on boards across the City, particularly those directly, intimately or indirectly tied to City government.

MR. LONGSTRETH: Yes. I'm turning to a list of the Board members, because I won't necessarily remember them all.

COUNCILWOMAN BROWN: Sure.

MR. LONGSTRETH: I mean, first of all, I guess I would say that -- I just would reiterate that the Mayor and the President of the Chamber make those appointments.

COUNCILWOMAN BROWN: Of about

eight of them, correct?

MR. LONGSTRETH: Well, no. The combination of the Mayor and the President of the Chamber make all of the appointments. Seven of the Executive Committee members are essentially ex-officio members of the Administration, starting with the Mayor, President of City Council and then essentially is primary cabinet members.

COUNCILWOMAN BROWN: Got it.

MR. LONGSTRETH: So those are ex-officio.

The Chamber President appoints the other eight, who are on the Executive Committee, and then the rest of the group is appointed jointly by the two. And we make recommendations to them as to candidates that we think at a staff level that would be logical candidates. As in everything we do, minority and women representation is very important, but obviously the appointment is by the two principals. And I'm happy to go through the composition of our Board in terms of minority and women representation, but to be honest, I don't have a whole lot of control over it. It is a priority for us and -- would you like me to do that?

COUNCILWOMAN BROWN: Please. Please. If we could just put it on the record.

MR. LONGSTRETH: Okay. And I'm going to kind of read the seven we all know. So it would be Michael Nutter, Andy Altman, Camille Barnett, Rob Dubow, Shelley Smith, Anna Verna and, interestingly enough, since the Planning Commission chair is not filled, there's a vacancy. Andy is meeting both of those roles right now, as you know.

COUNCILMAN GREEN: Just a point of information. Excuse me, Mr. Longstreth. Councilwoman Blackwell is City Council's appointee, not President -- isn't that right?

COUNCILWOMAN BLACKWELL: No.

COUNCILMAN GREEN: I thought

you were.

MR. LONGSTRETH: Well, I'll do my best to explain it.

The way the bylaws read, the City Council President is an ex-officio member of our Board and the City Council person may appoint a representative, who is another Councilperson, and Councilwoman Blackwell fulfills that role and we very much appreciate her participation.

So that would be the seven. The eight are -- I mean, I guess I would say, since you're interested in this characterization, one is an African American male and the others are white males, the other seven. So that composes the eight.

COUNCILWOMAN BROWN: Okay.

MR. LONGSTRETH: And then the 15, I guess you'd like me to just characterize their sex and race.

COUNCILWOMAN BROWN: Please. Gender and ethnicity.

MR. LONGSTRETH: Helen Baik is a woman who is an Asian America. Reverend Audrey Bronson is an African American woman. Fred Cosenza is a white male. Frank Jiruska, Alan Kessler, Bill Marrazzo, Jim McManus are all white males. Michael Rashid is an African American male. Guillermo Salas is a Hispanic male. Bill Sautter is a white male, and Barbara Wilson is an African American woman. And there are three vacancies at the current moment on the 15-member at-large Board.

COUNCILWOMAN BROWN: Okay. The composition of the Executive Committee.

MR. LONGSTRETH: The Executive Committee are the 15 people that I described at the outset.

COUNCILWOMAN BROWN: Very well.

MR. LONGSTRETH: So seven from the City and eight from the Chamber.

COUNCILWOMAN BROWN: Okay, then. I thank you for that background.

Could you please provide an

update, if you will, on the status or the progress of the cultural bond activities that supported the number of arts and cultural organizations?

MR. LONGSTRETH: I can certainly do it in a general sense.

COUNCILWOMAN BROWN: Please. Only because we haven't heard much about the activity since the awarding of those.

MR. LONGSTRETH: And I guess I would emphasize, as I do on a number of these individual transactions, this is a program essentially of the City's. PIDC has been contracted to administer it.

COUNCILWOMAN BROWN: Yes.

MR. LONGSTRETH: And we've done that at the direction of the City. So a proper report would probably come from the Commerce Department, I believe.

But essentially, 65 million of the 150 I believe was dedicated to cultural institutions. Of that, 60 million was focused on, I want to say, 20 individual institutions and then 5 million of it was made available for a number of much smaller institutions.

COUNCILWOMAN BROWN: Yes.

MR. LONGSTRETH: And the 20 were designated by the Mayor a year and a half ago.

COUNCILWOMAN BROWN: I was actually part of the process, but I've been removed from it since the award.

MR. LONGSTRETH: I would sort of say without being very specific on all of this, virtually all of those funds have been distributed.

COUNCILWOMAN BROWN: Okay.

MR. LONGSTRETH: That that has been a piece of that bond issue that has moved very quickly and pretty efficiently. We have a woman who handles all of our non-profit activities that's really been very much involved in this, working closely with the Commerce Department and each of the individual grantees.

The commercial corridor piece,

which is kind of the other half, has been a much slower process and it's nowhere near as far along.

COUNCILWOMAN BROWN: And the reasons for that might be what?

MR. LONGSTRETH: Once again, we're not managing the process, but I would sort of say that -- I mean, we're taking direction -- that it's a much more complex process and, by definition, is going to take a lot longer. The cultural grants are for specific projects to individual institutions. I think on the commercial corridors, they're actually defining projects, and that takes a little bit longer.

COUNCILWOMAN BROWN: Okay. Well, thank you for the update.

Thank you, Mr. Chairman.

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: Thank you.

When did PIDC's mission go from promoting industrial development to industrial and commercial development?

MR. LONGSTRETH: Yeah. I mean, I have had conversations over the years with different people regarding sort of the true meaning of those words as they relate to our mission. I consider our mission economic development in the broadest sense, and as I indicated in my opening comments, our clients are all employers in Philadelphia, which gets us into a whole non-profit area that doesn't sound industrial at all.

So I would sort of say, without total knowledge, the organization was created at a time when manufacturing and industrial activities were a much more central part of our economy. Today they're still very important, but not as central, and obviously we have broadened our mission accordingly and spent a lot of time trying to broaden the product base that can address that broader client base.

COUNCILMAN GREEN: How many

other agencies in Philadelphia are providing financing or funds for not-for-profits? And same question for commercial economic development.

MR. LONGSTRETH: There's a few. I think --

COUNCILMAN GREEN: In other words, who are your potential partners? Who are your competitors, looked at another way, for resources from us?

MR. LONGSTRETH: Sure. I mean, I kind of view, when you're talking about anything that's related to job creation, it's essentially PCDC and ourselves, are the two primary agencies that are involved in that and as it relates to financing. As we get into marketing, as we get into workforce development, as we get into technology development and a whole bunch of other areas, hospitality, there's a whole bunch of other agencies that we kind of cross over with. But in terms of primary funding vehicles, I think it's the two of us.

COUNCILMAN GREEN: Without making you go through that list now, could you please provide to the Chair an answer of all those agencies that you think touch in what you do in one way or another, workforce development, et cetera, that you just mentioned?

MR. LONGSTRETH: You included a list of 43 agencies. I think you got it.

COUNCILMAN GOODE: Mr. Longstreth, can you please describe how many of your programs are direct lending programs versus subordinated debt programs? In other words, is it true that most of the lending that you do is actually connected to traditional financing?

MR. LONGSTRETH: Is?

COUNCILMAN GOODE: Is it true that most of the lending that you do is actually connected to traditional financing from banks and financial institutions?

MR. LONGSTRETH: Well, once

again, if we're focusing on the loans -- because the bond activity, which is the largest part of our volume, is not -- or at least it's privately funded but in a tax-exempt bond structure, and likewise on the different grant programs we've discussed. So if we focus on loans, most of our loans have some kind of combination with a traditional usually first mortgage private lender, which is, I think, your question.

COUNCILMAN GOODE: So you take a second position and in some ways, for lack of a better way of putting it, you subsidize private lenders?

MR. LONGSTRETH: Yeah. I mean, I guess we sort of view it -- I mean, obviously it depends on your point of view. I would have said we're subsidizing the borrower very deliberately and providing the kind of secondary or mezzanine financing that most of the borrowers that we lend to don't have access to, and in the process, we're reducing the amount of equity they have to put into the deals and make the deals that much more within their reach.

COUNCILMAN GOODE: I'm just following up on Councilman Green's question. What you're doing is taking a second position to banks and other traditional financial institutions. Then potentially there are any number of other competitors or stakeholders who could choose to subsidize the borrower or subsidize the bank deal, however you want to view it. And so that list is actually larger than some of the traditional agencies that might just be listed, because at the end of the day, most of the deals you do are being done by banks and you're simply participating in them; is that correct?

MR. LONGSTRETH: Once again, when you say "most," on the loan side, correct.

COUNCILMAN GOODE: Thank you.

Councilman Green.

COUNCILMAN GREEN: Thank you.

We will come back to that point about who it is you do participate with.

So just real quickly, can you -- let me follow up on this line of questioning. Could you just describe for us, does the City have any liability for PAID's obligations?

MR. FLUCK: The biggest activity that PAID gets involved in are the tax-exempt bond issues, and they are non-recourse to the City, to PAID and to PIDC.

COUNCILMAN GREEN: They're non-recourse to PAID and PIDC and the City as well?

MR. FLUCK: And the City, that is correct.

COUNCILMAN GREEN: Are there any bonds issued by PAID that are recourse to the City?

MR. FLUCK: Ones that the City does through us. As an example, the airport, they've done several, and obviously the City is involved as a borrower in many of those. Yes.

COUNCILMAN GREEN: And just for the record, we, City Council, approve those bonds?

MR. FLUCK: Absolutely. Yes, sir.

COUNCILMAN GREEN: So what's the source of funding for each of your programs? We heard about Economic Stimulus. We heard about RCAP. Emerging Loan Program you mentioned. The Tax-Exempt Bond Program?

MR. LONGSTRETH: Well, the Tax-Exempt Bond Program is essentially with PAID acting as a conduit. Private and public borrowers, with obviously a heavy emphasis on the non-profit and small manufacturers, borrow from private lenders through PAID on a tax-exempt basis.

COUNCILMAN GREEN: So those private lenders or other people go through PAID in order to issue the -- to give the loan to the entity actually making the borrowing, right? So PAID is --

MR. FLUCK: A conduit.

COUNCILMAN GREEN: -- the intermediary essentially issuing the bonds?

MR. FLUCK: Yes. And that's required so they can be tax exempt. That's a requirement, yes.

COUNCILMAN GREEN: And so PAID is involved in the various lending institutions and professionals that are assisting with those issuances and should know who they are; is that correct?

MR. FLUCK: That's correct, with the exception of authority counsel, which we do control.

COUNCILMAN GREEN: But you know who the other parties are in the transaction, who the lenders are because they're going through you, who the borrowers' counsel is, who the lenders' counsel is, et cetera?

MR. LONGSTRETH: We do not select them.

COUNCILMAN GREEN: I didn't ask that question.

MR. LONGSTRETH: No. I understand. So, therefore, I'm not sure we keep much of a record or pay much attention to it. But at some point, we probably do know it, sure.

COUNCILMAN GREEN: And you would have it in your records?

MR. LONGSTRETH: I guess.

COUNCILMAN GREEN: Thank you.

MR. LONGSTRETH: I mean, I would emphasize, in contrast to a number of other agencies, we do not select the financing team for the borrower. The borrower does it themselves, and the only selection we make is the authority counsel.

COUNCILMAN GREEN: I understand, but you do know who else is involved in the transaction. That's my question.

MR. FLUCK: To the extent that the legal documents would reflect the parties, yes. Whether they always --

COUNCILMAN GREEN: And the opinions of counsel, which PAID requires and --

MR. FLUCK: Again, that would be part of the legal documents. I'm not sure every individual involved would necessarily be part of the legal documentation.

COUNCILMAN GREEN: Okay. Thank you.

MR. LONGSTRETH: Councilman, I mean, I'm happy to go through a list of our different sort of funding sources and kind of answer your question comprehensively, if you wish.

COUNCILMAN GREEN: Well, I was going to ask them one at a time.

The PIDA Loan Program, P-I-D-A, program?

MR. LONGSTRETH: P-I-D-A, PIDA. The State really makes three different programs available. They've been available for many years, and they're real bread and butter for PIDC. One is PIDA, which is, I guess, Pennsylvania Industrial Authority Loan Program. The other is MELF, which is Machinery and Equipment Loan Program, and the other is the Small Business First. And in all cases, basically we go through our normal underwriting process, we approve the loans, then we send them to the State. They approve them and then they fund them.

COUNCILMAN GREEN: Okay. Growth Loan Program.

MR. LONGSTRETH: The Growth Loan Program is the name that we put on what actually Councilman Jones and I were talking about, which is sort of a combination of revolved federal funding sources, and to make it easier for our clients, we call it the Growth Loan Program, and that's the funding source. They're revolved federal sources.

COUNCILMAN GREEN: So what are the federal sources?

MR. LONGSTRETH: CDBG, UDAG and EDA are the letters. Don't ask me to tell you what they mean.

COUNCILMAN GREEN: So that also takes CDBG resources?

MR. LONGSTRETH: Yeah. Once again, those are CDBG loans that we would have made over the years that have revolved back.

COUNCILMAN GREEN: That have revolved back to you?

MR. LONGSTRETH: Correct.

COUNCILMAN GREEN: And then can you explain why PIDC would keep those CDBG dollars as opposed to turning them back over to the City of Philadelphia for us to allocate how we wish?

MR. FLUCK: We actually do, in effect, get them reallocated on an annual basis as part of the CDBG budget that you approve. We report the repayments, and then we basically ask to have those dollars to re-lend, and that's approved as part of the CDBG budget.

COUNCILMAN GREEN: So in theory, if we wanted to reallocate CDBG dollars away from PIDC if we felt somebody else's mission was more --

MR. FLUCK: You have the power, yes, sir.

COUNCILMAN GREEN: And the HUD 108 Loan Program, you described that. Is that all CDBG dollars?

MR. FLUCK: That's actually -- it's a program whereby the CDBG allocation that the City gets guarantees bonds that are issued by the federal government, and the repayments, as I mentioned earlier, are used to defease the bonds. They are not revolved back to us. They go back to HUD.

COUNCILMAN GREEN: So when you make loans of the Growth Loan Program or PIDA Loan Program or the HUD 108 Loan Program, you're aware of everybody else who's involved in the transaction, and, once again, that would be reflected in the legal documents?

MR. FLUCK: Again, to the extent that the documents --

MR. LONGSTRETH: Require.

MR. FLUCK: Yeah. They may not reflect all the parties, but certainly a lot -- a number of them would be reflected.

COUNCILMAN GREEN: Yeah. Everybody getting paid as a result of the transaction probably.

MR. FLUCK: Everyone that got paid?

COUNCILMAN GREEN: Yeah.

MR. FLUCK: Not necessarily. As an example, we don't make disbursements for a project. We make disbursements to the borrower. We don't make the individual disbursements to the architects and that sort of thing. It would be to the borrower.

COUNCILMAN GREEN: Okay. Non-Profit Pool Loan Program.

MR. LONGSTRETH: Yeah. The Non-Profit Pool is a new product that we've created just this last year in partnership with Citizens Bank, and what it does is, with a Citizens Bank letter of credit, guarantee an individual participance. It allows relatively small non-profits to have access to the very low-cost tax-exempt financing without the inordinate cost of having their own freestanding bond issue. And we've issued two of them this year. One was about 30 million and it had three participants. The other was about 50 and had a few more. And we would hope to have a third issued by year end in the $50 to $60 million range. So it's been a really nice way to take that tax-exempt money and get it to a much smaller borrower.

COUNCILMAN GREEN: I'm sorry. I was making a note. What's the source of the tax-exempt money?

MR. LONGSTRETH: It's the same

basic concept, that PAID is acting as a conduit and a bond pool is being issued and purchased -- or, that is to say, the funds are being lent by the private sector with non-recourse to PAID, the City or PIDC.

COUNCILMAN GREEN: So a non-profit comes to you, you do some underwriting, determine the value of the assets that they're doing? I mean --

MR. LONGSTRETH: Yeah. I mean, basically --

COUNCILMAN GREEN: Are you underwriting these loans essentially?

MR. LONGSTRETH: This is being underwritten largely by Citizens, because they're the ones that are assuming the risk. They issue a letter of credit to the marketplace guaranteeing the repayment of the portion of the bond pool that that particular non-profit will be borrowing.

COUNCILMAN GREEN: Okay. Tax increment financing, could you just describe --

MR. LONGSTRETH: Yeah. Tax increment financing is individual transactions that are approved by Council. So obviously a little bit in our response, we assumed you have everything in your records that we have.

But essentially, the concept here is that in relatively undeveloped and technically blighted properties in the City, there is the potential for significant upside in the taxes, and through an active Council, a small specific district is created within which the increment on the taxes will essentially be granted to an individual project and its developer. At least that's the way it's worked to date. And then those funds are used to -- are capitalized and used as a funding source for the project.

And this is a tool that has a whole variety of different uses in different places. In Philadelphia, largely based on a model kind of established by the Rendell Administration, it's very much focused on project financing. It's a way to essentially provide a subsidy to an individual developer. And during the Rendell Administration, there was a very aggressive use of it, so that like 25 different districts were approved, and about ten of them actually materialized into transactions.

During the Street Administration, I would say it changed pretty dramatically, so that only four districts were actually approved, three of them actually disbursed. And it was just a much, much more limited use of the tool. And I would say that the Nutter Administration right now is trying to determine how they want to use it going forward.

It was about -- I'm sorry, just to finish -- about $120 million of total funding, about 5,000 new jobs created by the different 13 projects that used this tool and, interestingly enough, about 42 percent on the MBE side -- or on the minority employment side, excuse me, and about 47 percent on the women side. So we've been very, very happy with the track record on the 13 TIFs that have actually closed.

COUNCILMAN GOODE:

Mr. Longstreth, for the record, I have a long history with TIFs and opposing TIFs. In most places, tax increment financing is not done on a project-specific basis but is actually done as a district; is that correct?

MR. LONGSTRETH: That is correct. That's what I'm told.

COUNCILMAN GOODE: And is it also true that there are any number of TIFs that are done around the country that include housing and economic development?

MR. LONGSTRETH: That's what I'm told.

COUNCILMAN GOODE: You say the model was created for how to use TIFs during the Rendell Administration.

MR. LONGSTRETH: That's also what I was told.

COUNCILMAN GOODE: Are you looking to revisit that to actually create tax increment financing districts that do more than benefit a project or do more than benefit a specific developer but actually benefit an area and actually --

COUNCILMAN JONES: Point of information.

COUNCILMAN GOODE: -- take into consideration both housing and economic development?

Councilman Jones.

COUNCILMAN JONES: Mr. Chairman, thank you.

In specific, to piggyback on that, one area that I would like to get a sense of is the area which I share with Councilwoman Blackwell along Market

Street from 46th to 63rd Street. We actually did a walking tour last week and it has been decimated, is a good word, by the El reconstruction. There is some consideration for transit-oriented development in that area, and the incentive to create dense housing, mixed-use development along those transportation nodes will require a rethinking of TIFs. So that they don't -- they aren't project specific, but are applicable to an area. And is that something that can be looked into?

MR. LONGSTRETH: In response to both those points, I would start off by saying, we don't dream up TIFs. We take direction from the Administration. So that's a great question for Andy Altman, and I would sort of say that he is very focused on district TIFs and how to take a tool that's been very limited in its use here in Philadelphia and broaden it so it can address a whole range of these things.

Once again, I think he's better equipped to probably articulate that position. But we get a sense that they're very, very committed to precisely that kind of more comprehensive use of the tool.

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: Yes. This body can create TIFs if we choose to do so?

MR. LONGSTRETH: Yeah.

COUNCILMAN GREEN: Small Business First Loan Program.

MR. LONGSTRETH: That was one of the three state programs that I tried to summarize, and whereas PIDA is oriented towards larger industrial deals, MELF, machinery and equipment, Small Business First is really working capital for small businesses. It's a very flexible source of funds from the State, but it's very limited. I think the maximum is $100,000 a loan. And we use it pretty actively.

COUNCILMAN GREEN: And can you explain if the City of Philadelphia could, with some of these same funds, use the Municipal Finance Authority or PCDC, would they be eligible to -- which of these that we discussed could be done through the MFA? Can you explain -- well, answer that question.

MR. FLUCK: I think Municipal Finance Authority would have the authority to issue tax-exempt debt. That's one. They would not have, as I currently understand, they would not have the authority to deal with the State. The State recognizes PIDC as the area loan organization, and so we have access to the State programs on behalf of the City. So I think the answer is, none of the other programs at this point.

COUNCILMAN GREEN: Okay.

MR. LONGSTRETH: And to a certain extent, it's the State made a decision to utilize PIDC as the established economic development agency, but presumably they could always change.

COUNCILMAN GREEN: Right.

Mr. Rosman is here, so we're going to allow him to testify and head back to his office. He's working on several bills for me. We need to get him back there.

MR. LONGSTRETH: Does that mean that we can head back to our office?

COUNCILMAN GREEN: No. It's been 50 years since you've had Council asking you questions. You've had a good run.

MR. LONGSTRETH: But why me?

COUNCILMAN GOODE: And I just promised Councilman Jones that you would not leave.

(Witness approached witness table.)

COUNCILMAN GOODE: Good morning, Mr. Rosman.

MR. ROSMAN: Good morning, Councilman.

COUNCILMAN GOODE: Please state your name for the record.

MR. ROSMAN: I'm Lewis Rosman. I'm a senior attorney with the City Law Department.

COUNCILMAN GOODE: And please proceed with any testimony that you have.

MR. ROSMAN: I haven't prepared any testimony. I apologize. I was at another meeting I couldn't get out of, so I don't have the benefit of knowing exactly what went on earlier in the hearing.

COUNCILMAN GOODE: Councilman Green.

MR. ROSMAN: But I'll be happy to answer any questions.

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: Thank you.

So, Mr. Rosman, you're here to answer some questions specifically with respect to our request of the Reading Terminal Market Corporation. I'm just going to put a few facts on the record.

Six weeks before the hearing, we sent a letter to the RTMC asking it to provide various documents related to its mission, agreements, funding, policies, budget, structure, business plans. We asked the Market to provide those documents by September 15th, approximately four weeks later.

On September 15th, we received a letter from the Market's attorney indicating that the Market did not think it was properly included and didn't have to provide us with the information, that our request was too broad.

The Market provided several documents to the Committee, but not near the scope of the response provided by the other entities who are testifying here today. Out of 34 requests, the Market provided three complete responses and six partial responses. The three complete responses were documents that are already available to the public: the mission statement, the bylaws and articles of incorporation, the operating guidelines, which I note were approved by City Council in 1994, and the leasing guidelines. The six partial responses were to provide annual reports, operating and capital budgets for one of the six years requested, organizational chart for one of the six years requested, audited financial statements for three of the six years requested, capital projects for one of the six years requested, a list of current staff but no information as to job descriptions, salaries, both of which were requested.

By providing only selected documents, the RTMC is effectively precluding City Council from performing its authorized inquiry into Market operations. For example, by refusing to provide requests for qualifications and proposals, responses thereto, meeting minutes, documentation of due diligence and lease agreements, the RTMC is preventing examination of whether it is operating in compliance with its mission statement, operating policy guidelines that were approved by City Council, leasing guidelines, the documents it did agree to provide to us.

Mr. Rosman, did City Council have the authority to authorize the inquiry described in Resolution No. 080262?

MR. ROSMAN: I believe Council does. Council has very broad investigatory powers under the Home Rule Charter, and the resolution lays out a mission for the investigation of economic development agencies. That's extremely broad and, by its terms, clearly includes the Reading Terminal Market Corporation.

COUNCILMAN GREEN: Can we summarize that as a yes, Mr. Rosman?

MR. ROSMAN: Yes.

COUNCILMAN GREEN: Thank you.

Did City Council have the authority to include the RTMC among the entities to be examined under Resolution No. 080262?

MR. ROSMAN: Clearly.

COUNCILMAN GREEN: Is that yes?

MR. ROSMAN: Yes.

COUNCILMAN GREEN: Thank you.

Did City Council have the authority under Resolution No. 080262 to request the documents set forth in our letter of August 21, 2008 to the RTMC?

MR. ROSMAN: I believe it did.

COUNCILMAN GREEN: Yes?

MR. ROSMAN: Yes.

COUNCILMAN GREEN: Thank you.

What is Council's subpoena power? Could you describe briefly the subpoena power that Council has in the Charter?

MR. ROSMAN: Council has authority under the Charter to, if documents are not voluntarily provided by someone who the Council requests documents to provide, Council can issue a subpoena, which is essentially a formal statement of a demand for the production of documents. The subpoena is enforceable not by Council itself but by resort to court, and the Charter provides that Council can go to court and request the court to enforce the subpoena.

COUNCILMAN GREEN: Thank you.

Does this Committee have the power to subpoena the documents requested from the Reading Terminal Market Corporation?

MR. ROSMAN: Yeah. The resolution specifically authorizes the issuance of subpoenas, and I think Council rules were amended in the last few years to provide that all investigatory hearings include the power to issue subpoenas.

COUNCILMAN GREEN: Thank you very much, Mr. Rosman.

COUNCILMAN GOODE: Thank you.

PIDC.

(Witnesses approached witness table.)

COUNCILMAN GREEN: Thank you for indulging us there. I appreciate it.

I think what we were talking about before Mr. Rosman walked in was sort of generally your mission versus the missions of other potential economic development agencies, and that's part of what we're trying to get to in these hearings, and as we look at other economic development agencies, I have a general question about that. Do you think it makes sense to have one agency responsible for everything or should we have more focused missions with different agencies focused on commercial development, focused on not-for-profit loans, et cetera?

MR. LONGSTRETH: I mean, I think obviously it's a great question and, to a certain extent, a little bit of a glib answer would be that we do have one agency, it's the Commerce Department and particularly now that the Deputy Mayor's responsibilities have been expanded and sort of pick up everything.

COUNCILMAN GREEN: So essentially what you're saying is that you do no more or less than the Commerce Department and the Administration wants you to do?

MR. LONGSTRETH: Well, I wouldn't put it in such a sort of negative way. I mean, I just would sort of say we take our lead from the Commerce Department. The Commerce Department in its broadest sense today, which includes so many of -- really virtually all of the agencies that would be part of my answer to you flow through the Commerce Department. They're in the process of putting together a strategic plan that kind of picks up all these things, and I would sort of say we would definitely take our lead from them. How we actually implement that is where I think there's room for our initiative and creativity and innovation. But the lead and the policy is theirs.

COUNCILMAN GOODE: Mr. Longstreth, if you know the answer for the record today. If not, could you please forward the answer to the Chair. What portion or percentage of your loan portfolio consists of repeat clientele?

MR. LONGSTRETH: Consists of?

COUNCILMAN GOODE: Repeat clientele.

MR. LONGSTRETH: Wow. Once again, if we focus on the loan side, I would sort of guess it's probably 40 percent, 35, 40 percent. It's a high number.

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: In addition to just the percentage, please provide the actual names of the repeat clientele to the Chair.

MR. LONGSTRETH: I'm sorry. That's an additional request?

COUNCILMAN GREEN: Yes.

MR. LONGSTRETH: Absolutely.

COUNCILMAN GREEN: Can you describe the budget approval process for PIDC?

MR. LONGSTRETH: Basically, we go through a little bit of an internal planning process in the fall. So in late October, we have a retreat in which a fairly broad group of our kind of middle and upper management get together and discuss issues that provide useful background to our business planning. And we have a second meeting a little later in the fall in which the senior management that runs the individual groups goes through their business plans for the next year. They then sit down with Jim Fluck, the gatekeeper. Jim puts together a budget. He and I approve it and we take it to our Board, which approves the budget for the next year.

COUNCILMAN GREEN: So in terms of the priorities set in your budget and what you're going to do and not do, that is basically decided at the staff level?

MR. LONGSTRETH: Well, I mean --

COUNCILMAN GREEN: And then the budget is presented to the Board?

MR. LONGSTRETH: Once again --

COUNCILMAN GREEN: In other words, the Board does not see what you're not recommending?

MR. LONGSTRETH: Correct. That's pretty much correct. I mean, I do think -- once again, it's a relatively small group. We meet very regularly, so I think there's a lot of communication. But, yeah, I think that's a proper characterization.

I would also emphasize that input from the City is also continuous and also very much included in the process that I described; that is, the internal piece of it.

COUNCILMAN GREEN: I understand. That seems to be the overriding theme of today's hearing.

MR. LONGSTRETH: It is very

much the overriding theme.

COUNCILMAN GREEN: Please describe and give examples for the following sources of revenue: Service fees reimbursements.

MR. LONGSTRETH: Jim, I'm going to ask --

MR. FLUCK: That would be basically our loan activity. Like a bank, there are transaction fees associated with our various loan programs. Some, but not all, are used for our -- go directly to our budget. Others are -- for example, in the CDBG loans are returned to program income and then reallocated based on our request to Council annually.

COUNCILMAN GREEN: Okay. So how do your service fees, transaction fees, et cetera, compare to other industrial development authorities around the region and around the country?

MR. FLUCK: I think they compare favorably. And we also look at the banks --

COUNCILMAN GREEN: Can you take a look at a sampling of the sort of ten major markets and compare yourself to them in terms of your fees and costs versus what their industrial development authorities do?

MR. FLUCK: I'm sorry. Did you say did we or do we? Oh, you want us to?

COUNCILMAN GREEN: Yes, provide that the Chair.

MR. LONGSTRETH: But I think the concept that we test our fee structure in the marketplace periodically is something we do do.

COUNCILMAN GREEN: Except that if you're the sole person authorized by the State to provide tax-exempt financing, et cetera, or do some other kind of activity, there's really no choice, is there?

MR. LONGSTRETH: No. I mean, I understand that, but by the same token, we do talk to other authorities both in the state and outside in terms of what --

COUNCILMAN GREEN: That's great. So just share that insight with us.

MR. FLUCK: But if I may just say, Councilman, there is a choice. The tax-exempt borrower could go directly to the State. If they felt that our fees were not in line, they could go directly to PEDFA, Pennsylvania Economic Development Finance Authority. So there is an alternative.

COUNCILMAN GREEN: Okay. For certain programs.

MR. FLUCK: For tax -- yes. Yes, sir.

COUNCILMAN GREEN: Public-private contracts, give examples of those sources of revenues.

MR. FLUCK: The public contracts; as an example, the ones that are between the City and PIDC, generally relate to the reauthorization of our revolved loans, the HUD 108, CDBG. And, again, that's -- I'm sorry.

Oh, I'm sorry. Are you referring to the line item, Councilman? Oh, okay. I thought you wanted specific.

Public-private contracts, the land bank administration is in that, the general services contract, the stimulus -- administration of the stimulus program. That's what's in that category primarily.

COUNCILMAN GREEN: Okay. Navy Yard expenses, reimbursement, describe that source of revenue.

MR. FLUCK: That's basically -- a number of the personnel that are involved in the Navy Yard on a daily basis are actually on the PIDC payroll, and this is a mechanism that we use to reimburse PIDC for those direct expenses related to the Navy Yard, and the source of funding here is the rents at the Navy Yard that are charged to the various lessees.

COUNCILMAN GREEN: And who pays

that money? Who are the rents paid to that then reimburses --

MR. FLUCK: They're paid to Cushman & Wakefield, which is our manager down at the Navy Yard, and then Cushman in turn reimburses those expenses to us based on invoices that we provide.

COUNCILMAN GREEN: And what does Cushman do if there's excess?

MR. FLUCK: It's maintained in a rental account down there.

COUNCILMAN GREEN: And who is the owner, the beneficial owner of that rental account?

MR. FLUCK: PAID, the Philadelphia Authority for Industrial Development.

MR. LONGSTRETH: The Navy Yard is an asset owned by PAID, and this is how their normal cash flow operates. And it's basically, we collect rents, we charge a common area maintenance, are the two revenue sources. There are a whole series of operating expenses at the Navy

Yard, and then there's this allocation of a cost to personnel as well. And that makes up the Navy Yard sort of cash flow statement, which annually is negative and needs to be funded.

COUNCILMAN GREEN: So how many personnel are being reimbursed out of this fund that are on PIDC's payroll?

MR. FLUCK: I would say it's probably a portion of -- not in full, but it's a portion of probably maybe six individuals that charge a portion of their time.

COUNCILMAN GREEN: And you're saying that those expenses exceed -- the salary reimbursement for six individuals exceeds the amount going into the rental funds?

MR. LONGSTRETH: No. I'm saying that those, in combination with the operating expenses of the Navy Yard, the insurance and the snowplowing and utilities and all of the normal operating, the security operating expenses that go into a property of that size, still generate a negative cash flow at the Navy Yard. We hope it won't. We hope as the Navy Yard gets developed, it will generate a positive cash flow, but as we have discussed, part of our agreement with the Navy when we acquired the project is that we are obligated to reinvest any positive cash flow in the Navy Yard, and there's $300 million worth of infrastructure yet to be funded until, at the earliest, 2025. That's our agreement with the Navy.

COUNCILMAN GREEN: Do you have documents demonstrating the infrastructure investment required at the Navy Yard?

MR. LONGSTRETH: Yeah, we do. Yeah. When you say what we've already done, which totals about 90 million, and what we anticipate going forward, which is another 300 million, we have obviously outlines of those costs, yes.

COUNCILMAN GREEN: Would you

please provide those to the Chair?

MR. LONGSTRETH: Sure.

COUNCILMAN GREEN: What type of professional -- I'm sorry.

MR. LONGSTRETH: Councilman, I'm sorry. Can I just develop that point a little bit? Because I know it's something that's interested you in the past.

COUNCILMAN GREEN: Yeah. I'm going to keep coming back to it, but feel free.

MR. LONGSTRETH: No. I guess I was going to say, when we think about the Navy Yard, which is a thousand acre property that we acquired on behalf of the City in 2000, we paid essentially a nominal amount of money to the Navy. I think it was $2 million. But in the process, acquired an asset that required $300 to $400 million in infrastructure, demolition, environmental work that basically totaled 300 or 400 million to bring it up to a market standard. So funding that 300 or 400 million is what we've been working on since we acquired it. About 90 million has been expended. That leveraged about 400 million of private investment so far, and the additional 300 million we would hope will leverage another 2 billion of private money.

But funding that 300 million is an ongoing process, and it will come from cash flow, if we have some, any sale of assets and then any public funding which we can raise from the City through its annual capital budget, through the State government, through their different programs, or through the federal government.

COUNCILMAN GREEN: Have you ever sold land at the Navy Yard?

MR. LONGSTRETH: Yes.

COUNCILMAN GREEN: What kind of money have you gotten for it?

MR. LONGSTRETH: I mean, our policy for land at the Navy Yard is basically fair market value, less any offsets that are required as it relates to the environmental remediation, demolition or infrastructure. And since a lot of the particularly eastern side of the Navy Yard has none of those, that's where the 300 million is. So that's the formula under which we sell land at the Navy Yard. Anywhere, for that matter.

COUNCILMAN GREEN: Is there a written policy that describes that?

MR. LONGSTRETH: I'm not aware of anything written, but there probably is.

COUNCILMAN GREEN: What I'm trying to get to, have any buildings been sold at the Navy Yard for a dollar or any pieces of land, for nominal amounts?

MR. LONGSTRETH: Once again, it depends on how you calculate that. It's a nominal amount -- it can be a nominal amount once those costs have been discounted.

COUNCILMAN GREEN: Right.

MR. LONGSTRETH: But the concept is, once again, fair market value, less the kind of offsets that are justifiable.

COUNCILMAN GREEN: Well, put another way, when you sell land for a dollar, is there any determination of the value of that land after the improvements and remediation are completed?

MR. LONGSTRETH: I think the calculation is what is the fair market value today if it were in fair market condition, and then be prepared to offset any of the costs to get it to that condition, but obviously not go below a dollar.

COUNCILMAN GREEN: Right. So do you get appraisals of what the fair market value would be?

MR. LONGSTRETH: Yes.

COUNCILMAN GREEN: And you look at the scope of work to be done?

MR. LONGSTRETH: Correct.

COUNCILMAN GREEN: And who is

doing the work? In other words, as part of your decision to sell land for a dollar, do you not get involved in how somebody is going to finance the transaction that will do the improvements that --

MR. LONGSTRETH: Well, I think all of that is taken into account in the negotiation.

COUNCILMAN GREEN: Right. So who the developer is of the project, you vet that before you sell land for a dollar to make sure you think that that can be done?

MR. LONGSTRETH: I mean --

COUNCILMAN GREEN: Yes or no?

MR. LONGSTRETH: I mean, I would emphasize, we don't consider we're selling land for a dollar. We think we're selling it for fair market value, and these are costs --

COUNCILMAN GREEN: However you want to characterize it, if you could just answer the question.

MR. LONGSTRETH: And I'm sorry. What's the question?

COUNCILMAN GREEN: The question is, do you look at who the developer is, who the person who is responsible for doing some of the beautiful work that's been done out there in the Navy Yard? Do you look at who the contractor is as part of selling land for a dollar? Or do you sell land for a dollar without knowing how the person who is buying it is going to improve it?

MR. LONGSTRETH: I'm not sure I'm totally understanding the question, but I would sort of say the negotiation tries to take into account what we believe the cost of this work that justifies the offsets will be.

COUNCILMAN GREEN: But you don't look at who is going to do the work, who did the design work, whether or not they're good firms that would make you believe that these people are realistically going to be able to accomplish what --

MR. LONGSTRETH: I'm not sure that we take it to that level. We could. I just don't know. I don't know. I think --

COUNCILMAN GREEN: Who would know?

MR. LONGSTRETH: We can ask our people exactly the methodology we use to define that offset, and I'm happy to provide you with that. But the question, if I'm understanding, is, what is our methodology to calculate the offset which is an integral part of the negotiation?

COUNCILMAN GREEN: And the second half of that is, do you look at the people who are going to be doing the work, the people who have done the design work, et cetera, in order to determine whether or not you believe if someone comes to you with a proposal to buy a building from you for a dollar, whether or not they can actually achieve what they're saying?

MR. LONGSTRETH: I mean, I would --

COUNCILMAN GREEN: Do you do that level of due diligence when you sell land?

MR. LONGSTRETH: I would say that that is a level of due diligence that we do spend a lot of time on, but it's at the sale point. It's less in the analysis of that piece of it and more just in the quality of the buyer, the purpose of the development and justifying it on a whole -- the usual sort of range of issues that we get into that really focuses on a full utilization of a limited resource in the creation of jobs and in the obviously creation of the tax ratables that come with it.

COUNCILMAN GREEN: Okay. So in your document response, you stated that, PIDC/PAID do not grant funds unless directed to do so by the City of Philadelphia. And if you go back to my opening statement, I talked about oversight really involves accountability, transparency, et cetera. So please explain this statement: You don't grant funds unless directed to do so by the City of Philadelphia, is what you said.

MR. LONGSTRETH: Yeah. I mean --

COUNCILMAN GREEN: Please explain that statement.

MR. LONGSTRETH: Basically, the grant programs that we administer -- and we've described the two principal ones -- well, really three different ones, being Redevelopment Assistance, the RACP; Economic Stimulus, which is the City program, and then more recently commercial -- cultural and commercial corridors. In all of those cases, we receive very specific direction from, in one case, the State; in the other case, the City, and we follow those directions, and without them we would not be making any grants. We do not make any grants on our own without specific direction from the City and the State.

COUNCILMAN GREEN: What about loans? Do you discuss those with the City?

MR. LONGSTRETH: Once again, we discuss those with the City. We take them to our Board. So the City participates at that level. And then virtually all of our loan programs require City signoff after the approval by the Board. So it's maybe a little bit of a subtle distinction, but I would have said we're receiving similarly specific direction in the case of loans as well.

COUNCILMAN GREEN: Loans and grants, okay. So when you say the City has to approve it, who?

MR. LONGSTRETH: Commerce Director.

COUNCILMAN GREEN: The Commerce Department?

MR. LONGSTRETH: Yes.

COUNCILMAN GREEN: So do you ever hear from people, elected officials outside of the Commerce Department about particular loans or grants or other programs that you're doing?

MR. LONGSTRETH: All the time.

COUNCILMAN GREEN: Do you keep track of that information?

MR. LONGSTRETH: At some level. When it reaches a level of specificity and credibility, we do, and it really takes the form of a meeting that we have every Monday morning among our client people and our product people in which each of the client people has a slide and they have 15 or 20 names on the slide, and we as a group kind of go through and coordinate where we are in each of those prospects. That's a process that I think is very well run, since I run the meeting, but it's very professional. It's something I would welcome anybody from Council to attend just to get a sense of the flavor of that. And so at that point, transactions enter our pipeline and we have a lot of data on everybody from that point forward.

COUNCILMAN GREEN: And so do people contact you to try to help constituents get through your processes or recommend people to you outside of the Commerce Department?

MR. LONGSTRETH: Yeah. Absolutely. I mean, we have whatever it is --

COUNCILMAN GREEN: And you do keep track of that, so you'd have a record of if an elected official asked you to help with this project or asked you to get that project done?

MR. LONGSTRETH: Probably more in the context of our relationship with the elected official than in the context of our process, because if the project isn't credible enough and doesn't get into the pipeline so we're talking about it on Monday morning, we probably do not keep a record of it.

COUNCILMAN GREEN: But there are limited resources even for the projects that get into the pipeline that seem credible. To what extent is a decision made based on recommendations from powerful constituencies, elected officials, et cetera, other than the Commerce Department?

MR. LONGSTRETH: I'm not sure I follow the question. I'm sorry.

COUNCILMAN GREEN: Is part of the decision-making process related to who is talking to you about a particular project in terms of choosing the priorities?

MR. LONGSTRETH: I guess inevitably the credibility of our referral is a factor in our consideration. We get business from repeat clients, as we've mentioned, from our referral network, brokers and bankers and lawyers and accountants, from elected officials, from the Commerce Department and from our own staff and our website. So basically I would say the credibility of the referral in all those cases is taken into account inevitably.

COUNCILMAN GOODE:
Mr. Longstreth, quick question. In terms of both land deals and your loan portfolio, do you know off the top of your head whether more deals originate at PIDC and are then shopped to financial institutions or whether more deals originate at financial institutions that are then shopped at PIDC?

MR. LONGSTRETH: I don't know. I just don't know. It's an interesting question. I'd like to think it's more us, because we're doing our job, but I don't know.

COUNCILMAN GOODE: Is there a way we can determine that and have that information forwarded to the Committee?

MR. FLUCK: I don't think --

MR. LONGSTRETH: I'm not sure, but we will try. I mean, I appreciate the question, but it's not something we would regularly keep track of, but I'm happy to give it a try.

MR. FLUCK: I think if I could, Councilman, just add to that. I think the economic times in part determine whether that's true. Right now maybe not because of the current situation, but when banks had a lot of capital, they'd look at us as a competitor in some regards, and so they don't necessarily bring us opportunities. When interest rates are higher, because most of our programs are subordinated but they're below market rate interest on them, the banks bring them to us, because, again, the blended rate is to the benefit of the borrower.

COUNCILMAN GOODE: And just one quick follow-up, because I thought about this question before. To what extent did the prime interest rate jump that just occurred affect your programs directly? I mean, are most of your programs flexible or are they tied to whatever the prime rate is?

MR. FLUCK: They're basically

tied to the prime rate, but adjusted as appropriate depending -- as you mentioned a number of times, our resources are limited. We have to sort of get a sense of the environment and make sure that we're always competitive. But we don't automatically adjust, if that's what you're asking.

COUNCILMAN GOODE: I'm asking whether you have the ability to adjust, how many of your programs are flexible enough that they don't have to be totally driven by prime interest rate, particularly in the situation we're in now.

MR. FLUCK: They don't. I mean, we adjust them as appropriate depending on demand, that sort of thing. We don't automatically adjust them when prime changes in any way.

COUNCILMAN GOODE: Okay.

Councilman.

COUNCILMAN GREEN: What is PIDC Portfolsys?

MR. FLUCK: Portfol is -- it's the software that we use to track our loan portfolio, but also jobs. Obviously most of the programs that we have or many of the programs that we have require that we create jobs as part of the follow-up. In the case of CDBG and HUD 108, the job creation has to be low/moderate income, and we track all of that, and that's a software system that we developed to do that.

We have now, again, sort of looking for ways to help our revenue stream, we have begun to license that product, and that is now used by over 150 economic development agencies throughout the country, including several states.

COUNCILMAN GREEN: Okay. In the loan policy guide -- so if we wanted to, we could go back using Portfolsys and ask for documents related to any particular -- ask for the job creation, et cetera, related to any particular project or particular loan that you've given that required you to keep track of that?

MR. FLUCK: As long as it's an active loan.

COUNCILMAN GREEN: If it's an inactive loan --

MR. FLUCK: We would have it at the point that the jobs were created.

COUNCILMAN GREEN: You would delete that from your system?

MR. FLUCK: No, we would not delete it, but we wouldn't update it once the jobs have been created and the loans met its requirements, that's all.

COUNCILMAN GREEN: But you'd have the historical information?

MR. FLUCK: Absolutely. Yes, sir.

COUNCILMAN GREEN: And how far back do you keep that information?

MR. FLUCK: Since 1978 when we first did -- that's our first loan, was in 1978.

COUNCILMAN GREEN: Great.

MR. LONGSTRETH: And that's a system that the Commerce Department uses as well. So you can access it there.

COUNCILMAN GREEN: Thank you.

In the loan policy guide, PIDC states, Waivers: Many of the policies described will need to be waived at one point or another when the unique attributes of a project merit such action. Each time a policy waiver is warned, a memo explanation should be placed in the correspondence file explaining the waiver.

How frequently are waivers done?

MR. LONGSTRETH: I would say infrequently, maybe half a dozen times a year. And, once again, the time that I've become aware of it is where we have established certain percentages of a loan transaction or certain sizes of a loan transaction, and the Loan Committee will recommend a waiver, and then when we go to our Board, we recommend the waiver.

But it's maybe half a dozen times a year.

It's interesting because some of the guidelines that were established a while ago were starting to regularly push up against them, suggesting maybe they're too low. But it's very infrequent.

COUNCILMAN GOODE: While we are thoroughly enjoying ourselves, there is a major economic development press conference that will happen in about five minutes. So this Committee will stand in recess until 12:45. At that time, Councilman Green, who would you like to be here?

COUNCILMAN GREEN: PIDC, RDA, RTMC and --

COUNCILMAN JONES: I'd like to ask the Chairman to allow PHDC to go build some houses, particularly in my district.

COUNCILMAN GREEN: And we'll ask PHDC to come back at the next hearing.

COUNCILMAN GOODE: This

Committee will stand in recess until 12:45.

Thank you.

(Short recess.)

COUNCILMAN GOODE: Good afternoon. The Commerce and Economic Development hearing on Resolution No. 080262 is now resumed.

Councilman Green, will you please call your next witness.

COUNCILMAN GREEN: I'd like to call the representatives of the Reading Terminal Market Corporation.

(Witnesses approached witness table.)

COUNCILMAN GOODE: Good afternoon. Please state your name for the record and proceed with your testimony.

MR. STEINKE: My name is Paul Steinke, General Manager, Reading Terminal Market Corporation.

MR. FORTE: And I'm Tony Forte with the law firm of Saul Ewing. I'm counsel to the Reading Terminal Market Corporation.

COUNCILMAN GOODE: Do you have testimony?

MR. STEINKE: No, we do not. We're here to take your questions.

COUNCILMAN GOODE: Councilman Green.

COUNCILMAN GREEN: Thank you.

What is the mission of the Reading Terminal Market Corporation?

MR. STEINKE: The mission of the Reading Terminal Market Corporation is to preserve the architectural and historical character of the Reading Terminal Market as an urban farmers' market; to provide a wide variety of produce, meat, dairy, poultry, baked goods and other raw and prepared food brought to the City by farmers, producers and chefs; also to maintain an environment that expresses the diversity of our city; to strengthen the historic link and mutual dependency between our urban and rural communities; and, finally, to achieve all of this while preserving the financial viability and the self-sufficiency of the Market financially.

COUNCILMAN GREEN: Okay. Who owns the land the Market is located on?

MR. STEINKE: I will defer to counsel on that issue. It's a bit complicated.

MR. FORTE: Sure.

Councilman, I think --

COUNCILMAN GREEN: I'm asking for the simple answer to the question without describing the leases in between, and then if you'd like to describe the leases in between, that's fine.

MR. FORTE: Well, you remember real estate being the bundle of sticks? This is one of those situations. Where the actual Market and the Market basement is owned by the Pennsylvania Convention Center Authority. It is then leased to the Reading Terminal Market Corporation.

I know, Councilman, in your letter you suggested that it was on City property, which I do not believe is the case.

COUNCILMAN GREEN: There was a 1989 lease between the City and the PCCA --

MR. FORTE: That's true.

COUNCILMAN GREEN: -- for that land. The PCCA then has provided a lease to the Reading Terminal Market Corporation for the operation of that facility.

MR. FORTE: And if you look at the legal services in that Lease and Service Agreement from 1989, it specifically carves out the Reading Terminal Market and the Market basement from that legal description.

COUNCILMAN GREEN: And so what is it that the Reading Terminal Market Corporation is leasing pursuant to that master lease?

MR. FORTE: It leases the

space, the interior space of the Market and the basement, which was purchased by the Pennsylvania Convention Center Authority directly from the Reading Corporation and the RDA for, I believe, about seven and a half million dollars. I have the deeds, if you'd like to see it.

COUNCILMAN GREEN: No. At any rate, who owns -- so your answer is the Pennsylvania Convention Center Authority owns the land that the Reading Terminal Market sits on?

MR. FORTE: That's true. And so it, therefore, is not technically a part of the Lease and Service Agreement.

COUNCILMAN GREEN: I understand.

Does the City of Philadelphia provide money to the PCCA?

Yes, they do, $15 million a year required to do -- please describe how the Reading Terminal Market Corporation was created.

MR. FORTE: I can tell you that it was created, as I understand it looking back through the documents, when there was the Lease and Service Agreement back in 1989, which was between the City of Philadelphia and the Pennsylvania Convention Center Authority, at that point there was a desire to see that the Market continue in some fashion and that it not be interrupted in any substantial way. There wasn't yet a plan as to how to do that, and so the Lease and Service Agreement sort of anticipates that something will happen with the Market, that it should be set up in some type of way and that Council wanted the Convention Center Authority to come up with a plan for that and then the plan would be approved by Council.

As I understand it then, PCCA determined that it did not want to directly run the Market itself. The City had no interest in running the Market. What they determined was, it would be best if they set up an independent 501(c)(3) corporation. They wanted at the same time to maintain that there would be involvement of various stakeholders, and so the bylaws provided that Council and the Mayor's Office and the PCCA and the Preservation Alliance, the merchants, that various different groups would receive a seat on the Board of the organization. It was actually incorporated by -- the incorporator was the Pennsylvania Convention Center Authority. And then those articles and the bylaws and the mission and the operating guidelines were all approved by Council and blessed by Council, and as a result, Council signed off on creating an independent corporation to run the Market.

COUNCILMAN GREEN: Right. So City Council approved the operating guidelines. The City was the impetus for preserving the Market, transferring the land from the RDA, which is a City authority, to the PCCA.

MR. FORTE: The land came from the Reading Corporation.

COUNCILMAN GREEN: And the City Council has an appointee on the Board, as does the Mayor of Philadelphia?

MR. FORTE: Yes. From the inception of the organization, Council has appointed a member of the Board of Directors.

COUNCILMAN GREEN: Do the organizing documents of the RTMC provide for Board votes to take place by phone?

MR. STEINKE: Yes, they do.

COUNCILMAN GREEN: Mr. Forte, under Pennsylvania law, for a valid Board vote to be taken by phone, could you describe the process?

MR. FORTE: Councilman, we didn't come prepared today to discuss issues of phone voting on the Board level.

COUNCILMAN GREEN: But you know generally what the law is, don't you, Mr. Forte?

MR. FORTE: I haven't looked into that issue for the Corporation.

COUNCILMAN GREEN: I'll answer the question for you. Everybody has to be able to hear each other on a conference call.

Have you ever conducted votes by phone?

MR. STEINKE: By that question do you mean have Board members ever cast votes by phone?

COUNCILMAN GREEN: Have you ever held Board meetings by phone?

MR. STEINKE: There have been -- I'm not sure I fully understand the question. There have been instances where Board members have dialed in by phone who are not actually present in the room.

COUNCILMAN GREEN: Have there been instances where votes were taken by poll where the Market then took action?

MR. STEINKE: That is not by

any means the usual practice of the Corporation.

COUNCILMAN GREEN: But it has happened?

MR. STEINKE: I cannot cite a specific instance where it has happened.

COUNCILMAN GREEN: Has the RTMC conducted Board votes in which delegates rather than Board members voted?

MR. STEINKE: I'm sorry. Please repeat that, Councilman.

COUNCILMAN GREEN: Has the RTMC conducted Board votes in which delegates or representatives of the Board member rather than the members of the Board themselves have voted?

MR. STEINKE: Since I have been General Manager and I believe since the inception of the Corporation, there have been instances where Board members were represented by designees of themselves to sit in a Board meeting.

COUNCILMAN GREEN: Have they voted?

MR. STEINKE: Yes, they have.

COUNCILMAN GREEN: Do the bylaws or the articles permit voting by designees?

MR. STEINKE: I am not prepared to answer that question.

COUNCILMAN GREEN: The answer to that question is no.

Did the Market receive my initial document request letter dated August 21, 2008?

MR. STEINKE: Yes, we did.

COUNCILMAN GREEN: Did the Market receive via its attorney, Mr. Forte, my follow-up letters of September 17th and 29th, 2008?

MR. STEINKE: Yes, we did.

COUNCILMAN GREEN: Having heard Mr. Rosman's testimony, is the Market willing to provide the documents we have requested?

MR. FORTE: Councilman, maybe I can best answer that.

When we received the request,

the Corporation and the Board I think were somewhat confused as to, as I said in my letter to you, as to why Reading Terminal Market Corporation, which is not an economic development agency, was being included in this. We didn't really see the relevance of that resolution or this hearing to the Reading Terminal Market Corporation. Nevertheless, the Board instructed Paul to provide whatever he felt he could provide without unduly burdening the staff.

Paul had determined that to comply with everything that was being requested, it was thousands and thousands of pages of documents that were being asked for. There was no limitation of scope in most of those requests. And so we've tried to cooperate to our best ability, with very little guidance as to where this was going or the relevancy of any of it, and so we've provided initial documents.

In further conversations with

the Law Department, we again offered that we would sit down, we would be happy to continue to try to work through that list. If we could be given further guidance, more specific requests, narrower requests, we'd be happy to consider them and contemplate them.

But if the question is on that very large list of undefined requests, no, we did not bring additional documents to this meeting.

COUNCILMAN GREEN: Well, which gets me to my next question. You did not bring the documents that were requested in my most recent letter to this meeting?

MR. FORTE: That's correct.

COUNCILMAN GREEN: Do you follow your operating guidelines that were approved by City Council?

MR. STEINKE: Yes, we do. We do endeavor to do so, yes.

COUNCILMAN GREEN: You do endeavor to do so, that's your testimony?

MR. STEINKE: Yes.

COUNCILMAN GREEN: How are we to determine whether or not you follow your operating guidelines unless you provide us minutes, unless you provide us requests for proposals and requests for qualifications for merchants? How are we to determine whether or not you're following the policies this body has laid out for you unless you provide us with the requested documents? That is what oversight is.

MR. FORTE: But, Councilman, again, I think we get to the basic issue here that I think we have a disagreement in terms of the Reading Terminal Market Corporation, in our view, is clearly not an economic development agency. So --

COUNCILMAN GREEN: It's an economic development engine of the City of Philadelphia and it was listed on the back of the -- my lawyers have informed me and this Committee that we have a valid resolution authorized by Council and we have the authority to look into the operations of the Reading Terminal Market Corporation. I don't want to debate the legal point with you. I rely on what the Law Department tells me.

MR. FORTE: Again, we're not here to give legal arguments on that issue. We don't anticipate that. And we're here to cooperate.

COUNCILMAN GREEN: So my question is general. How would we determine whether or not the Market operates within the guidelines set by this body unless we can review the minutes and the budgets and the requests for proposals and requests for qualifications that have come through the Reading Terminal Market Corporation?

MR. FORTE: I believe we did give you the budget and last three years of audited financial statements for the Market.

MR. STEINKE: I'd also like to add, if I may --

COUNCILMAN GREEN: I'm sorry.

You're not answering my question. How are we supposed to determine whether or not you're complying with the guidelines that this body set forward unless you provide us with the documents that we have requested?

MR. STEINKE: It is our intention, Councilman, to cooperate with this Committee and with City Council, and we have offered and continue to offer to sit down with you or --

COUNCILMAN GREEN: To whom have you made this offer?

MR. STEINKE: I believe it was made in writing and verbally.

MR. FORTE: I spoke with the Law Department, who contacted us regarding this. Christina Hughes in the Law Department called to see whether our position was that we provided all we were going to provide and wouldn't consider anything else, and I said absolutely not. I said we provided what we thought we could reasonably provide given the broadness of the requests. We didn't feel that we could provide more without further guidance, but we would be happy to sit down to listen to further guidance as to a more discrete list, a narrower list, with some specific scope or time limits to it that we thought we could comply with.

She said, that's great, let me check. And then she told me that she had checked with Council and was told that there could be no narrowing of the list.

So at that point, we remained willing to work with Council and to try to cooperate, but with such a broad request, it was just impossible.

COUNCILMAN GREEN: How difficult is it for you to copy the minutes of the Board and the Leasing Committee minutes for the period requested?

MR. STEINKE: Well, there we're starting to get into the specifics of what you're looking for, and if we can have the opportunity to put that list together with your assistance, we could then --

COUNCILMAN GREEN: You have a list from us. I don't want to waste a lot of time here. I want to know very clearly and simply if you're willing to provide me Board minutes and Leasing Committee minutes for the last five years.

MR. STEINKE: Well, let me, in answering that, let me just state for the record that I am an employee of the Board of Directors of the Reading Terminal Market Corporation, and any such specific request that you have, I would be happy to take back to them --

COUNCILMAN GREEN: So you came here with no authorization to provide us additional documentation; is that correct?

MR. STEINKE: We came hoping to get more specific direction from you, sir, on what you do need to see so that we could take it back to the Board.

Going back to something Mr. Forte said at the beginning, the letter that you sent on August 21st -- and perhaps you just didn't realize this, but it would require the locating and duplication of literally thousands and thousands of pages of documents. We have an office staff of four people. You're looking at a quarter of the office staff. And so we were reluctant to delve into that and take everyone away from their jobs --

COUNCILMAN GREEN: Well, that's an interesting statement.

MR. STEINKE: -- before we got further --

COUNCILMAN GREEN: Excuse me for one second. That's an interesting statement you're making right now, but that is not the Market's response to me. The Market's response was that they had no legal obligation to provide those documents to me.

MR. STEINKE: Well, I think there is a question about that. With all due respect, there is a question about why --

COUNCILMAN GREEN: In other words, you're standing here today saying you're willing to cooperate, but your letter from your lawyer said you weren't willing to cooperate and you had no legal obligation to do so.

MR. FORTE: I --

COUNCILMAN GREEN: So to characterize this as a burden on the Market I think is an unfair characterization of the communications that have at least taken place between my office and Mr. Forte. I don't know about any communications with the Law Department.

MR. STEINKE: I'm sorry if our assessment of the burdensome nature of the request wasn't clear to you. Perhaps we should have been more clear on that.

I think we do have two concerns

about the message in your letter. One was the legal question, which Mr. Forte has laid out, and the other one is the labor and financial burden involved in complying with all 33 requests in your letter.

COUNCILMAN GREEN: So we approved operating guidelines and some general policies -- there were leasing guidelines that were put in place that were meant to comply with those operating guidelines. And it clearly was the interest of this body to keep the Reading Terminal Market going the way it existed, continuing for a long period of time. If you run a loss, what happens to your lease?

MR. STEINKE: If the Corporation runs a loss?

COUNCILMAN GREEN: Yes.

MR. STEINKE: What happens to our lease?

COUNCILMAN GREEN: Yes. If you have a loss in any year, what happens to your lease?

MR. STEINKE: I cannot say one way or the other if the lease addresses that eventuality.

COUNCILMAN GREEN: It's my understanding that if you have a loss, you lose your lease, which means that the guidelines set forth by this body for the non-profit corporation that you work for wouldn't exist.

MR. STEINKE: I am not familiar with that provision.

Mr. Forte, are you?

MR. FORTE: I'm not familiar with the provision that says they would automatically lose their lease.

COUNCILMAN GREEN: Okay.

I have no more questions for these witnesses at this time.

We will contact you for specific documents. We'll start one at a time and we'll try to get to the bottom of this. If we don't, we have been advised we have the authority to subpoena you, and it would be unfortunate for the Market to spend money in excess of the $700,000 that you've recently spent on legal fees to prevent the public from seeing what is going on at the Market.

My final question for you is, if you have nothing to hide, if nothing is going on there that the public should be concerned about, this Committee should be concerned about, why won't you provide the documents?

MR. STEINKE: I hesitate to repeat myself, but it really is -- it's a matter of both understanding the legal questions involved in this Committee's and that resolution's authority to acquire those documents. That's number one. And number two is the burdensome nature of the request. And, again, our intention is to cooperate. We are a City landmark. We are one of the largest and oldest public markets in the United States. In fact, we are the envy of many cities in that respect.

It is our belief that we wish to cooperate in every reasonable way possible, as long as we can find out exactly what you're interested in seeing.

COUNCILMAN GREEN: I'm glad -- well, I'm interested in seeing the documents on my list.

But as long as you mention that, does the City or State or GPTMC spend any dollars promoting the Market in their promotional materials?

MR. STEINKE: We receive no funding from GPTMC, with one exception, and if I -- the one exception is, we have a holiday railroad model train display that is funded by several community stakeholders. GPTMC gives us $3,000.

COUNCILMAN GREEN: That's not my question, though. Do City dollars or State dollars get spent marketing Reading Terminal Market, not your efforts but their efforts, on their brochures, on their printed pamphlets, which I can show you, on their websites?

MR. STEINKE: I think the answer is yes and no. Yes, we are mentioned among the many attractions that the Greater Philadelphia region has to offer. We are among multiple privately and publicly owned destinations. My understanding of GPTMC was that it was created by the Commonwealth and by the City to find the best ways to promote our attractions to the national and international tourism audience. We are one of -- clearly, one of those things that they promote.

MR. FORTE: And, Councilman, after your letter about GPTMC, I looked at their website, and we're mentioned in the same list with Boathouse Row and Alfred Sully and the Rocky statue, but I don't think that makes them economic development entities either.

COUNCILMAN GREEN: Well, you're an economic development engine of the City of Philadelphia and you were created under the auspices of this body, and hopefully we won't have to litigate that issue.

Thank you.

MR. STEINKE: Thank you.

COUNCILMAN GOODE: Just a couple quick questions.

Is it your legal position that this Council committee does not have the authority to subpoena private organizations?

MR. FORTE: That's not our position. We have never disputed that Council has broad investigatory powers and broad subpoena powers, and we honestly didn't come prepared on that issue because there was no subpoena and we don't anticipate the need for one. We've tried to cooperate.

COUNCILMAN GOODE: How do you define economic development agency?

MR. FORTE: I'm sorry?

COUNCILMAN GOODE: How do you define economic development agency?

MR. FORTE: Well, if you look

at the other entities that were here today, for instance, they're entities which receive public funding, which are responsible for disbursing and channeling public funding, they're responsible as agents of the City to carry out its economic development policies. That's very different from a farmers' market.

COUNCILMAN GOODE: My question was, how do you define economic development agency?

MR. FORTE: Those things --

COUNCILMAN GOODE: Not whether, in your opinion, Reading Terminal Market Corporation is similar in mission to those people who testified today, but when you review not just the listing of agencies within the resolution and when you review not just those agencies that have testified so far, but in general, what do you define as an economic development agency?

MR. FORTE: Sure, and I think if you look at the resolution, for instance, it refers to departments, agencies and authorities. It states that the reason for looking into them has to do with the stewardship of economic development policy.

COUNCILMAN GOODE: Previous to the resolution being developed, did you have any concept of what an economic development agency was or was not?

MR. FORTE: And I think it would be one that is a quasi public entity that is responsible for carrying out economic development policy through public funding. None of that -- not just an entity that maybe is a tourist attraction.

COUNCILMAN GOODE: So your position is that the Council committee does have the authority to subpoena private organizations, but that because your organization was listed along with other economic development agencies and defined that way, you didn't understand why?

MR. FORTE: I think -- no. I think when it comes to Council's powers, again, I think they're broad, and we don't dispute that in any way. We just think that there's certainly a legitimate purpose in Council looking into oversight of public funding of economic development agencies. We don't see the connection between that and a non-publicly funded farmers' market.

COUNCILMAN GREEN: Well, if we lose this non-publicly funded farmers' market, which was, as you said, the RDA was involved in its acquisition for the PCCA, you pay nominal rent to a public agency, you were created by the City, all for reasons having to do with tourism, which is very important to the economic development policy of the City of Philadelphia, were we to lose Reading Terminal Market Corporation as an attraction because of misfeasance, malfeasance, mismanagement, et cetera, then that would be bad for economic development in the City of Philadelphia. Further, you are specifically mentioned on the exhibit. So by definition, you're an economic development entity that was authorized to be reviewed by this Council.

MR. FORTE: We don't dispute that we were included in the list.

COUNCILMAN GOODE: And, for instance, had we listed Wachovia Corporation, would you consider Wachovia Corporation to be an economic development agency?

MR. FORTE: You know, I would need to look at that issue a lot more. I'm sure they do some things that might look a little bit like one, but I'm not sure how I would conclude after looking at all the facts.

COUNCILMAN GOODE: So if you were representing Wachovia Corporation --

MR. FORTE: I'd want to know a lot more information about exactly what they do and the type of public funding they get and how they're involved with public economic development matters.

COUNCILMAN GOODE: Thank you.

COUNCILMAN GREEN: What is your definition of a quasi public agency?

MR. FORTE: I think one that is responsible for carrying out a public purpose and that is most of the time receiving public funding to do its operations.

COUNCILMAN GREEN: So subsidized lease or nominal lease is not public funding?

MR. FORTE: I'm not sure how that would work. There are many situations throughout the City where non-economic development and non-quasi public agencies may have a below-market rent.

COUNCILMAN GREEN: So do you think that the City of Philadelphia, the PCCA, the RDA and the creation of the Reading Terminal Market Corporation, the nominal rent that you pay and this body's approval of operating guidelines were not intended to promote a public purpose?

MR. STEINKE: Let me just interject, if I could. I have an expression in my job, that we live at the Market in a fish bowl. We are answerable to multiple constituencies: customers in the public, merchants, the historic preservation community in the City, if I may. We are also answerable through our Board to the Mayor and City Council.

We seek to cooperate with all of them to understand their interest and concerns and be as responsive as we can, and that is our commitment to you, this Committee and this body today.

COUNCILMAN GREEN: Once again, do you think all those things I have outlined demonstrate a public purpose in your existence since you would not exist without public --

MR. STEINKE: I would agree with you, yes, there is a public purpose in the Reading Terminal Market.

MR. FORTE: And --

COUNCILMAN GREEN: And also by definition, isn't it a quasi public agency if your own articles have appointees from the Mayor and City Council?

MR. FORTE: I don't think necessarily. There are appointees from the merchants and from the Preservation Alliance and other entities as well.

COUNCILMAN GREEN: And from the Mayor and City Council.

MR. FORTE: It's various stakeholders. There was an understanding that the community, various members of the community, have an interest in what happens. That doesn't mean it becomes a quasi public agency.

COUNCILMAN GREEN: Okay. I have no further questions.

COUNCILMAN GOODE: Thank you, gentlemen.

MR. STEINKE: Thank you.

MR. FORTE: Thank you.

COUNCILMAN GOODE: Councilman Green, your next witness.

COUNCILMAN GREEN: PIDC.

I'm sorry. We have Terry Gillen here from the RDA. We'll call her first.

I'm sorry, Peter. I know what time the game starts.

(Witness approached witness table.)

COUNCILMAN GOODE: Good afternoon, Ms. Gillen. Please state your name for the record.

MS. GILLEN: Thanks. My name is Terry Gillen. I'm the Senior Advisor to the Mayor and the Executive Director of the Redevelopment Authority.

COUNCILMAN GOODE: Do you have prepared testimony?

MS. GILLEN: Pardon me?

COUNCILMAN GOODE: Do you have prepared testimony?

MS. GILLEN: No.

COUNCILMAN GOODE: Councilman

Green.

COUNCILMAN GREEN: Thank you.

Thank you very much, Terry, for coming. Perhaps you could just -- you provided us with some documentation. A lot of the documentation we've requested has not been provided. You and I have discussed that on the phone.

For the record, I just would like you to talk about what's going on there, the internal audit and other things, that will delay the provision of that documentation, and then ask when we can sort of expect to start getting things again.

MS. GILLEN: Sure. Certainly. As you may know, this Administration didn't get control of the RDA Board until May because of the nature of the staggered terms on the Board. So the Mayor asked me to take my position, I think it was, early June. Around that time, we began the process of an audit. That's now being conducted by the

Controller's Office, but is being managed by the Finance Director. That is looking into the spending of NTI bond proceeds, because we believe that proceeds were not spent properly. That's probably the clearest way I can put it. There are different bond proceed pots, and we're not sure that they were spent from the right pots. So that's what the audit is doing.

In addition, City Council asked for their own audit of NTI bond proceeds and, in particular, they asked that the Controller look at ten pots that apparently in the previous Administration were set aside for Councilmembers, and Councilmembers have asked for us to look and see -- or for the Controller to look and see whether those pots are being spent in accordance with Council's expectations.

So we're combining those two audits, and, frankly, the process is taking a lot of staff time at the RDA.

So just the preparation of the materials for the auditors is taking a lot of staff time. We don't have a huge finance staff, and they're spending a lot of time getting the materials together.

We're making progress. My hope is that -- I think we had initially hoped that we would have the audits done by now. That was optimistic. I think we're looking now at November. So we're looking at a lot of staff time being devoted to that between now and November.

So because of that and, in addition, Councilman Green had asked us to provide him with some information about redevelopment agreements that had lapsed, and we're in the process of now going back and trying to go back and look at all the old redevelopment agreements, which I can tell you is a nightmare because of the way documents and records are kept at the RDA. So we're in the process of answering the Councilman's request for the redevelopment information as well.

So when this request came, as Councilman Green indicated, we agreed that we would provide any information that we could provide immediately and some of -- budgets, Board minutes, audited financials, things like that. So we sent over a packet of materials within the time allotted and then said that the other materials are probably going to have to wait until the audit is done. So we're looking at late fall to provide the other materials.

I'm not saying that we can provide everything to you. There are some things that we simply don't have, but we'll lay all of that out in correspondence with you.

COUNCILMAN GREEN: Thank you.

I think we will -- with respect to development agreements, there were some specific questions that I had after I got the initial list from you, and, that is, I'm very interested in whether or not any were re-upped -- I don't know what the right word is.

MS. GILLEN: Renewed.

COUNCILMAN GREEN: Renewed, re-granted or granted anew to the same person or a different person, and I assume that list is on the same kind of timeline?

MS. GILLEN: I think that request, which I think came in about ten days ago, I think we can get together probably sooner than three months. So I'm hopeful that we can get it to you sooner than that.

COUNCILMAN GREEN: Great. And we --

MS. GILLEN: Because the further back we have to go in the record world, the harder. And I think your request may have been -- I forget, but it was a relatively short time period. So I think we can do it.

COUNCILMAN GREEN: Right. It was since April 25th, the date of our original letter.

MS. GILLEN: Right.

COUNCILMAN GREEN: And I hope our initial request caught everything we were looking for, but it may not have, because we used the term "development agreements" and I have since learned that options are granted, which may not have been considered development agreements and there are other interests in land that were granted that capture what I was trying to capture, but can't be captured within the term of "development agreements." So we may supplement our request for that measure.

I have no more questions.

MS. GILLEN: Okay.

COUNCILMAN GOODE: Thank you.

MS. GILLEN: All right. Thank you.

COUNCILMAN GOODE: Next witness.

COUNCILMAN GREEN: PIDC, please.

(Witnesses approached witness table.)

COUNCILMAN GREEN: Does the PIDC have any policies regarding conflicts of interest? And before you answer that, I'd like to explain what I'm referring to.

There's a lot of public dollars that flow through the PIDC. If someone wants to do business with the City of Philadelphia, if, say, for example, it's a member of Council, a member of Council who had any kind of interest, even a relative involved, would be required to disclose that fact, abstain from acting on the matter or being involved in the matter in any way, et cetera. We have ethical rules that go beyond that that are by ordinance and in the Charter.

Does the PIDC have any guidelines with respect to conflicts of interest?

MR. LONGSTRETH: Certainly the practice is pretty much as you described it, which is over the many, many years where we have Board members who are inevitably --

COUNCILMAN GREEN: Not just Board members. I mean among the staff. Do you have any policies regarding conflict of interest, written policies?

MR. LONGSTRETH: Well, Jim, do you have a --

MR. FLUCK: Within our personnel manual, there is an ethics policy that pertains to employees, and there's also a Board policy, which I think Peter will explain. But, yes, we do.

MR. LONGSTRETH: And the Board would be a letter that we provide to the Board members when they become Board members and letters that they send to both the State and the City ethics offices declaring their membership, and then as individual conflicts occur, they provide individual letters that deal with that and recuse themselves from any action. That's at the Board level. And at the employee level, it's essentially the same.

COUNCILMAN GREEN: Your loan policy guidelines state, Conflicts of interest between officers, employees, directors and the related interests -- must be related persons probably -- and customers will be avoided, but it doesn't define conflict of interest.

Do you have any definition of conflict of interest in your policies? What is your definition of conflict of interest?

MR. FLUCK: I believe our personnel policy has a definition, but I don't have it with me, so I'll have to take a look at that.

COUNCILMAN GREEN: Could you please provide that?

MR. LONGSTRETH: Yeah. And I'll do the same at the Board level. It's not on the top of my head, so let me look into that.

COUNCILMAN GREEN: Okay. And so you have a conflict of interest form?

MR. LONGSTRETH: We do at the Board level and I guess at the personnel level as well. But at the Board level, we have a form letter that is submitted to our Board each time there's a conflict, and then at the meeting itself, the individual recuses themselves, and that's in the minutes.

COUNCILMAN GREEN: So that document, the conflict form, will be available for us?

MR. LONGSTRETH: Sure. Absolutely.

COUNCILMAN GREEN: I'm not requesting it at this time. You keep that in your records? Are they kept with the minutes?

MR. LONGSTRETH: I believe they're in a separate file. Once again, there's a city -- there's a filing with the City and a filing with the State that would obviously be counterparts to those documents, but we certainly have them and --

COUNCILMAN GREEN: Every time there's -- regardless of the program, the policy is to file it with the City and State?

MR. LONGSTRETH: Correct me, Jim. I would say yes.

MR. FLUCK: I think so, yes.

COUNCILMAN GREEN: Is there any screening to determine potential conflicts or is it you're relying on people to disclose the conflict themselves?

MR. LONGSTRETH: Yes. I mean, I think it's voluntary, although presumably there's judgment being passed all the time as to what's a conflict versus one that may not be recognized.

COUNCILMAN GREEN: When approached by a business owner or individual looking for a loan or grant, what is the procedure for processing them? What information do you collect?

MR. LONGSTRETH: Basically, we have our initial contact that defines the very earliest phases of a project, and then depending on the sort of underwriting -- or I should say the preliminary structuring of the transaction and identification of the specific financing programs that are going to be necessary, there is usually an application form that relates to each of those programs. That's filled out and the related information is provided.

COUNCILMAN GREEN: So with respect to loans or grants, there's an intake form essentially?

MR. FLUCK: Yes.

COUNCILMAN GREEN: For every person seeking one?

MR. LONGSTRETH: Yeah.

COUNCILMAN GREEN: That describes the type of project, project description, cost, sources of financing, revenue sources, employment creation characteristics, timing, development schedule, et cetera?

MR. LONGSTRETH: Those are all the logical ones. I don't know the forms that well.

COUNCILMAN GREEN: And there's financial due diligence -- this is according to your guidelines.

MR. LONGSTRETH: Yeah.

COUNCILMAN GREEN: Project evaluation, commitment letter, then loan, et cetera.

When approached by a business owner or an individual interested in a parcel of property that is under your control, what is your procedure for processing a request for an interest in a parcel of property?

MR. LONGSTRETH: I mean, we -- it, once again, depends on the specific parcel in part. So that if you wanted to simplify our land sales process, it kind of breaks down into three areas. One would be the industrial parks. They're all on the website. And so typically when a broker or a potential user comes to us, it's pretty well defined what they want, and they sit down -- they are usually involved with one of our client people. They sit down initially with the client person and then they bring in the real estate person that would be responsible for that particular piece of the portfolio, and a discussion would occur, which would, in theory, as it progresses go through usually a reservation phase where it's not quite an option, but we're agreeing not to actually market the property to anyone else, and then that would move into either an option or an actual agreement of sale.

COUNCILMAN GREEN: Okay. So with respect to the reservation phase, would there be documentation in your records about who properties are reserved for?

MR. LONGSTRETH: Sure.

COUNCILMAN GREEN: And who they

were reserved for in the past, whether or not they actually accepted the reservation --

MR. LONGSTRETH: Yes.

COUNCILMAN GREEN: -- in the end? Yes, there would be?

MR. LONGSTRETH: Yeah.

COUNCILMAN GREEN: What about inquiries for property? Like you have intake forms for loan applications. What about when people just want to -- somebody calls -- let's just say somebody calls about a property that has a reservation. What do you do with that call?

MR. LONGSTRETH: I mean, once again, this is a little bit the conversation we had about the pipeline generally. If it's very preliminary and not anything that seems all that serious or credible, it may end there. If it reaches that --

COUNCILMAN GREEN: What does that mean, it ends there?

MR. LONGSTRETH: It means that the individual is probably told that there's nothing available for their need, is what I mean by ending. If it is something that is more substantive and credible, then it probably enters the pipeline and then goes through the process I described.

COUNCILMAN GREEN: What is the pipeline? Is there an intake form for somebody interested in looking for a parcel, like you have for loans and grants?

MR. LONGSTRETH: It's probably not as structured. It would be more a conversation that would at some point culminate, in the real estate business, looking at the property, our providing specific information, much of which is on our website for the industrial land, and then it would culminate in a serious discussion with the reservation agreement.

COUNCILMAN GREEN: Right. I

have run sales, business development organizations in the past, and I think in private industry and in every real estate firm in the country, brokers, when they get calls, have to log them into a database about a property so that you'll know who was interested in a specific property at a specific time.

What I hear you saying is that you do not do that. So that if somebody has a reservation for a property, they're told no, that's reserved, or that's currently under option for somebody else, there's no record of that, so that when that property is not accepted, you can't go back to the people who were otherwise interested; is that correct?

MR. LONGSTRETH: Well, not really. I mean, I think we're maybe misunderstanding each other in terms of exactly where a particular prospect enters the pipeline. I mean, I would sort of say if it's considered a live prospect and although the individual discussion didn't really identify a need but there's a continuing need that we're confident is real and can be met, at that point we'll go into the pipeline, probably be in Portfol, our overall client tracking system, and I would say it's very much part of the kind of list that you're describing. I think there is a point before that where it doesn't happen, where a determination is made we can't meet the need.

COUNCILMAN GREEN: Who makes that determination?

MR. LONGSTRETH: Well, it occurs at various levels. It can occur sort of in the field or it can occur at a relatively high level, just depending on what the discussion is.

COUNCILMAN GREEN: So there's no policy regarding inquiries about properties and what has to be brought up the food chain, so to speak, versus what the field guy needs to record for --

MR. LONGSTRETH: I'm not sure

there's a formal policy. I mean, I would have -- I guess my management style involves a lot of delegation and a lot of sort of empowerment of our individuals, and to the degree that I'm confident that they're doing a good job, the fact that they would make essentially a negative decision that I would not be able to actually see at a low level is something I'm generally very comfortable with.

COUNCILMAN GREEN: But there's no way to go back and check? If they've made a decision in the field that's no, there's no intake form, there's no --

MR. LONGSTRETH: Well, I mean, there's a schedule. There's a contact point, I guess, at some point that can be maintained.

COUNCILMAN GREEN: But there's no contact database where when somebody gets a call about a property, they're required to put it in the database?

MR. LONGSTRETH: Once again, if it's a level of seriousness --

COUNCILMAN GREEN: From the first call.

MR. LONGSTRETH: Every first call, absolutely not. We get a whole lot of them and --

COUNCILMAN GREEN: How many do you get a year?

MR. LONGSTRETH: I wouldn't dare to guess, but we close --

COUNCILMAN GREEN: Well, you couldn't know, because you don't have a record of them. You don't record them.

MR. LONGSTRETH: Perhaps I don't. I mean, we close 150 transactions a year. We close 20 land deals a year. So if it's five times that, that would be probably within the realm. But you're right, I don't know.

COUNCILMAN GREEN: And so, as you know, I am aware of -- rather than getting into the details of them today, hopefully we can get into them later, but I'm aware of many inquiries about properties that I've discussed with you in the past where the person inquiring was told by a field person the property is not available, the property is actually owned by somebody other than PIDC, all things which turned out not to be correct. They certainly weren't told that there's a reservation on them. And I've asked you for specific data about those inquiries, and the response I received is that you do not maintain a log, historical risk record of information regarding available properties.

And so what I want to -- I mean, I'm going to have some specific things that I come back to. Companies that, by my calculation, just of things that I'm aware of, the City of Philadelphia has lost three to four hundred jobs to New Jersey or Bucks County for properties that have been requested by industrial corporations who were looking to locate into a KOIZ that you have no record of the initial inquiry, and that is very, very troubling to me.

MR. LONGSTRETH: Well, I'm sure there's ways that we could improve our system of intake, and I appreciate your recommendations. This is a conversation you and I have had in the past, and I guess I'm not totally sure that I understand why you won't simply tell us the names so we can tell you what happened, because I can't identify the situations that you're describing based on the description. With a name I can, and I would be happy to tell you.

COUNCILMAN GREEN: I have given you the name, but we'll take this off line.

MR. LONGSTRETH: I'm not aware of it.

COUNCILMAN GREEN: So part of your response was, PIDC receives numerous confidential and sometimes anonymous inquiries on a regular basis, and so that for that reason, you also can't provide the information.

Just with respect to the confidentiality, are you claiming a legal privilege or are you party to a confidentiality agreement?

MR. LONGSTRETH: No. I think essentially one of the basic points that applies to our business is, to the degree that we are engaged in business discussions with private clients who have certain information related to their financial condition or their business plans or their competitive situation, that is not something they really want shared publicly in this forum or any --

COUNCILMAN GREEN: I'm talking about land acquisition only.

MR. LONGSTRETH: Pardon me?

COUNCILMAN GREEN: I'm talking about land disposition only.

MR. LONGSTRETH: No, no. I would say it applies to everything. When we're in the discussion stage or the negotiation stage of a transaction with a company that may have a competitor that would benefit from learning that they're planning an expansion or looking at financing or planning on buying land, that this would be damaging to that company, and it's the confidence that we have with those companies that enable us to be effective. That's why PIDC was created in the first place.

COUNCILMAN GREEN: And we're asking for historical information.

MR. LONGSTRETH: And I told you, we provided it.

COUNCILMAN GREEN: Not with respect to inquiries into property.

MR. LONGSTRETH: And I guess I kind of consider the inquiry -- when somebody is inquiring, they haven't done a transaction with us and they would not want it known in public, I believe. That's our interpretation.

COUNCILMAN GREEN: So is it your testimony that you don't have the information or that you're keeping it confidential?

MR. LONGSTRETH: Well, we've already spent about 15 minutes discussing where we start our pipeline. And we have a pipeline, and it's something we can certainly discuss, but it's in the context of a very private process that we're uncomfortable sharing with the public.

COUNCILMAN GREEN: So you don't have the data or you're keeping it confidential?

MR. LONGSTRETH: No, no. We have the data. We can share it with you on a somewhat confidential basis, but please understand the delicate nature of it. That's really all I'm trying to say.

COUNCILMAN GREEN: Do you conduct any market analysis regarding land use or development of the properties that you own?

MR. LONGSTRETH: We're, with the Commerce Department and the Planning Commission, now in the midst of a comprehensive industrial land study to essentially identify the existing inventory and the demand and obviously trying to use that as a basis to guide ongoing zoning and land planning as it relates to industrial in an environment where there's inevitably a lot of competition from residential and retail type uses. So I would say that's an example of yes, we do.

COUNCILMAN GREEN: Is there any strategic plan for the Navy Yard?

MR. LONGSTRETH: Yeah. A strategic plan was -- a master plan was produced in 2004.

COUNCILMAN GREEN: There is a master plan that describes uses that aren't currently permitted on that property, residential, et cetera. Is there any sort of strategic plan with respect to the Navy Yard itself? In other words, I'm talking about a business plan that says, This is how we're going to sell the property, this is how much we expect to get for the property, this is ultimately, after we finally dispose of it, what it's going to look like and based on sort of what a private developer would do if they owned a thousand acres, how would they maximize the profits? You'd have to obviously take into account your other mission, which is economic development and job creation, but is there any plan that says at the end of this tunnel, this is what we'll have created?

MR. LONGSTRETH: Not, I think, in the very specific terms that you're looking for, and I think -- obviously there's a land use plan and there was zoning that followed that and there is an understanding, as I've described earlier, that any sort of cash flow would be reinvested in the property until 2025. But the kind of plan that you're describing we do not have.

COUNCILMAN GREEN: Right. Other than PIDC will keep all proceeds of everything that you sell --

MR. LONGSTRETH: Yeah.

COUNCILMAN GREEN: -- there's no plan?

MR. LONGSTRETH: But, one, in accordance with a requirement of a document and, two, given a $300 or $400 million price tag, it seems to be a pretty logical assumption. But the plan portion we do not have.

COUNCILMAN GREEN: You're going to provide documentation on the price tag.

What do you think would happen if we put the thousand acres at the Navy Yard -- or I should say, what do you think would have happened two months ago if we put the thousand acres at the Navy Yard out for RFQ/RFP for sale to a single or multiple developers? Do you think that land would have a positive value?

MR. LONGSTRETH: I don't, no. Once again, I've made the point that this nut of infrastructure and demolition is such and lack of utilities, for example, is such a compelling number, that I think that would have to be dramatically discounted from the price.

Having said that, obviously the Navy Yard -- we talk about a thousand acres. Fifty percent of it is the industrial portion, which is essentially developed, and we went through a bid process, selected Liberty Property Trust and they're developing 70 acres, which is committed. And so basically we're really not talking about a thousand left to be developed. We're in conversations with the Port about their taking another sort of hundred acres at the far eastern end to support the south port project that they have. So the undeveloped portion is really much closer to 200 acres. Would that, without any improvements or utilities, command a positive price? I don't believe so.

COUNCILMAN GREEN: You've talked about the $300 million in infrastructure, having spent 90 million already. I notice that -- I can't remember the exact number, but there have been $40 or $60 million in essentially State money given to PIDC for infrastructure in the Navy Yard?

MR. LONGSTRETH: I'm not sure I follow you, but the 90 million includes 18 million of funds that we borrowed from the Commonwealth Financing Authority, which is a State authority.

COUNCILMAN GREEN: How much?

MR. LONGSTRETH: Eighteen. And we're constantly talking to the State about additional support. So I hope there's more, but that's the real fundamental point.

COUNCILMAN GREEN: I think in your --

MR. LONGSTRETH: And then the other kind of major slug of capital that we are in the process of mobilizing is the New River City city money coming from the Water Department, and that's $60 million. So that may be what you're referring to?

COUNCILMAN GREEN: And when you -- yes, I suppose that is the money I'm referring to. So all told, you've received $80 million. Have you spent all of that money?

MR. LONGSTRETH: No, no. The 18 is probably two-thirds spent and we're in the process, and that's roads and infrastructure within the historic core. The 60 million is being programmed right now and will probably be bid fairly soon, and that is, as you probably know, in accordance with that program and that release of the Water Fund funds to be focused on water and sewer improvements in the Navy Yard that will then, when completed, be conveyed to the Water Department. So it will be owned by the City.

COUNCILMAN GREEN: Right. How can you spend $60 million on water and sewer improvements when there's no

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strategic plan for the end game?

MR. LONGSTRETH: Well, no. I think there's a very strategic master plan as it relates to the uses of the land and the underlying requirement for the infrastructure to support that use and --

COUNCILMAN GREEN: In addition to the water and sewer infrastructure, what makes up the rest of the 300 million that is the estimate for infrastructure investment? Does that include actual build-out?

MR. LONGSTRETH: No, no, no. No. That's really just the infrastructure that relates to the road systems, the utilities, a lot of demolition, a little bit of environmental to basically make the rest of the site available for development. And you've asked for some detail, and we'll provide it.

COUNCILMAN GREEN: Okay. In 2008, after some of our discussions, I note that you issued an RFP for an industrial market analysis. When was the last market analysis performed?

MR. LONGSTRETH: For the City?

COUNCILMAN GREEN: Yes.

MR. LONGSTRETH: I'm not aware. I mean, it preceded my arrival here in 2001.

COUNCILMAN GREEN: You've testified that much of what you're doing is going to go to 2025, even beyond that, et cetera. You've also testified that the Administration really drives what the plan is for the PIDC. Does that mean that every four or eight years the priorities change so that we don't have a comprehensive strategic plan for economic development and job growth in the City because it's subject to the whims of a new administration?

MR. LONGSTRETH: Whims? Please.

COUNCILMAN GREEN: Or plans, hopes, aspirations.

MR. LONGSTRETH: I think the concept of the plan and the underlying priorities and the policies inevitably gets adjusted every four or eight years. I mean, you all deal with that constantly on every front.

COUNCILMAN GREEN: Do you think that that is helpful to economic development or do you think that that hinders our ability to plan? Could that explain why there is no strategic business plan like I discussed?

MR. LONGSTRETH: I think it's an inevitable tradeoff of a governmental system where every four years there's a little bit of a turnover. But I guess I would emphasize that one of PIDC's roles has been in the implementation of these policies with the specific transactions and projects, that those projects that go beyond the four-year limits get finished.

COUNCILMAN GOODE: Not taking sides in that debate or discussion as much as a simple question. How many of your lending programs in particular but other programs in general actually are created with local regulation as opposed to with state and federal regulations?

MR. FLUCK: I'm sorry. Could you repeat that for me?

COUNCILMAN GOODE: How many of your programs, particularly loan programs, but programs specifically, but other programs in general, actually were created with local regulations as opposed to there actually being state and federal programs that come with their own regulations?

MR. FLUCK: I think most of the programs we have have at their base federal regulations or state regulations, and the City, in asking us to be the steward of those dollars, passes along those regulations and then obviously adds some of their own in terms of --

COUNCILMAN GOODE: Strategy?

MR. FLUCK: Pardon me?

COUNCILMAN GOODE: In terms of

strategy?

MR. FLUCK: No, no. They're specific regulations.

COUNCILMAN GOODE: That becomes an interesting discussion relating to what the Councilman was asking in terms of on one hand the majority of your programs, if not almost all of them, actually come with state and federal regulations, and so not much is actually determined locally, but at the same time, if that is true, then how does an administration actually put a stamp on what they want PIDC to be for the next four or eight years?

MR. LONGSTRETH: I mean, I think part of the answer is, they put together a strategic plan that tries to establish the priorities and policies and addresses that in a document, and part of it is, they put some money there.

COUNCILMAN GOODE: They put some money there, but if the majority of your programs come from state and federal dollars and, therefore, come with state and federal regulations, how does an administration actually put their stamp on those programs?

MR. FLUCK: Well, the regulations that normally come have to do with minority hiring, things like that. They don't specify the industries we can lend to or so forth. So a given administration may have a preference for a particular industry sector, and to the extent that we can use those loan dollars to fulfill that, it's certainly something we can do. Again --

COUNCILMAN GOODE: But they come with different types of regulations also, like the cost per job created and --

MR. FLUCK: Right. Absolutely. I mean --

COUNCILMAN GOODE: So those are state and federal regulations that are built in.

MR. FLUCK: Yes. We have to be

mindful of those, yes, sir.

COUNCILMAN GOODE: So my question is, aside from you said in terms of identifying industries that a given administration may want to target, what other ways can an administration actually put their stamp on PIDC if the majority of money and regulations are driven by state and federal government?

MR. FLUCK: I think it's somewhat limited, as you say.

COUNCILMAN GOODE: Okay.

MR. LONGSTRETH: I mean, we spent a little bit of time this morning talking about Redevelopment Assistance Capital Program and the influence that a Mayor would have on the Governor's sense of priorities. Maybe that's a case in point. The Councilman was talking about how Council can influence the Mayor in terms of his sense of priorities there. But that would be an example, I guess.

COUNCILMAN GOODE: So let me just take the next step, beaming it up.

I intended to do that.

So to some extent, regardless of who the Mayor is and/or who the Commerce Director is, if there's certain things they want done but they don't fit the programs that are driven by state and federal regulations, you can simply say, Can't do it?

MR. LONGSTRETH: And if we can't, we can't.

COUNCILMAN GOODE: And beyond that, the extent to which a significant amount of your clientele are repeat clientele, then the state and federal programs simply run the way they run regardless of who the Mayor and Commerce Director happens to be?

MR. LONGSTRETH: Yeah. I mean, I kind of do think it comes down to where the funding comes from, and to the degree that we're limited to these existing older programs, I think you're right. To the degree that we have tried to be -- we on behalf of the City have tried to be more entrepreneurial in terms of identifying new funding sources, like the Emerging Loan Program or from the City's standpoint like the cultural and commercial corridors, focus money, real money, into priority areas, that's where the City can have a whole lot of effect. And I think our initiative has been what are the private funding sources with the bond pool and with new market tax credits and Emerging Loan Program, where we're looking at private funding sources that aren't limited by these federal and state regulations.

COUNCILMAN GOODE: Okay. Thank you.

Councilman Green.

COUNCILMAN GREEN: Thank you.

I'm about to wrap up. So I think your testimony earlier basically established that a large part of the decisions about who is going to get the loan, who is going to get the piece of land can be decided at the staff level.

Once someone gets through an initial pipeline, that's when someone like you might get involved, that there is interaction between elected officials, not on the PIDC Board and other places, at the staff level in terms of providing a constituent service, let's say, to promote a particular project, and that then a decision is made about what to recommend to the Board.

How many times --

MR. LONGSTRETH: Excuse me.

COUNCILMAN GREEN: Sorry. How many times has the Board rejected a recommendation of the staff?

MR. LONGSTRETH: Never that I've been there. And where -- I apologize. I was going to -- I didn't mean to interrupt, but in all of these, you've heard it now a few times, that process that you just described that included the staff and kind of worked its way up to the Board has almost throughout input from the City. So nothing we do in these transactions are done without the knowledge of the City.

COUNCILMAN GREEN: Well, at a certain level, that becomes true. But in terms of --

COUNCILMAN LONGSTRETH: I'm saying, at a certain level, that becomes true, yes.

MR. FLUCK: To your point, if I may, about how often has the Board rejected one of these, in our process there is a Loan Committee, and the members of that Loan Committee are Board members. So they see it at the development level along with the staff. So when it comes to the Board, it comes with the recommendation of the Loan Committee, again, who are Board members.

MR. LONGSTRETH: And the Loan Committee regularly rejects recommendations from the staff or adjusts them.

COUNCILMAN GREEN: Who is on the Loan Committee?

MR. LONGSTRETH: Dave Beavers, who is an attorney.

MR. FLUCK: Jim McManus.

COUNCILMAN GREEN: And, once again, that would apply to loans, not to property disposition or any other of your activities?

MR. LONGSTRETH: Yes.

It would be Jim McManus; Sal Patti, who is a banker at PNC; Bill Sautter; and a non-Board member, Joe Houldin, who runs DVIRC. I think I've got it right.

MR. FLUCK: I think that's it.

MR. LONGSTRETH: And, once again, to the degree, as I indicated, that the Executive Committee meets every two weeks and there are loan recommendations to that committee, there has been a Loan Committee the previous week.

COUNCILMAN GREEN: Okay. So other than loans, how does a property disposition, say, get to the Board level?

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MR. LONGSTRETH: No. I mean, it comes up through the client and the real estate group essentially to me, and then I take it directly to the Board.

COUNCILMAN GREEN: One specific question. I think you mentioned to me when we had lunch that there was a study regarding the solar panel site, a market study, some kind of land use study, and apparently it was a property that required a lot of remediation, and you were going to provide that study to me.

MR. LONGSTRETH: I apologize. I didn't remember that. We certainly can. That's up to an eight acre site that was formerly a landfill and an incinerator site at the Navy. Our experience was that it was environmentally challenged to the degree that it really didn't have sort of a full market use, and on that basis, when Epuron, which is the operator of this solar field, approached us --

COUNCILMAN GREEN: I'm not

asking about the specific. Is there a written study that --

MR. LONGSTRETH: I believe there's some kind of environmental study that supports what I just said. I mean, I think it's kind of interesting that Epuron right now is in due diligence and is hesitating because of the environmental condition of the site. So we're not happy that it is what it is, but let me identify that and get it to you.

COUNCILMAN GREEN: That is one site where a company with a hundred employees making over a hundred thousand dollars a year was interested in and was told --

MR. LONGSTRETH: Once again, I'm just not aware of that, but I'm happy to learn about it and try to do everything we can to address it.

COUNCILMAN GREEN: Okay. Thank you. I really appreciate your coming in and your patience with us today.

MR. LONGSTRETH: Not at all.

COUNCILMAN GREEN: I am in part learning more about what you do as we're going along, and I appreciate that.

Economic development and job creation really are going to be extraordinarily important in the City of Philadelphia in the next eight or ten years. I believe the City is at a tipping point where it's going to go one way or the other, and that's why I am very interested and focused on this issue.

While you did provide many documents that we requested, you did not provide them all, and I just wanted to have on the record your willingness to have my staff come out and talk to your staff --

MR. LONGSTRETH: Absolutely.

COUNCILMAN GREEN: -- ask more specific questions about different issues, and then hopefully any documents that were on our list that we request we'd like. For example, budgets, we got a budget summary, but not the budgets.

MR. LONGSTRETH: That's the budget we present to our Board.

COUNCILMAN GREEN: Is there not --

MR. LONGSTRETH: No, no. There's an underlying budget, sure.

COUNCILMAN GREEN: Okay. Also memorandums of agreement and agreements for developments. The response was, Development agreements are typically entered into as part of a sales agreement and, therefore, included in Tab 22. And Tab 22 does not include either of those things.

MR. FLUCK: It includes a list, I believe, as I recall.

COUNCILMAN GREEN: Right. We'd like the actual development agreements for people who have done business -- who are obligated to do certain things and then --

MR. FLUCK: I think the issue

was, here again, was, you heard many times, we submitted over 3,500 pages. It would have been at least three or four times that to submit absolutely every document. So I think if there are specific, as you said, specific --

COUNCILMAN GREEN: That's exactly right, and so our staff is going to sit down with you.

MR. FLUCK: I think as Peter said, we'll be happy to do whatever we can.

COUNCILMAN GREEN: Okay. Great. And I want to thank you for providing your information and documentation on a computer disk, not on paper.

MR. FLUCK: You're welcome.

COUNCILMAN GREEN: Which is --

MR. LONGSTRETH: That was the work of our sustainability committee.

COUNCILMAN GREEN: Thank you very much. I appreciate it.

MR. LONGSTRETH: In closing, I

would, as strange as this may sound -- and I may regret it -- thank you for giving us this opportunity. As I said to the Councilman, we really don't get, in my opinion, maybe enough opportunity to share with the Council the different activities that we are engaged in and, frankly, are very proud of, but can always improve, and the interest and really curiosity that both of you have demonstrated, the Councilman over the years, is something we very much appreciate. So thank you.

COUNCILMAN GREEN: Thank you. Economic development is important, but not at 3 o'clock today. The Phillies are the most important thing.

MR. LONGSTRETH: Go Phillies.

COUNCILMAN GOODE: Thank you, gentlemen.

As reported before, Bill No. 080573 has been favorably approved. The hearing on Resolution No. 080103 and Resolution 080262 are now recessed to the call of the Chair.

Thank you very much.

(Committee on Commerce and Economic Development adjourned at 2:20 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on October 1, 2008, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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