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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

COMMITTEE OF THE WHOLE

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Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, November 19, 2003
2:30 p.m.

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BILL 030663 - an Ordinance creating the Boyd
Theater Tax Increment Financing District...

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PRESENT:

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COUNCIL PRESIDENT ANNA C. VERNA

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COUNCILWOMAN JANNIE BLACKWELL

14

COUNCILMAN DARRELL L. CLARKE

15

COUNCILMAN DAVID COHEN

16

COUNCILMAN FRANK J. DICICCO

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COUNCILMAN W. WILSON GOODE, JR.

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COUNCILMAN JAMES F. KENNEY

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COUNCILWOMAN JOAN L. KRAJEWSKI

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COUNCILMAN RICHARD T. MARIANO

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COUNCILMAN MICHAEL A. NUTTER

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COUNCILMAN BRIAN J. O'NEILL

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COUNCILMAN ANGEL L. ORTIZ

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COUNCILWOMAN DONNA REED MILLER

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COUNCILWOMAN BLONDELL REYNOLDS BROWN

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COUNCILMAN FRANK RIZZO

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COUNCILWOMAN MARIAN B. TASCO

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2 COUNCIL PRESIDENT VERNA: Good
3 afternoon, everyone. This is a public hearing
4 of the Committee of the Whole regarding Bill
5 No. 030663.

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

8 MR. MCPHERSON: Bill No. 030663, an
9 ordinance creating the Boyd Theater Tax
10 Increment Financing District, being the area
11 generally bounded by Chestnut Street on the
12 north, 19th Street on the east, 20th Street on
13 the west, and Sansom Street on the south.

14 COUNCIL PRESIDENT VERNA: Thank you.

15 I believe our first witness will be
16 Mr. Cuorato.

17 Do we have anyone else from the
18 Administration that will be testifying?

19 MR. CUORATO: Madam President, there
20 are a number of people from the Philadelphia
21 Industrial Development Corporation. None of
22 them are going to offer any formal statements,
23 but they're all here to answer questions.

24 COUNCIL PRESIDENT VERNA: Fine.
25 Thank you.

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2 Mr. Cuorato, please identify
3 yourself for the record and proceed with your
4 testimony.

5 MR. CUORATO: Good afternoon, Madam
6 President and Members of the Council. My name
7 is James Cuorato, I'm the City Representative
8 and Director of Commerce. I'm appearing here
9 today to testify in support of Bill No. 030663
10 which would create the Boyd Theater Tax
11 Increment Financing District. Also here with
12 me today are representatives of the developer
13 and the Philadelphia Authority for Industrial
14 Development which is responsible under the TIF
15 Act for preparing and submitting the Project
16 Plan.

17 The historic Boyd Theater located at
18 1908-10 Chestnut Street, also known as the Sam
19 Eric Theater, was considered one of the
20 premier Art Deco movie palaces in
21 Philadelphia. The Boyd is located in a
22 federal historic district in Center City
23 Philadelphia and operated as a first run movie
24 house until May 2002 when it was closed due to
25 low movie ticket sales and high maintenance

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2 costs.

3 Creation of the Boyd Theater TIF
4 will enable the developer, an affiliate of
5 Goldenberg Group to restore and expand the
6 existing theater into a fully functioning
7 performance venue for touring theater and
8 other live performances, as well as for cinema
9 presentations. The renovated theater will be
10 operated by Clear Channel Entertainment, a
11 major multi-media company with substantial
12 experience and expertise in theatrical
13 productions. Clear Channel is also investing
14 \$11 million of equity in the project.

15 As part of the restoration plan, the
16 theater will retain most of the 2500 seats and
17 a new stage house will be added to accommodate
18 large Broadway theater productions. When
19 completed, the Boyd will be one of only two
20 theaters in Philadelphia that can accommodate
21 the space and scheduling requirements
22 associated with Broadway-style productions.
23 We firmly believe that the Philadelphia market
24 is sufficiently deep to support two venues.

25 Creation of this TIF District will

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2 stimulate \$33 million of investment in the
3 expanded theater site, a site which the Board
4 of Revision of Taxes values now at \$2.5
5 million. This investment translates into 120
6 construction jobs and approximately 60
7 full-time equivalent permanent jobs.

8 Over the term of the TIF District,
9 new revenues are estimated at approximately
10 \$4.2 million for the School District and a
11 minimum of \$2.4 million for the City. Beyond
12 these additional revenues, the redevelopment
13 of the Boyd Theater represents a key element
14 in continuing the revitalization of the
15 Chestnut Street commercial corridor. The Boyd
16 is perfectly situated within walking distance
17 of a majority of Philadelphia's other cultural
18 attractions which attract millions of visitors
19 to the City each year. Redeveloping the Boyd
20 will draw additional visitors and residents to
21 this section of Center City and create a
22 natural extension between Chestnut Street and
23 the vitality of the Avenue of the Arts.

24 The City and School District are
25 being asked to approve a TIF loan of \$5

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2 million to be repaid from new real estate,
3 City sales, business privilege, and half of
4 new use and occupancy taxes.

5 Should the Commonwealth of
6 Pennsylvania Tax Increment Financing Act be
7 amended to include amusement taxes, the
8 amusement taxes would also be pledged toward
9 repayment of the TIF loan which would increase
10 by \$1.4 million to a total of \$6.4 million.

11 PIDC may provide a HUD 108 loan of
12 up to \$3 million to fund a portion of the TIF
13 note. The developer will obtain the balance
14 of the project funding from private and public
15 sources, including a public grant of up to
16 \$12.5 million.

17 Since introduction of the bill, PIDC
18 and the City have met with City Council staff,
19 representatives of the School District, the
20 Department of Revenue, and representatives of
21 the Controller's Office to review the Project
22 Plan. Based on these meetings, we have made
23 several changes to the plan. These changes
24 are contained in the revised Project Plan that
25 was forwarded to each Councilperson and can be

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2 summarized as follows:

3 Definition of the developer has been
4 changed to clarify that it will be an
5 affiliate of the Goldenberg Group.

6 The TIF boundaries have been
7 modified to include only the theater and the
8 land required for the theater expansion which
9 has reduced the district size and total
10 project cost.

11 The number of construction jobs has
12 been modified from 189 to 120 full-time
13 equivalent positions.

14 Several corrections to the tax
15 revenue estimate were made based on
16 information provided by the Revenue Department
17 and Office of the City Controller, including
18 adjustments to the amusement and wage tax
19 projections and base values for use and
20 occupancy, business privilege, and wage taxes.

21 The Project Plan anticipates a
22 potential amendment to the Commonwealth TIF
23 Act to include amusement taxes eligible to be
24 pledged for repayment of the TIF loan. If
25 amusement taxes become eligible for inclusion

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2 in the project, the TIF note could be
3 increased from \$5 million to \$6.4 million.

4 In addition, the developer forwarded
5 a proposed Economic Opportunity Plan to City
6 Council technical staff for their review and
7 have submitted the revised plan in accordance
8 with their requests. And we do have copies of
9 that Economic Opportunity Plan available here
10 today.

11 I would like to note that today's
12 hearing is required by the Pennsylvania Tax
13 Increment Financing Act to create a TIF
14 District and the Act requires City Council to
15 wait at least three weeks for final
16 consideration. Under the State Act, Council
17 will not be able to act then on this bill
18 until the regularly scheduled meeting on
19 December 11, 2003. In order to expedite the
20 redevelopment of the Boyd Theater, I am
21 requesting your approval of Bill No. 030663
22 creating the Boyd Theater Tax Increment
23 Financing District at the December 11th
24 meeting.

25 Madam President, that concludes the

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2 prepared testimony that was submitted. I
3 would, with your permission, just like to add
4 several additional points, if I may.

5 COUNCIL PRESIDENT VERNA: Certainly.

6 MR. CUORATO: This project has been
7 one of a very high profile here in the City
8 and I would venture to say that there has
9 been, at least to my knowledge, almost
10 universal agreement that the Boyd Theater
11 should be saved and preserved. I certainly
12 have not heard from anyone to the contrary.

13 When the developer pulled the
14 demolition permit back last year, there was a
15 lot of concern from many people that the
16 developer's primary intention in this case was
17 to actually demolish the property and put up a
18 new development on that site. The developer
19 insisted to us, and we verified, that they
20 were in fact making every good faith effort to
21 find an appropriate reuse for the building.
22 There were several discussions that they had
23 that we participated in and several attempts
24 made to come up with a plan that would work
25 across all the different factors that had to

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2 be satisfied. And we actually were convinced
3 at that point that they were sincere about
4 trying to renovate the building despite some
5 skepticism from people that thought that that
6 was not the case.

7 During this time, I personally and I
8 know the Mayor received a lot of
9 correspondence and I certainly got as many
10 e-mails and phone calls about this as just
11 about anything else that we've worked on. And
12 the basic message was, do whatever you have to
13 do, come up with whatever plan you can, but we
14 need to preserve that theater. It's a
15 national historic treasure. It's the last art
16 deco movie palace here in Philadelphia. Other
17 cities have managed to do this, and we
18 certainly can come up with a way to do this
19 ourselves. So that's what we set out to do.

20 When the Goldenberg Group came up
21 with this plan, we fully supported it. We
22 believe that it is an economically feasible
23 plan and one that does meet the preservation
24 objectives that we sought, and there is a
25 public subsidy required. I think we realized

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2 that from the beginning. But any restoration
3 that's going to work has to be economically
4 feasible. We cannot enter into any agreements
5 with the developer for a project that we don't
6 believe will work.

7 In this case, we have a project that
8 we think is feasible, that can succeed and
9 prosper in the long run. And there is a
10 substantial equity investment being made by an
11 affiliate of the developer, the development
12 partnership Clear Channel, of \$11 million.

13 There have been, and I am sure that
14 you will hear today some concerns expressed
15 about the reuse. Now, some of the concerns I
16 have heard have come from some of the same
17 people who said to me, "Do whatever you have
18 to do, but make sure you preserve the
19 building." And evidently there was an
20 exception to that that they didn't make clear
21 to me in the first case because nobody said to
22 me, "Do what you have to do to preserve the
23 building but, by the way, don't put a Broadway
24 theater performance venue in there."

25 However, you will hear some concerns

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2 today from people in the arts community. And
3 these are friends of ours, these are friends
4 of the Administration, these are from
5 institutions that we support and that we work
6 with and that we want to continue to support
7 and work with. And I believe that --
8 certainly, the witnesses can speak for
9 themselves and I don't mean to speak for them,
10 but I think the essence of what you may hear
11 has to do with the fact that putting another
12 live performance venue in at this location
13 will somehow hurt other performance venues in
14 the City of Philadelphia. And that is
15 certainly not the intention here.

16 My response to that, which I will
17 give you now and I'd be pleased to elaborate
18 on it later in the hearing if you'd like, is
19 that we have to stop thinking so narrowly in
20 this City. We have to stop this notion or
21 this mindset that because we have a certain
22 number of institutions, we can't grow the
23 market, that we reach a certain point and
24 that's the maximum, and therefore when someone
25 wants to come in and invest a lot of money in

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2 the City, we have to turn them away because we
3 don't think this market can support it.

4 There is, in my opinion, no reason
5 why we cannot grow this market here in
6 Philadelphia for live performance venues. And
7 I will say to you that we, the City, should be
8 prepared to play a role in helping to do just
9 that. There are certainly ways that we can do
10 that as far as doing a better job of marketing
11 the City, and we will work with the various
12 performance venues and the different arts
13 institutions on plans to do just that.

14 But I guess the point that I want to
15 make here is that I just reject the notion
16 that we reach a certain point in this City and
17 we have to say, "Stop, we can't bring anymore
18 new development on because it will hurt
19 others." I would choose to think that we
20 should be able to do here in Philadelphia what
21 other cities have done which is grow their
22 market. We are the fifth largest City in the
23 United States. To think that we can't support
24 as a region two or even three venues that show
25 Broadway-style shows, to me, just doesn't make

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2 sense. There's no reason why we can't do
3 that.

4 So I just want to leave those as
5 thoughts. And again, I know that you will
6 hear from others that will express concerns.
7 They have contacted me in advance and let me
8 know that they will be expressing those
9 concerns, and I fully encourage them to do so
10 and in fact said that the City is prepared to
11 work with them so that we can have the goal of
12 both a preserved Sam Eric Theater, a new
13 performance venue here without disruption or
14 any damage to any of the existing venues.

15 Thank you, Madam President for
16 giving me the opportunity to add those
17 comments.

18 COUNCIL PRESIDENT VERA: You're
19 welcome.

20 Mr. Cuorato, the annual tax revenue
21 from the proposed district is estimated at
22 66,470,000 (sic) based on a \$2.5 million
23 property market value. On Page 4A of the
24 initial project cost, the cost of the land is
25 valued at \$6.5 million. Why are you valuating

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2 the base property value at \$2.5 million and
3 not at the \$6.5 million?

4 MR. CUORATO: Madam President, the
5 \$2.5 million number represents the assessed
6 value of the property. That's from the Board
7 of Revision of Taxes.

8 COUNCIL PRESIDENT VERNA: So the
9 2.5, you say, is the assessed?

10 MR. CUORATO: The assessed value.

11 COUNCIL PRESIDENT VERNA: I think in
12 the executive summary that we received, it
13 does indicate that that is the market value.

14 MR. CUORATO: I see the reference in
15 the executive summary, Madam President. For
16 tax purposes, that is the market value for tax
17 purposes.

18 COUNCIL PRESIDENT VERNA: Well,
19 explain how we got to 2.5 and not the 6.5? I
20 don't understand it. If it's 6.5 market
21 value?

22 MR. CUORATO: 6.5 represents the
23 cost of the land in the total project budget.
24 That is the amount that's the amount of money
25 that's been expended to assemble the site.

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2 That's the cost of the land.

3 COUNCIL PRESIDENT Verna: So
4 shouldn't that be the base?

5 MR. CUORATO: The base is the
6 assessed value, which is \$2.5 million.

7 COUNCIL PRESIDENT Verna: I think
8 it's the market value.

9 MR. CUORATO: The Board of Revision
10 of Taxes property assessment is what's used
11 for the real estate tax calculation. So
12 that's why we use the 2.5 as the base.

13 COUNCIL PRESIDENT Verna: Do we do
14 the same for the homeowners? I don't think
15 so.

16 Councilman Nutter.

17 COUNCILMAN NUTTER: Thank you, Madam
18 Chair. I know you're in the middle of your
19 question. I just had a point information.

20 I was not understanding the response
21 so I guess what I want to ask is, what's the
22 market value then?

23 MR. CUORATO: The market value of
24 the property or what we would call fair market
25 value, Councilman, would be what a willing

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2 buyer and a willing seller would pay, and in
3 this case it's \$6.5 million.

4 COUNCILMAN NUTTER: I thought your
5 response earlier was that BRT told you what
6 the assessed value was.

7 MR. CUORATO: That's correct. And
8 this is no different from a property owner who
9 would buy a house for a hundred thousand
10 dollars. The BRT would set a certain market
11 value and do the assessment calculation which
12 would be substantially less.

13 COUNCILMAN NUTTER: Well, the
14 assessed value is two and a half million
15 dollars. And I think according to the formula
16 that we use, I believe the market value would
17 be 7,812,500. I think the way we do this is
18 it's the market value times .32, that gets you
19 your assessed value times the rate, and then
20 that's the tax you pay.

21 So which number is it?

22 MR. CUORATO: The market value --
23 we're using \$6.5 million. That was the cost
24 to assemble the site so that's why it's in the
25 project budget.

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2 COUNCILMAN NUTTER: I understand
3 that. If that's the market value times the
4 ratio, that doesn't get you two and a half.

5 MR. CUORATO: Then my response would
6 be that the BRT is valuing the property at a
7 higher amount than what we have in this
8 project budget. But the \$2.5 million number
9 is from the Board of Revision of Taxes.

10 COUNCILMAN NUTTER: So let me just
11 -- and then I'll have to get out of this
12 because it's the President's question.

13 So is the 2.5, is that the market
14 value or is that the assessed value?

15 MR. CUORATO: That is the assessed
16 value.

17 (Pause.)

18 MR. CUORATO: I'm sorry, Councilman,
19 if I may just ask your forbearance for one
20 second.

21 COUNCILMAN NUTTER: Sure.

22 COUNCILMAN GOODE: Point of order.

23 COUNCIL PRESIDENT VERNA: The Chair
24 recognizes Councilman Goode.

25 COUNCILMAN GOODE: Thank you, Madam

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2 President.

3 Mr. Cuorato, excuse me one second.

4 It might be helpful if you use the term "BRT"

5 before you use the term "assessed" when

6 referring to 2.5 and say the "BRT assessed."

7 Everyone knows it's a kooky formula anyway in

8 how they value properties, but what you're

9 referring to in terms of 2.5 is BRT assessed.

10 MR. CUORATO: Thank you, Councilman.

11 I will do that.

12 I'm going to ask, with the

13 President's permission, Sam Rhoads from PIDC

14 to come up. He has been directly involved in

15 the technical aspects of preparing the Project

16 Plan and I think can offer you a better

17 explanation than I can. At least hopefully.

18 COUNCIL PRESIDENT Verna: That will

19 be fine. Thank you.

20 Good afternoon. Please identify

21 yourself for the record.

22 MR. RHOADS: Good afternoon. My

23 name is Sam Rhoads. I'm with the Philadelphia

24 Industrial Development Corporation. And to

25 address the question, there is a differential

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2 between market value as we would colloquially
3 think of it and market value as established by
4 the Board of Revision of Taxes.

5 The market value of the property as
6 the Board of Revision of Taxes --

7 COUNCIL PRESIDENT VERNA: Excuse me,
8 Mr. Rhoads, I'm afraid you have some
9 competition; we have the window open and we
10 can't hear you. Would you speak directly into
11 the microphone? Thank you.

12 MR. RHOADS: There is a difference
13 between market value, as you and I would
14 commonly think of market value, and market
15 value as in this case as the Board of Revision
16 of Taxes has placed it on the tax rolls. So
17 the two and a half million dollars represents
18 what -- if you looked into the Board of
19 Revision of Tax records today for this
20 property, you would see a market value of two
21 and a half million dollars. And Councilman
22 Nutter is correct, the assessed value then
23 would be 32 percent of that to give you the
24 assessed value and the taxes associated. That
25 would be 8.264 percent of that. So the two

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2 and a half million dollars is the number that
3 is of record and that, as a matter of
4 procedure, sets the base value for the
5 district.

6 The six and a half million dollars,
7 as the Commerce Director has referenced, it
8 relates to what the developer has actually
9 laid out to assemble the parcel.

10 COUNCIL PRESIDENT Verna: Thank you,
11 Mr. Rhoads.

12 Mr. Cuorato, if the TIF creation
13 date is not until July 1, 2004, why are you
14 requesting its approval now?

15 MR. CUORATO: Well, I mean, we're
16 very anxious to move the project forward.
17 This is not the only public funding that's
18 required here, and we're trying to get this
19 piece of the funding in place and then
20 basically to put us in a position where we can
21 go to the state, which is where we're looking
22 for the balance of the funding, and say "This
23 is the funding that will complete the
24 project."

25 COUNCIL PRESIDENT Verna: Mr.

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2 Cuorato, did you receive a copy of a letter
3 that was addressed to me and to all Members of
4 City Council from the City Controller? The
5 letter came today.

6 MR. CUORATO: Yes, Madam President.
7 I just got it about an hour ago.

8 (Pause.)

9 MR. CUORATO: Madam President, I
10 have a letter to you from the City Controller
11 dated November the 3rd.

12 COUNCIL PRESIDENT VERNA: No, this
13 is dated today, the 19th.

14 MR. CUORATO: I have not seen it,
15 but Mr. Rhoads has.

16 COUNCIL PRESIDENT VERNA: And I have
17 had a request from the Controller's Office
18 since he is not here that his letter be read
19 into the record.

20 So, Mr. McPherson, I suggest you do
21 that now.

22 MR. MCPHERSON: "Dear Council
23 President Verna, pursuant to the requirements
24 of Section 21-1403A of the Philadelphia Code,
25 the City Controller's Office is charged with

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2 provisions of comments and analysis for
3 proposed tax increment districts in Philly. I
4 have previously submitted my office findings
5 for the Project Plan for the Boyd Theater TIF
6 District; however, they no longer reflect the
7 proposal being considered by City Council and
8 the School Reform Commission.

9 "On November 18, 2003, I received a
10 revised version of the Project Plan. This
11 version included substantial changes,
12 particularly with regard to anticipated tax
13 revenues that may be allocated to the TIF
14 Fund. I am deeply concerned that the new
15 version represents an even less advantageous
16 investment for the City and School District.

17 "A cursory review has reviewed
18 several inconsistencies and deviates from the
19 Project Plan I reviewed previously. The
20 revised version calls for a larger subsidy
21 from the City and School District. At the
22 same time, the proposal projects a
23 significantly smaller net benefit to those
24 entities over the lifetime of TIF District.
25 Despite this increase in local public money

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2 requested in the Project Plan and decline in
3 tax revenues that will accrue to the City and
4 School District, there is no increase in the
5 amount of jobs created or the inclusion of
6 public improvements that can benefit all
7 Philadelphians. My office has not had
8 sufficient time to analyze this most recent
9 document.

10 "We have worked diligently with PIDC
11 to resolve many of the incorrect aspects of
12 the calculations for the earlier version. I
13 am troubled that our efforts have been for
14 naught. As PIDC chose to present this revised
15 Project Plan for the Boyd Theater TIF District
16 just one day before the public hearing. I
17 will not be able to offer the members of City
18 Council an accurate examination of the
19 proposal prior to today's scheduled hearing.
20 Should you decide to postpone the hearing, I
21 will be able to fulfill my duty to furnish
22 comments and analysis of the Boyd Theater TIF
23 District to you and other members of City
24 Council. Sincerely, Jonathan A. Saidel, City
25 Controller."

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2 COUNCIL PRESIDENT Verna: Mr.

3 Cuorato, do you have any comments to make
4 regarding the Controller's letter?

5 MR. CUORATO: Madam President, we
6 dispute a number of the assertions that are
7 made in the Controller's letter. Again, I'm
8 seeing this for the first time. This would
9 not -- the revised plan, I mean, one that just
10 jumps out at me is the revised plan would not
11 mean less revenues for the School District.

12 I'm going to ask, if I may, Mr.
13 Rhoads to respond in more detail to your
14 question.

15 COUNCIL PRESIDENT Verna: Mr.
16 Rhoads.

17 MR. RHOADS: I would just like to
18 comment that we did, I think, have a very
19 productive conversation with the Controller's
20 Office to go over certain questions and
21 concerns they had with the Project Plan, and
22 we did indeed make a number of revisions that
23 are reflected --

24 COUNCIL PRESIDENT Verna: Mr.
25 Rhoads, when did that all take place?

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2 MR. RHOADS: That took place over
3 the past 30 days, so since the ordinance was
4 introduced.

5 What the Controller, I believe, is
6 referring to is that there's been one specific
7 change, and that was to add the potential for
8 TIFing of amusement taxes on this project.

9 There is currently a bill in
10 Harrisburg that would amend the TIF Act to
11 provide for the TIFing of amusement taxes, and
12 we did amend the Project Plan to provide for
13 that if it were to be approved in Harrisburg.

14 COUNCILMAN DICICCO: Point of order.

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

17 COUNCILMAN DICICCO: Thank you,
18 Madam President.

19 Mr. Rhoads, following up on the
20 Council President's question, your
21 conversations with the City Controller took
22 place over the last 30 days?

23 MR. RHOADS: That's correct.

24 COUNCILMAN DICICCO: When was your
25 last conversation with the Controller, do you

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2 recall?

3 MR. RHOADS: Last week.

4 COUNCILMAN DICICCO: Did he indicate
5 at that time that he would not be at this time
6 supporting this request?

7 MR. RHOADS: We had seen the
8 November 3rd letter so that we knew what the
9 remaining questions and concerns they had
10 regarding the planning, and we were entirely
11 comfortable with those. We were not aware at
12 that point when we had communicated over to
13 them about the amusement taxes that they would
14 issue this letter. And we, in fact, just
15 received it an hour or so ago ourselves.

16 COUNCILMAN DICICCO: No
17 communication since November the 3rd?

18 MR. RHOADS: Not to my knowledge.

19 COUNCILMAN DICICCO: So this comes
20 as some sort of a surprise, I guess, to you as
21 well?

22 MR. RHOADS: Correct.

23 COUNCILMAN DICICCO: Thank you.

24 Thank you, Madam President.

25 COUNCIL PRESIDENT VERNA: You're

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2 welcome.

3 Mr. Cuorato, the last time this bill
4 was listed, we were asked to cancel the
5 hearing because the School District had to
6 approve it and we were led to believe that the
7 School Reform Commission would be meeting this
8 morning. Do you know if, in fact, they have
9 approved or disapproved this?

10 MR. RHOADS: My understanding, Madam
11 President, is that they are scheduled to meet
12 and consider this proposal this evening at 6
13 p.m. The requirement is part of the TIF
14 legislation that School District approval
15 occur on or before the date of the City
16 Council public hearing. We're hopeful and
17 optimistic that the School Board will approve
18 this this evening when they meet, and we will
19 formally work out a mechanism to officially
20 advise City Council of that hoped-for approval
21 this evening.

22 COUNCIL PRESIDENT VERNA: Thank you.
23 I just have a couple more questions.

24 Could you explain your amusement tax
25 assumptions?

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2 Have you contacted other theaters or
3 venues in town to find out what their
4 activities are and how this project will
5 impact their operation?

6 MR. RHOADS: I believe there's two
7 questions. One is in terms of the calculation
8 of the amusement taxes, and that was based on
9 information and analysis that we obtained from
10 the developer and their operator as well as
11 looking at the -- understanding how the
12 amusement tax operates mechanically and what
13 would be taxed in the theater and what
14 wouldn't be.

15 I think the second part of your
16 question is what Mr. Cuorato referred to in
17 his additional comments in terms of the impact
18 of the use of this theater on the cultural
19 community generally speaking, and I would just
20 reiterate his comments that we believe that
21 the market is deep enough to accommodate this
22 venue.

23 COUNCIL PRESIDENT VERNA: Was an
24 analysis taken?

25 MR. RHOADS: Yes, there was. The

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2 question could be answered in a couple of
3 ways. One is, yes, there was an analysis
4 performed that Goldenberg, the developer --

5 COUNCIL PRESIDENT VERNA: Well,
6 discuss it with us, if you will. Tell us
7 about the analysis.

8 MR. RHOADS: Again, the conclusion
9 of the analysis was that the market was
10 sufficient to accommodate this venue.

11 The second level of analysis is
12 obviously the operator of this theater
13 believes that this is something that they can
14 operate successfully in the City.

15 COUNCIL PRESIDENT VERNA: At this
16 time, the Chair recognizes Councilman DiCicco.

17 COUNCILMAN DICICCO: I think you may
18 have answered all of my questions. I just
19 want to ask one brief question about the
20 amusement tax.

21 COUNCIL PRESIDENT VERNA:
22 Councilman, you're going to have to speak into
23 your mike.

24 COUNCILMAN DICICCO: I'm sorry.
25 Thank you, Madam President. I think you asked

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2 most of the questions I would have asked
3 anyway.

4 One other question on the amusement
5 tax. This is a first, isn't it, in terms of
6 TIF financing?

7 MR. CUORATO: Yes. In fact,
8 Councilman, we need a state amendment to do
9 that, which we're supporting.

10 COUNCILMAN DICICCO: And would this
11 be in conflict with the uniformity by any
12 chance? Because any of the other TIFs haven't
13 had this opportunity, because many of the TIFs
14 we've done under economic development
15 entertainment venue kinds of places as well.
16 Is there any question on uniformity on this
17 that you know of?

18 MR. CUORATO: Not that I'm aware of,
19 no. Our Law Department was involved in the
20 preparation of the amendment at the state
21 level and has reviewed this very carefully, so
22 I don't think we'll have a problem.

23 COUNCILMAN DICICCO: No further
24 questions at this time, Madam President.

25 COUNCIL PRESIDENT VERNA: Thank you.

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2 The Chair recognizes Councilman
3 Nutter.

4 COUNCILMAN NUTTER: Thank you, Madam
5 Chair. Mr. Cuorato, thank you for your
6 testimony. I would just like to mention to
7 you, as you were reading the Controller's
8 letter -- and I know that there has certainly
9 been a lot going on in recent times, but I was
10 reminded as you were reading the Controller's
11 letter, which I think you said you were just
12 seeing at the moment or maybe today, I think
13 at least I've had the same experience with
14 regard to your testimony which I think I just
15 got today. This is obviously a very serious
16 and complicated matter, so it would really be
17 helpful if we could get the testimony with a
18 little more advance, okay?

19 First, how many Tax Increment
20 Financing districts or proposals has the City
21 put forward and have been completed?

22 MR. CUORATO: Total, Councilman?

23 COUNCILMAN NUTTER: Yes.

24 MR. RHOADS: The City Council has
25 approved, I believe, 26 TIF districts of which

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2 we've settled on about 9, 9 or 10.

3 COUNCILMAN NUTTER: So what is it,
4 26 and 9?

5 MR. RHOADS: Correct.

6 COUNCILMAN NUTTER: And the others
7 are in some state of still discussion or
8 trying to move along or --

9 MR. CUORATO: That's correct.

10 COUNCILMAN NUTTER: And I thought I
11 heard some discussion earlier about a variety
12 of analyses that may have been done. I may
13 have missed this, so I apologize.

14 Was there a report done on the
15 potential impact of this proposal or, in the
16 alternative, the impact on other venues by
17 this project, and was that work done by
18 Econsult Corporation?

19 MR. CUORATO: Yes.

20 COUNCILMAN NUTTER: Do you have a
21 copy of that report?

22 MR. CUORATO: Yes, Councilman, we
23 do.

24 COUNCILMAN NUTTER: Have you handed
25 it out?

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2 MR. CUORATO: We have not. We used
3 the conclusions of that report in our
4 presentation to the Council.

5 COUNCILMAN NUTTER: You did what?

6 MR. CUORATO: We took in the
7 conclusions of that report and used it in our
8 presentation to Council in our testimony,
9 which can be summed up by saying that
10 Philadelphia can support another performance
11 venue of this type. But we can certainly make
12 the report available.

13 COUNCILMAN NUTTER: Well, I can
14 appreciate your summation, but do you have a
15 copy with you?

16 MR. CUORATO: We do, Councilman.

17 COUNCILMAN NUTTER: Madam Chair,
18 could we try to make arrangements to have
19 copies of the report given out to the Members?

20 COUNCIL PRESIDENT VERNA: Certainly.

21 COUNCILMAN NUTTER: The project is a
22 total of -- is it 33 or \$34 million?

23 MR. CUORATO: Thirty-three.

24 COUNCILMAN NUTTER: And the
25 breakdown on that is \$11 million from Clear

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2 Channel?

3 MR. CUORATO: Correct.

4 COUNCILMAN NUTTER: The TIF is how
5 much?

6 MR. CUORATO: With the amusement tax
7 included, 6.4 million.

8 COUNCILMAN NUTTER: And then the TIF
9 note is?

10 MR. CUORATO: 6.4 million.

11 COUNCILMAN NUTTER: That's the TIF
12 note. I'm sorry.

13 And then what are the other --
14 what's the rest of the sources?

15 MR. CUORATO: There's an additional
16 equity investment by the developer for the
17 land. So beyond the \$11 million equity
18 investment of Clear Channel, there is a \$4.6
19 million investment by the developer for the
20 land. And then the balance is a grant -- the
21 balance in the amusement tax scenario, the
22 balance of \$11.1 million we hope to secure
23 from the State Redevelopment Capital
24 Assistance Program.

25 COUNCILMAN NUTTER: And has that

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2 been approved?

3 MR. CUORATO: It has not.

4 COUNCILMAN NUTTER: There's an
5 application?

6 MR. CUORATO: Yes.

7 COUNCILMAN NUTTER: Is that a part
8 of the larger discussions going on in
9 Harrisburg?

10 MR. CUORATO: Yes, Councilman, it
11 is.

12 COUNCILMAN NUTTER: Now what was the
13 sale price of Boyd?

14 I'm not actually old enough to know
15 it as the Boyd; I know it as the Sam Eric.

16 MR. CUORATO: So do I, Councilman.

17 COUNCILMAN NUTTER: Councilman
18 DiCicco states for the record that he is old
19 enough to have called it Boyd.

20 (Laughter.)

21 COUNCILMAN NUTTER: I'm only going
22 back as far as the Sam Eric. I did see the
23 movie "Rollerball" there. It was a great
24 performance in its premier.

25 What was the sale price?

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2 MR. CUORATO: \$3.8 million.

3 COUNCILMAN NUTTER: Let's talk a
4 little bit about the project summary for a
5 second. Now, what is the -- from your
6 perspective at least, what's the primary
7 difference between the document we received a
8 couple months ago and the document we received
9 yesterday?

10 MR. CUORATO: I did in my testimony
11 just make reference to the changes. I'll
12 summarize them very quickly, Councilman.

13 The designation of the developer was
14 clarified. It is an affiliate of the
15 Goldenberg Group.

16 The TIF boundaries, the boundaries
17 of the actual district --

18 COUNCILMAN NUTTER: I'm sorry, Mr.
19 Cuorato. What does that mean? In the first
20 Project Plan we received, it was the
21 Goldenberg Group; and now in the second one,
22 there's an affiliate situation?

23 MR. CUORATO: That's correct.

24 COUNCILMAN NUTTER: Does that entity
25 have a name?

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2 MR. RHOADS: Excuse me. The first
3 plan that was circulated named a specific
4 affiliate of the Goldenberg Group. And so
5 what the revised plan says is just that it
6 will be an affiliate of the Goldenberg Group.

7 COUNCILMAN NUTTER: So you're
8 telling me we went from a named entity to an
9 un-named entity?

10 MR. RHOADS: That's right. So
11 there's no reason to unnecessarily create a
12 box there.

13 COUNCILMAN NUTTER: Create a?

14 MR. RHOADS: A box. To name a named
15 entity and then find that it ultimately ends
16 up being a different affiliate.

17 COUNCILMAN NUTTER: Okay. Any other
18 differences?

19 MR. CUORATO: Councilman, I'm going
20 to ask Leslie Smallwood from the Goldenberg
21 Group to join us here, if I may. Some of the
22 questions that you're asking, I think Leslie's
23 probably best equipped to answer.

24 Did you need further elaboration,
25 Councilman, on the designation of the

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2 development entity?

3 COUNCILMAN NUTTER: It would be
4 helpful to know who it is that we're dealing
5 with.

6 MS. SMALLWOOD: Currently, the
7 theater is owned by an affiliate of the
8 Goldenberg Group, Chestnut Theater associates.
9 The reason why we made that revision, we
10 wanted to have the capability of creating a
11 new entity because the actual structure of the
12 deal that we have created is possibly a joint
13 venture with Clear Channel, so we wanted to
14 have the capability of creating a new entity
15 forming that.

16 COUNCILMAN NUTTER: And what's the
17 status of that?

18 MS. SMALLWOOD: Actually, that is
19 pretty much done. We have just not
20 established the actual new entity. So we
21 wanted to have the possibility and the
22 capability of being able to do that. But the
23 actual deal is structured and has been
24 established.

25 COUNCILMAN NUTTER: But you're

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2 saying that we don't know the name yet?

3 MS. SMALLWOOD: Not currently, no.

4 COUNCILMAN NUTTER: Who will run
5 this entity?

6 MS. SMALLWOOD: It will be jointly
7 ran by the Goldenberg Group -- well, jointly
8 owned by the Goldenberg Group and Theater
9 Management Group, which is a subsidiary of
10 Clear Channel. But it will be operated and
11 managed by Theater Management Group.

12 COUNCILMAN NUTTER: So it's going to
13 be owned by?

14 MS. SMALLWOOD: The Goldenberg Group
15 or Chestnut Theater Associates, which is an
16 affiliate of the Goldenberg Group. And it
17 will also be jointly owned by Theater
18 Management Group, which is a subsidiary of
19 Clear Channel.

20 COUNCILMAN NUTTER: I don't mean to
21 be difficult, which will be a surprise to
22 some, but just one more time take me through
23 the structure.

24 MS. SMALLWOOD: Sure. The theater
25 is currently owned by Chestnut Theater

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2 Associates, which is an affiliate of the
3 Goldenberg Group. Through our negotiations
4 with the Theater Management Group, it has been
5 decided that --

6 COUNCILMAN NUTTER: Theater
7 Management Group which is a subsidiary of
8 Clear Channel.

9 MS. SMALLWOOD: Clear Channel,
10 correct. That the actual theater will be
11 jointly owned by either them purchasing into
12 the existing affiliate, Chestnut Theater
13 Associates or we might create a new entity
14 that would be jointly owned by Chestnut
15 Theater Associates and the Theater Management
16 Group.

17 COUNCILMAN NUTTER: But at moment,
18 we don't have all the details of that and you
19 could not tell me, for instance, what
20 individuals were playing what role?

21 MS. SMALLWOOD: I would not be able
22 to give you those details. The negotiations
23 were actually very extensive and just recently
24 concluded. So that particular entity has not
25 yet been created and technically formed.

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2 COUNCILMAN NUTTER: Okay.

3 Mr. Cuorato, has the School District
4 conducted their part of the sign-off on the
5 project?

6 MR. CUORATO: No, Councilman. We're
7 expecting that to occur this evening. They're
8 scheduled to meet at 6 o'clock to consider
9 this. And we will be there and hopefully, if
10 they approve it, it will fulfill a requirement
11 that School Board approval be obtained on or
12 before the day of the City Council public
13 hearing.

14 COUNCILMAN NUTTER: And what is the
15 net revenue impact to the School District?
16 Knowing the Project Plan, it talks about
17 revenues that the District will get as a
18 result of the base that's established when you
19 establish a TIF, but we've had discussion back
20 in the regular hey day of the bulk of the TIFs
21 we did were in a relatively short period of
22 time, so you have me at a little bit of a
23 disadvantage because we haven't done one in a
24 couple years, seems like.

25 MR. CUORATO: The number of TIFs

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2 that have been requested is far less than what
3 it used to be. I think that's primarily a
4 function of the fact that most developers are
5 using the 10-year real estate tax abatement.
6 We just did -- Progress Plaza is the most
7 recent one that I can recall. But other than
8 that, you're right, Councilman.

9 COUNCILMAN NUTTER: So I'm a little
10 rusty on my TIF stuff, so don't take advantage
11 of me under the circumstance.

12 What is the difference between what
13 the District would receive if the project were
14 developed without a TIF versus what the
15 district would receive if the project is
16 developed with a TIF? Something we used to
17 call the TIF differential.

18 MR. CUORATO: The School District
19 would receive --

20 MR. RHOADS: I'm not sure that this
21 is answering your question. The way the
22 numbers are projected in the plan is it
23 looks --

24 COUNCILMAN NUTTER: I'm sorry.

25 MR. RHOADS: The presentation in the

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2 Project Plan looks at what would the school
3 District receive if there were no development
4 in the District versus what will it receive if
5 there is development.

6 COUNCILMAN NUTTER: I understand
7 that, and I did find that intriguing. I was
8 going to ask you about that.

9 I mean, the assumption is that there
10 would be no development of that site for 20
11 years. I mean, is that really realistic at
12 19th and Chestnut, given the nature of that
13 location, the building in question?

14 Again, I understand the "save the
15 Boyd, save the Sam Eric," and I'd like to save
16 the building as well. But for comparison
17 purposes, if we're having a serious
18 discussion, is it really realistic to use as a
19 base of comparison what would happen if there
20 were no development for the next 20 years?

21 MR. RHOADS: I think the question
22 becomes one of what other assumption would you
23 make that would be more or less realistic.
24 And so that has been the assumption that we've
25 used on this, that the TIF is necessary to

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2 make the project go forward.

3 COUNCILMAN NUTTER: I understand
4 that, we can get into that. But why don't we
5 get a number here?

6 COUNCILMAN GOODE: Point of
7 information.

8 COUNCIL PRESIDENT VERNA: The Chair
9 recognizes Councilman Goode for a point of
10 information.

11 COUNCILMAN GOODE: It's a follow-up
12 to what Councilman Nutter is saying. At what
13 point do you decide to use the Tax Increment
14 Financing mechanism as opposed to some other
15 form of public subsidy? Particularly since
16 you haven't even gone to the state yet, don't
17 know what type of flexible funding they may be
18 able to offer.

19 MR. RHOADS: Generally speaking,
20 when a project comes into PIDC, obviously, we
21 take a look at the project and we look at our
22 various -- we identify whether or not we
23 believe there's a financing gap. And if there
24 is a financing gap, we look at what sources of
25 funds we have to close that gap. And we would

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2 view a TIF as the last one we look at.

3 COUNCILMAN GOODE: When you have a 5
4 million or 6.4 million gap?

5 MR. CUORATO: Actually there's a
6 much larger gap. I don't suggest this is an
7 easy project. This is a tough project. We
8 started out with the goal of preserving the
9 theater.

10 To get back to Councilman Nutter's
11 point, we didn't do a scenario and don't have
12 a comparison that says, let's tear the theater
13 down and allow the Goldenberg to build within
14 zoning. The gap is actually --

15 COUNCILMAN NUTTER: Mr. Cuorato, now
16 don't -- I mean, we're having a relatively
17 civil conversation here. I mean, I don't
18 necessarily know that we need to go to the
19 extreme to try to scare anybody. And I know
20 the developer is very serious and took out the
21 permit and all that, but if we're just going
22 to go to the hard baseline of it's this or
23 nothing, that's a tough conversation.

24 MR. CUORATO: Councilman, I was only
25 responding to your question as to whether or

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2 not we had done an analysis or scenario that
3 looked at could there be any development there
4 for the next 20 years.

5 COUNCILMAN NUTTER: And the answer
6 is?

7 MR. CUORATO: No.

8 COUNCILMAN NUTTER: Why?

9 MR. CUORATO: Because our goal for
10 this project was to preserve the theater and
11 come up with a use that we thought would be
12 economically viable and successful.

13 COUNCILMAN NUTTER: And is this the
14 only possible use of this building at that
15 particular location? It's the only thing that
16 we can do?

17 MR. CUORATO: Councilman, I will
18 defer to Leslie on this, but I personally am
19 aware of at least three different attempts
20 that they made to come up with plans for an
21 economically viable reuse of the Sam Eric
22 Theater, and is the only one that has come
23 close to working.

24 COUNCILMAN NUTTER: What were the
25 others?

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2 MS. SMALLWOOD: Historically, the
3 Goldenberg Group has been working on this
4 project almost since the time of acquisition
5 in 1998. Our original approach at this was
6 with the Needer Landers (ph). I believe it
7 was in 1999 or the beginning of 2000. And we
8 did approach the City and we approached the
9 Mayor at that time, Mayor Rendell, and we were
10 met with, obviously, opposition at that point
11 because the focus of attention was the Avenue
12 of the Arts.

13 Obviously, based on the size of this
14 venue, being that it is a 2400-seat theater,
15 we have all acknowledged and accepted the fact
16 that this is not suitable any longer for
17 movies, for first-run movies; it just does not
18 draw those type of numbers and it cannot
19 sustain itself. That's why when Regal
20 Entertainment acquired United Artist they
21 ultimately decided to vacate the premises.

22 So with all this analysis and
23 attending all kinds of conferences and
24 seminars across the nation, and I believe that
25 my learning curve in this industry has been

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2 significant based on my having to work on this
3 project, that changing this into a live
4 entertainment venue is its only practical use
5 at this point. Other than that, we would have
6 to demolish the building.

7 COUNCILMAN NUTTER: The Sam Eric was
8 in its time -- how many theaters were actually
9 in the Sam Eric?

10 I mean, originally, I guess it was
11 one big space. And then was it subsequently
12 chopped up into four or five screens?

13 MS. SMALLWOOD: It actually was not,
14 Councilman. The actual address 1908-1910 is
15 the main theater which is 2400 seats. In the
16 1980s they added three additional small
17 theaters, 1912, 1916, and 1918 to be able to
18 compete with the multiplex phenomena. Those
19 actual theaters seat 333 per theater. And
20 that's where you have the additional three
21 theaters. But the actual main theater has
22 never been broken up or it's original
23 construction has never been impacted.

24 COUNCILMAN NUTTER: Just a last
25 question on the theater issue. How do the

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2 other -- some are independent, but how do some
3 of the other movie theater venues in the City
4 function and survive, whether it's Ritz -- in
5 a variety of theaters they have or even that
6 little small one off of Second Street between
7 -- is it Chestnut and Walnut where the garage
8 is there?

9 I used to go to movies a long time
10 ago. I don't get out much now. It's a world
11 of DVDs. DVDs are wonderful, 5.1 home
12 theater.

13 COUNCILMAN ORTIZ: Madam Chair, if I
14 may.

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

17 COUNCILMAN ORTIZ: You have made
18 quite a few statements, and I want to know
19 where you get the conclusions that you come to
20 in terms of the aspect of theaters and the
21 availability of theater and the ability of new
22 theaters to be able to be profitable up in
23 Chestnut or be in Penn's Landing. Because
24 we've seen many projects come through here
25 that have definitely been based at its core

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2 that with the cine-plex involved within, you
3 had one that Earvin Johnson, Magic, was going
4 to do in North Philly. You had the Simon and
5 so on. So there is, obviously, a grouping of
6 people, a constituency, a market out there for
7 more theaters in the City. And now you say
8 that you have numbers that prove that that
9 would not be competitive up on 19th and
10 Chestnut. And I just would want to know just
11 where you base it from and do you have that
12 economic impact study in writing and if you
13 can make that available to us?

14 MS. SMALLWOOD: Sure. First, if I
15 can distinguish between the two, there is a
16 distinct difference between movie theaters and
17 live entertainment. We have seen over the
18 years a strain on movie theaters because the
19 world of DVDs that Councilman Nutter has
20 mentioned. But what we are focused on at 19th
21 and Chestnut is the live entertainment
22 component or aspect of the entertainment --

23 COUNCILMAN ORTIZ: You made a
24 statement before, though, that you've come to
25 the conclusion that it would not be profitable

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2 to have a theater at Sam Eric because the
3 market wasn't there. However, we have had
4 proposals presented to this Council over the
5 years in which cine-plexes where the core that
6 was going to be developed and everything was
7 going to developed around it. So those two
8 statements about whether there's a market are
9 contradictory. In one, the City comes before
10 us, says, "we need a TIF for building the
11 cine-plex." You come before us and say there
12 is no market for a cine-plex up at 19th and
13 Chestnut.

14 COUNCILMAN NUTTER: Point of
15 information for Councilman Cohen.

16 COUNCILMAN COHEN: The Law and
17 Government Committee was scheduled to meet at
18 3 o'clock today. It's already almost 3:30.
19 There were some witnesses coming that came out
20 of town. We promised them they would be heard
21 promptly so they get back to their original
22 area. I was wondering if it was possible to
23 postpone this for a brief time, at least to
24 have those witnesses heard? It's going to be
25 very difficult to reschedule it. This is a

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2 hearing on the campaign bills.

3 COUNCIL PRESIDENT Verna: We've had
4 a number of people also waiting from the list
5 that I see before me.

6 COUNCILMAN COHEN: This is just the
7 first set of witnesses and apparently there
8 are going to be many more on this bill. Many
9 Councilmembers have not been heard on the Sam
10 Eric.

11 COUNCIL PRESIDENT Verna: Councilman
12 Cohen, are you asking that we recess so that
13 on your Committee only the people that are
14 from out of town could testify?

15 COUNCILMAN COHEN: Yes.

16 COUNCIL PRESIDENT Verna: And then
17 you would continue your hearing so that we go
18 back to our hearing?

19 Councilman Clarke.

20 COUNCILMAN CLARKE: Point of
21 information, Madam President. Madam
22 President, I have to think that the campaign
23 finance bills, that particular hearing will be
24 at least as lively as this one, if not more
25 so. To suggest somehow there was going to be

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2 limited discussion on two bills, looking at
3 the press box over there, I anticipate that
4 there will be a substantial amount of
5 discussion. I understand that my good friends
6 in the press box love culture, but I have to
7 think that some of their interest lies within
8 the campaign finance bills. So frankly
9 speaking, I don't think that that particular
10 hearing could be done in 15 or 20 minutes.

11 COUNCIL PRESIDENT VERNA: I would
12 agree.

13 I think we ought to go on, please.

14 Councilman Nutter, do you mind if we
15 recognize some Councilmembers on the first
16 go-around and then we can come back to you if
17 you have other questions?

18 COUNCILMAN NUTTER: Madam President,
19 I would never mind that; you know that. But
20 if you would let me ask one question, I'll go
21 away for a while.

22 COUNCIL PRESIDENT VERNA: Okay.
23 That is a promise, is it not?

24 (Laughter.)

25 COUNCILMAN NUTTER: Well, Madam

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2 President, that was a political promise.

3 (Laughter.)

4 COUNCILMAN NUTTER: Subject to
5 change at any time.

6 The question is, we're having a
7 money discussion which, you know, at the end
8 of day I always like having a money
9 discussion. Not that I have any, but I do
10 love money.

11 Your partner is Clear Channel; is
12 that my understanding?

13 MS. SMALLWOOD: That is correct.

14 COUNCILMAN NUTTER: The issue here
15 is how do we save the building and have
16 another use? And you could generally ask the
17 question why does it have to be a theater, but
18 I'll torture you with that later.

19 Clear Channel in a press release
20 from their website on November 4th today
21 reports results from its third quarter and its
22 September 30, 2003. The company's reported
23 revenues of \$2.5 billion for the third quarter
24 increased 9 percent over 2002 revenues of 2.3
25 billion.

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2 They're obviously in for a fair
3 amount already. And I don't mean to spend
4 other people's money, but we're here trying to
5 deal with the public's money. So I guess what
6 I don't understand is if they're already at 11
7 and given the size, apparently, of this
8 company and they believe in the project so
9 deeply they have a variety of
10 entertainment-related talent that they, I
11 guess, utilize and place in the facilities
12 that they run and operate, why don't they fill
13 the gap? Why is the government being asked to
14 fill this gap? I mean, we should be borrowing
15 money from them. Their revenues outstrip ours
16 about four times.

17 MS. SMALLWOOD: Councilman Nutter,
18 if you would not mind, I'd like to defer David
19 Anderson who is here from Clear Channel who
20 could answer that question himself.

21 COUNCILMAN NUTTER: I think the
22 young lady gets the award for the smoothest
23 handoff I ever seen in the Olympics. It was
24 very smooth.

25 COUNCILWOMAN VERNA: Is Mr. Anderson

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2 in the room?

3 MS. SMALLWOOD: Yes.

4 COUNCIL PRESIDENT VERNA: Please
5 identify yourself for the record.

6 MR. ANDERSON: I am that Mr.
7 Anderson. My name is David Anderson and I am
8 the President of the Theater Management
9 Division of Clear Channel Entertainment. I
10 did not bring my checkbook, I'm afraid to tell
11 you.

12 We are a very eager investor in
13 public assembly facilities around the country.
14 From the theatrical standpoint, we currently
15 operate 16 and we are in the development
16 process construction of two other major
17 projects, one in Baltimore and one in Boston.
18 We do contribute significant amounts of our
19 own capital to those projects. But
20 invariably, the cost of the construction, the
21 renovation, the restoration, whatever level of
22 new theaters is going to result in far
23 outstrips the ability of a commercial
24 developer or commercial operator to justify it
25 as an investment. We are a public company.

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2 We have an obligation to our shareholders. I
3 hope many of you are shareholders.

4 COUNCILMAN NUTTER: We probably
5 can't afford to be.

6 MR. ANDERSON: You listen to the
7 radio stations, though, so you're customers of
8 Clear Channel and we're all grateful.

9 There is a very practical criterion
10 for return on investment. And an \$11 million
11 investment by Clear Channel is a very
12 significant commitment on our part to the
13 Philadelphia market and to the development of
14 this particular project. We're proud of our
15 ability to write that kind of a check, but
16 there is a point beyond which the economics of
17 a theater project are more expensive than what
18 the return that a commercial company like
19 Clear Channel can, in fact, justify.

20 The theater in Baltimore, the
21 project in Baltimore that is actually set to
22 open in February, it's been almost five years
23 in development now. Really, when you go
24 through the process from the very beginning,
25 it's almost 10 years in development. It's

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2 about a \$65 million project. Clear Channel
3 has invested almost \$10 million of that 65.
4 The balance is coming from state, county, city
5 and local not-for-profit investment as well as
6 federal historic tax credits. It is a public
7 private partnership in the truest sense. The
8 market in Baltimore, we expect to sustain the
9 investment that Clear Channel is putting into
10 that project.

11 Likewise, in Philadelphia, the
12 public private partnership is an integral part
13 of the financing plan. And without the
14 commitment from the public sector to go along
15 side of the investment that Clear Channel is
16 making, not only in up-front money, but
17 assurances that there is never going to be a
18 request for subsidy for operating expenses as
19 we move on down the road, those commitments by
20 Clear Channel in combination with the public
21 sector, the State and the City, I think are a
22 winning project for all of us.

23 COUNCILMAN NUTTER: Okay. You'll be
24 able to answer some other questions.

25 Thank you, Madam President.

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2 COUNCIL PRESIDENT Verna: You're
3 welcome.

4 The Chair recognizes Councilwoman
5 Brown.

6 COUNCILWOMAN BROWN: Thank you,
7 Madam President.

8 Mr. Cuorato, good afternoon. My
9 question is actually a follow-up to Councilman
10 Nutter's question regarding our School
11 District because I don't think I heard an
12 answer. And if we would replay this
13 afternoon, you mentioned that you disputed a
14 number of assertions in Mr. Saidel's letter.
15 If we look to Paragraph No. 3 which says,
16 "Despite this increase in local public money
17 requested in the Project Plan and decline in
18 tax revenue, that will accrue to the School
19 District and the City," can you state for the
20 record what the impact of this transaction
21 will have on the School District? I don't
22 recall hearing an answer to that.

23 MR. RHOADS: A couple of things --

24 COUNCIL PRESIDENT Verna: Please
25 identify yourself for the record.

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2 MR. RHOADS: My name is Sam Rhoads.

3 The change to which the Controller
4 is referring to in the November 19th letter
5 does not impact -- there is no change to the
6 impact to the benefit to the School District
7 of the change.

8 In terms of your underlying
9 question, what is the benefit to the School
10 District, we project that the School District
11 will net \$4.2 million over 20 years as a
12 result of this project and that that
13 represents a net gain over what they would
14 otherwise get of 2.8 million net new dollars
15 to the School District.

16 COUNCILWOMAN BROWN: You're
17 referring to Page 2 of your testimony,
18 correct?

19 MR. CUORATO: Page 2 of the Project
20 Plan.

21 COUNCILWOMAN BROWN: Now, you
22 mentioned this new phenomena called TIFing.
23 If that happens, will that have an additional
24 negative or positive impact on the anticipated
25 revenues to the School District?

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2 You mentioned TIFing of amusement
3 taxes, which is a new phenomena since I've
4 been here. So will there be any impact on the
5 School District should that come to pass?

6 MR. CUORATO: No, there will be no
7 effect on School District revenues.

8 COUNCILWOMAN BROWN: Could this
9 possibly increase the revenues to the School
10 District should the State approve this?

11 MR. CUORATO: No portion of the
12 amusement tax goes to the School District.

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

15 COUNCIL PRESIDENT Verna: You're
16 welcome.

17 The Chair recognizes Councilwoman
18 Tasco.

19 COUNCILWOMAN TASCO: Good afternoon.
20 Page 2 of the Project Plan, just for the
21 record, I'd like for you walk me through and
22 explain to me the tax revenues. Where it
23 says, "Real estate taxes assume a base market
24 value for real estate tax assessment..." blah,
25 blah, blah, and you have a base line. All of

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2 the real estate will -- explain that to me.
3 Explain the bottom of Page 2 of the Project
4 Plan.

5 MR. RHOADS: All we're trying to
6 establish is that currently the market value
7 of the district for tax purposes is two and a
8 half million dollars. We expect that after
9 the substantial investment in renovation and
10 expansion of the building that the market
11 value of that project will be \$13.8 million.
12 So all we're doing is describing the increase
13 to the market value of that project as a
14 result of the investment.

15 COUNCILWOMAN TASCO: And the two
16 million would still go to the School District?

17 MR. RHOADS: That's correct. The
18 base value of that, the taxes associated with
19 that two and a half million dollars would
20 continue to be split as they are today between
21 the School District and the City General Fund.
22 The City General Fund plus or minus 45 percent
23 of the real estate tax, and the School
24 District gets plus or minus 55 percent.

25 COUNCILWOMAN TASCO: I guess my

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2 question is, as a result of the project, there
3 will be no increase to the School District?

4 MR. RHOADS: Not from real estate
5 taxes. The increase to the School District
6 will come from use and occupancy taxes, which
7 there are currently no use and occupancy taxes
8 paid on the project. So what Council is being
9 asked to approve here is a pledge of 50
10 percent of the use and occupancy taxes towards
11 this project so the School District will get
12 the other 50 percent. Those are net new
13 revenues to them. In addition, liquor will be
14 sold in the theater and what's called liquor
15 by the drink tax is pledged to the School
16 District and they will get those net new
17 revenues. So those net new revenues in
18 addition to continuing to collect what they
19 collect today from the vacant building adds up
20 to the \$4.2 million.

21 COUNCILWOMAN TASC0: Okay. So if
22 the building were -- I thought it was a
23 historic building, but I understand that it
24 can now be demolished?

25 MS. SMALLWOOD: It is currently not

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2 locally designated, so it could be demolished,
3 yes.

4 COUNCILWOMAN TASC0: If we don't
5 have anything there, we don't get anything,
6 right?

7 MS. SMALLWOOD: Correct

8 COUNCILWOMAN TASC0: Nothing, we get
9 nothing.

10 MS. SMALLWOOD: Correct.

11 COUNCILWOMAN TASC0: So after 20
12 years, all of the taxes and all of the sales
13 tax and all the taxes that you would dedicate
14 to the TIF loan would go to the School
15 District or go to the City.

16 MR. RHOADS: That would be right.
17 When the TIF District terminates, all of it
18 would go to the General Fund, into the School
19 District, or sooner should the TIF note burn
20 off early, which is possible.

21 COUNCILWOMAN TASC0: Now, what
22 happens -- I know there are a number of
23 partners in this project. What happens if
24 they decide to pull out of this deal? Who is
25 held responsible for the TIF repayment? Does

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2 it follow the -- is the TIF the building or
3 the TIF the developer. Who pays if something
4 happens to this developer?

5 MS. SMALLWOOD: Ultimately, the
6 responsibility would go to the owner of the
7 building.

8 COUNCILWOMAN TASC0: So the new
9 owner?

10 MS. SMALLWOOD: Correct.

11 COUNCILWOMAN TASC0: So when you
12 negotiate a sale, all the responsibility and
13 obligation is transferred to the new owner?

14 MS. SMALLWOOD: Correct.

15 COUNCILWOMAN TASC0: Is there any
16 point where we're ever left holding the bag?

17 MR. RHOADS: No, Councilwoman.

18 COUNCILWOMAN TASC0: I note we have
19 gotten some letters of concern about the
20 competition of the venue. Would you not be
21 concerned about competition also? Are all of
22 our theaters in the area thriving to the point
23 that we need another production facility?

24 MS. SMALLWOOD: Those concerns have
25 been expressed to the Goldenberg Group, and

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2 that is one of the reasons why we had Econsult
3 Corporation do an impact study in reference to
4 this project and how it would affect existing
5 theaters.

6 Based upon the findings of that
7 report, as well as actual conversations with
8 other operators, we feel as if this will not
9 negatively impact on existing theaters, that
10 the existing demand can support it and that it
11 will actually enhance and help the performing
12 arts community to grow and will also help the
13 City to continue its actual initiative to
14 become a destination City.

15 There are people here that are
16 willing and able to testify on how these type
17 distinct venues, these historical theaters
18 after being renovated and restored have served
19 dynamic impacts and effects on existing
20 performing arts communities as well as the
21 economic revitalization and development in the
22 areas in which they sit.

23 COUNCILWOMAN TASC0: And one last
24 question for me. Would you maintain the
25 decor? I believe it's the art deco that is so

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2 passionately felt by the supporters?

3 MS. SMALLWOOD: If we didn't, I
4 think Howard Hass would personally slay me.

5 (Laughter.)

6 MS. SMALLWOOD: But, yes, part of
7 our funding is actually historical tax
8 credits, and there are certain standards that
9 we have to withhold that are set by the
10 Department of Interiors and the National Park
11 Service. And based on those standards, we
12 have to do a certain level of restoration to
13 be able to achieve that funding. So it is our
14 absolute goal to be able to do a full
15 restoration and renovation and maintain all of
16 the art deco glory that originally existed in
17 the theater. We have a dynamic team of people
18 that have come down and are ready to work on
19 this project, esteemed people like Evergreen
20 Studios that does conservation and restoration
21 projects across the nation in regards to paint
22 restoration. We have architects that are well
23 versed on this type of restoration projects.
24 And Keiss, Strong, Colidner (ph), which is
25 actually the original architects that prepared

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2 the application for the Federal Historic Tax
3 District is preparing our application for
4 those tax credits. So, yes, it is absolutely
5 our goal and objective.

6 COUNCILWOMAN TASCO: Just as an
7 aside, I had my first date with my first
8 husband at that theater years ago.

9 (Laughter.)

10 COUNCILWOMAN TASCO: Thank you,
11 Madam President.

12 COUNCIL PRESIDENT VERNA: The Chair
13 recognizes Councilman Rizzo.

14 COUNCILMAN RIZZO: Thank you, Madam
15 President.

16 I have a question for Mr. Cuorato.
17 I believe I understand it's a very basic
18 issue, but I think for the record it's
19 important.

20 The TIF itself and the use change,
21 if any use change would occur, the TIF is
22 basically canceled; is that correct?

23 Could you just for the record state
24 if, in fact, the TIF is implemented, what
25 exactly would happen if the developer would

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2 decide to shift gears and do something
3 different than the TIF would authorize?

4 MR. CUORATO: Councilman, just so I
5 understand your question, it's if the
6 developer changes the use of the property?

7 COUNCILMAN RIZZO: Let's say the TIF
8 is granted. Three or four months from now the
9 project doesn't become exactly what we had in
10 mind here. What happens to the TIF?

11 MR. CUORATO: Councilman, the TIF
12 agreement specifies the use so that will be
13 agreed to up front by the City and the
14 developer, so no change would be permitted.

15 COUNCILMAN RIZZO: In other words,
16 it's a black-and-white issue? In other words,
17 if it deviates even a little bit from what is
18 presented, it is --

19 MR. CUORATO: It will not be
20 permitted.

21 COUNCILMAN RIZZO: Okay. Thank you.

22 Thank you, Madam President.

23 COUNCIL PRESIDENT VERNA: You're
24 welcome.

25 The Chair recognizes Councilman

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2 Clarke.

3 COUNCILMAN CLARKE: Thank you, Madam
4 President.

5 Good afternoon. I just wanted to
6 follow-up on a question by Councilwoman Tasco
7 with respect to this particular venue, the
8 need to have additional venues. Can you
9 briefly go through some of the other
10 comparable municipalities and the number of
11 like type of theaters or operations that they
12 have? Obviously, we know what's going on in
13 New York, but some of the other municipalities
14 that you wouldn't ordinarily think that there
15 were these types of venues. Can you just
16 briefly run through those? Tell us where we
17 are as a City.

18 MS. SMALLWOOD: I would like to be
19 very -- I don't know what Councilman Nutter
20 said, but I'd like to pass this off also. We
21 have people here that are much more well
22 versed in that than I think either myself or
23 Mr. Cuorato. So I would like to recognize, if
24 I can, Craig Morrison or Adrian Fine from the
25 National Trust who I think can speak to that.

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2 MR. CUORATO: Just so we understand
3 your question, because I think Leslie and I
4 may have had a different understanding. Were
5 you talking about situations in other cities
6 where renovations such as this --

7 COUNCILMAN CLARKE: No, no.
8 Existing venues. Some of the residents and
9 actually some of the constituents that I
10 represent had some concerns about another
11 theater coming in and the competitive nature
12 of that theater. And I would just like to get
13 a sense of other municipalities, how many they
14 have, where Philadelphia ranks within those
15 top ten municipalities.

16 MR. CUORATO: I understand.
17 Councilman, I just respectfully will just
18 modify Leslie's comment. I think that David
19 Anderson from Clear Channel is best able to
20 answer that, because they have experience in
21 so many other cities.

22 COUNCILMAN CLARKE: Whoever you need
23 at the table is fine with me.

24 COUNCIL PRESIDENT VERNA: Mr.
25 Anderson, again, I would ask you to identify

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2 yourself, please.

3 MR. ANDERSON: My name is David

4 Anderson and I am with Clear Channel's Theater

5 Management Division. I just did a little bit

6 of quick comparison again. We run theaters in

7 11 cities. We have 16 theaters. Several of

8 them are in major cities like Philadelphia

9 with a significant number of competitive

10 venues.

11 For example, in the City of Boston

12 there are currently five theaters that --

13 there's lots of different ways to categorize

14 them, but for the purpose of this comparison,

15 I'm talking about theaters that are capable of

16 hosting touring Broadway attractions. So this

17 doesn't count a theater that is a local

18 theater, resident company. It doesn't count a

19 venue that is exclusively a symphony hall, but

20 a theater that's a multi-purpose venue that is

21 capable of hosting touring Broadway.

22 The City of Boston currently has

23 five such venues. And when the Opera House

24 opens in July of this coming year, it will

25 have six.

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2 In Cleveland, with Playhouse Square
3 Foundation and two other theaters that
4 surround Playhouse Square, there are six
5 venues that are capable and actively do
6 present touring Broadway as well as a wide
7 range of performing arts attractions.

8 In Minneapolis, St Paul, which is a
9 far smaller market than Philadelphia, there
10 are five venues that host touring Broadway,
11 dance, and local and regional performing arts.

12 The City of Houston has four,
13 including one that they just opened about a
14 year and a half ago after having spent \$90
15 million, and they are already at the point
16 where there are not enough venues, there are
17 not enough dates and they're looking to how
18 they're going to solve that problem as they
19 move forward.

20 Dallas, Fort Worth, the regional
21 market has five theaters.

22 Washington D.C. has seven venues
23 that are in the same comparable category of
24 multipurpose performing arts venues capable of
25 hosting touring attractions.

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2 And the City of Chicago has and
3 eight.

4 Philadelphia has currently three
5 that fall into the same category. Again, if
6 you start adding smaller theaters or
7 specifically symphony theaters -- that doesn't
8 count the Kimmel Center, for example. But it
9 has three that are in this same category.

10 COUNCILMAN CLARKE: At the end of
11 the day, we're pretty low on the list.

12 MR. ANDERSON: Way, way below what
13 you would expect a market of this size to be
14 able to tolerate and to be able to encourage.

15 COUNCIL PRESIDENT VERNA: Councilman
16 Goode, you want to be recognized?

17 COUNCILMAN GOODE: Thank you, Madam
18 Chair. Just a point of information. Are all
19 those venues public/private partnerships?

20 MR. ANDERSON: No, certainly not.
21 Not all of them. Many of them are. Chicago,
22 for example --

23 COUNCILMAN GOODE: What percentage
24 of them are public/private partnerships?
25 Because you're here asking for the use of

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2 public tax dollars, so I'm not sure how
3 relevant it is particularly if you're saying
4 we're nowhere near the saturation point in
5 terms of the market. Wouldn't the market
6 definitely be able to support this in terms of
7 public/private financing then?

8 MR. ANDERSON: Well, the City of
9 Houston who just developed the new Hobby
10 Center currently sustains its existing
11 performing arts facilities with a subsidy of
12 almost \$3 million a year. So --

13 COUNCILMAN GOODE: I'm talking about
14 in terms of development of the sites.

15 MR. ANDERSON: The City was a
16 partner in the development of the Hobby Center
17 along with the local not-for-profits

18 COUNCILMAN GOODE: Out of all of the
19 different venues you named, you can't tell me
20 how many of them are public/private
21 partnerships?

22 MR. ANDERSON: I could, given some
23 time. I can't tell you off the top of my
24 head.

25 COUNCILMAN GOODE: Can you tell me

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2 of your knowledge of those venues how many
3 sought out philanthropic support before they
4 came for public tax dollars?

5 MR. ANDERSON: My most recent
6 experience in Baltimore, it was all done
7 simultaneously, the state, the city, the
8 philanthropic community, and the for-profit
9 community all came together.

10 COUNCILMAN GOODE: How many of them
11 utilized Tax Increment Financing?

12 MR. ANDERSON: You know what?
13 That's a good question. I don't know.

14 COUNCILMAN GOODE: How many of them
15 determined the level of local public subsidy
16 even before they sought out philanthropic
17 support?

18 MR. ANDERSON: Oh, I think most of
19 them do that. The philanthropic support
20 typically comes at the end because the private
21 developer --

22 COUNCILMAN GOODE: Well, according
23 to Mr. Rhoads, the TIF financing comes at the
24 end, the TIF mechanism comes at the end.

25 MR. ANDERSON: When you're looking

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2 to raise private funds, when you're going to
3 wealthy foundations or corporations or private
4 individuals, they typically want to know that
5 the money that they're putting there is going
6 to be -- it's part of the project that's going
7 to happen.

8 COUNCILMAN GOODE: This project is
9 already going to be supported potentially by
10 HUD 108 dollars, potentially by state dollars.
11 Before there would be the use of Tax Increment
12 Financing, wouldn't you seek out philanthropic
13 support first?

14 In the end, I'm really trying to
15 figure why this is a public/private
16 partnership and does it have to be a
17 public/private partnership?

18 MR. ANDERSON: My experience around
19 the country in doing this is that very few
20 ever work without significant public sector
21 support.

22 COUNCILMAN GOODE: See, you can't
23 have it both ways. You can't say that the
24 market in Philadelphia, the greater
25 Philadelphia region is nowhere near saturated

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2 and then at the same time say that you're at
3 the point where you need public support this
4 early. You can't have it both ways.

5 MR. ANDERSON: What I can tell you
6 is that performing arts in general is not like
7 professional sports.

8 COUNCILMAN GOODE: Why not just
9 knock it down?

10 MR. ANDERSON: Why not knock it
11 down?

12 COUNCILMAN GOODE: And develop
13 something else?

14 MR. ANDERSON: I don't own it.

15 COUNCILMAN GOODE: So you were
16 essentially asked for your portion of the
17 money, not necessarily asked on how the deal
18 should be structured?

19 MR. ANDERSON: My business is
20 performing arts venues, it is saving,
21 restoring, redeveloping and operating
22 multipurpose performing arts theaters. Of the
23 16 that operate, 14 are historic movie palaces
24 that have been reclaimed. It is a very
25 important part of our past.

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2 COUNCILMAN GOODE: You would agree
3 then if the answer to the question of why not
4 knock it down is for the preservation of a
5 cultural site that if we sought out
6 philanthropic support early on, we might be
7 able to answer Councilman Nutter's question of
8 how much money the School District would have
9 over the next 20 years.

10 MR. ANDERSON: I think it's not a
11 fair question. I can't tell you what the
12 not-for-profit philanthropic support for such
13 a project would be. I don't know --

14 COUNCILMAN GOODE: Yet you can say
15 that we should be taking money away from
16 school children over the next 20 years or else
17 the project won't happen.

18 MR. ANDERSON: I'm the wrong person
19 to answer those questions.

20 COUNCILMAN ORTIZ: Madam Chair, if I
21 may, point of information.

22 COUNCIL PRESIDENT VERNA: Councilman
23 Ortiz.

24 COUNCILMAN ORTIZ: Mr. Anderson,
25 that's your name, right?

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2 MR. ANDERSON: Yes, sir.

3 COUNCILMAN ORTIZ: You represent
4 Clear Channel, right?

5 MR. ANDERSON: Yes, sir.

6 COUNCILMAN ORTIZ: What's your
7 position at Clear Channel?

8 MR. ANDERSON: I run the Theater
9 Management Division of Clear Channel
10 Theatrical.

11 COUNCILMAN ORTIZ: What's your
12 title?

13 MR. ANDERSON: I'm the President of
14 the Theater Management Division.

15 COUNCILMAN ORTIZ: And Councilman
16 Nutter said that in the quarter you had
17 earnings of \$2.5 billion?

18 MR. ANDERSON: Most of that's radio.
19 That's way beyond my knowledge.

20 COUNCILMAN ORTIZ: But that's Clear
21 Channel?

22 MR. ANDERSON: The corporation,
23 absolutely.

24 COUNCILMAN ORTIZ: Because I keep
25 hearing the word philanthropic here, and

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2 you're not a philanthropic institution, are
3 you?

4 MR. ANDERSON: We are making an
5 investment, a capital investment in a business
6 venture.

7 COUNCILMAN ORTIZ: And what are your
8 projected profits over the extent of the deal?

9 MR. ANDERSON: What are my
10 projections?

11 COUNCILMAN ORTIZ: Yes. What are
12 your projected profits out of this deal?

13 MR. ANDERSON: I'm not in a position
14 to go into detail on that, but I can tell you
15 that we have a very strict criterion for
16 return on investment. And we're making an \$11
17 million investment in this project.

18 COUNCILMAN ORTIZ: So what is that
19 criteria? Can you let us know what --
20 because, obviously, within that criteria, you
21 have to have some understanding or some idea
22 of how much return you're going to get on that
23 and the stockholders are going to get on that
24 \$11 million; is that not so?

25 MR. ANDERSON: Absolutely.

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2 COUNCILMAN ORTIZ: So can you give
3 us an idea of when you sit down and you say,
4 you know, this is project here that we can get
5 the State to give so much, the City to give so
6 much, and we can and the stockholders in the
7 company can come away or the project of the
8 year with so much profit? You must have that.

9 MR. ANDERSON: I have a
10 projection --

11 COUNCILMAN ORTIZ: So can you --

12 MR. ANDERSON: What difference does
13 it make in this discussion?

14 COUNCILMAN ORTIZ: It's because it's
15 taxpayers' money. You see, capitalism is
16 fantastic when you can use the City's and
17 taxpayers' money to make the profits. It's
18 good and I'm not against it. But I just want
19 to know -- what does it have to do? It has to
20 do that City taxpayers, the School Board, the
21 state monies and so on are all coming out of
22 the citizens of Philadelphia and Pennsylvania.
23 The word philanthropic is getting thrown
24 around as if this is a philanthropic thing
25 that you guys are doing. And I just want to

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2 know -- and I want to see it. I want to see
3 before a vote is taken on this what your
4 projections are and how you came -- that
5 criteria you say that you have before you make
6 an investment of this sort. Because we're all
7 here for historical preservation and we don't
8 want that theater to be torn down. But we've
9 also got to see how much of the city
10 taxpayers' or state taxpayers' money is also
11 involved in it and what the return of
12 investment is going to be from this side of
13 the ledger. So I want to know what your
14 criteria is and what your projections are.
15 And if you don't have them now, you can get
16 them to us.

17 MR. ANDERSON: I don't have them
18 with me.

19 MS. SMALLWOOD: If I may interject.
20 The final conclusion in regard to that is
21 based upon the criterion that they've
22 established as a corporate company. We have
23 come to a negotiated agreement as to what,
24 based on their projections, they can commit to
25 this project. In addition -- and I know that

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2 \$11 million is a number that everyone has in
3 their mind -- they have also committed to
4 purchasing the federal tax credits. They have
5 also committed to covering any cost overruns
6 that we might incur.

7 COUNCILMAN ORTIZ: Excuse me.

8 They're committed to purchasing federal tax
9 credits? I don't understand that. You
10 purchase, you go to the federal government,
11 you say, "I want to buy so many tax credits"?

12 MS. SMALLWOOD: No. In this
13 particular project, we qualify for federal tax
14 credits because --

15 COUNCILMAN ORTIZ: So the federal
16 government gives you federal tax credits that
17 you don't pay taxes to the federal government
18 on your investment. So it's again the
19 government and the taxpayers giving you more
20 on investment than your overall investment.

21 MS. SMALLWOOD: In addition to that
22 though -- but that's not actually --

23 COUNCILMAN ORTIZ: But, you see,
24 you've got to use language correctly. You
25 don't purchase federal tax credits.

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2 MS. SMALLWOOD: They will be, and in
3 essence it is a purchase transaction of tax
4 credits.

5 COUNCILMAN ORTIZ: The federal
6 government gives you some tax credits for an
7 investment that you're going to make in a
8 certain urban area.

9 MS. SMALLWOOD: That would be the
10 tax deduction. But tax credits are structured
11 a little bit differently.

12 COUNCILMAN ORTIZ: We know what tax
13 credits are. We pass bills here to give
14 people to come in to get tax credits for
15 creating jobs in different neighborhoods.

16 MS. SMALLWOOD: In this particular
17 instance, we could sell those tax credits to
18 another entity. But Clear Channel is
19 committed to putting in that additional to do
20 that.

21 COUNCIL PRESIDENT VERNA: Excuse me.
22 Excuse me, please. I believe Councilman
23 Clarke is asking for a point of information.

24 COUNCILMAN CLARKE: Thank you, Madam
25 President. Madam President, I just wanted to

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2 get back into my questioning before I forget
3 what the second question was going to be.

4 COUNCIL PRESIDENT VERNA: Before you
5 get back into your questioning, as long as Mr.
6 Anderson is at the table, I'm just rather
7 curious, and I know it won't take him more
8 than two seconds to respond to my question.

9 You said in Philadelphia we have
10 only three theaters that would be comparable
11 to what the other cities presently have?

12 MR. ANDERSON: Comparable to what
13 the Boyd would be.

14 COUNCIL PRESIDENT VERNA: What are
15 the three that you're referring to?

16 MR. ANDERSON: I've included the
17 Merriam, the Forrest, and the Academy of
18 Music.

19 COUNCIL PRESIDENT VERNA: How about
20 the Kimmel Center?

21 MR. ANDERSON: The Kimmel Center
22 doesn't host touring Broadway. It is a
23 concert hall. It's a beautiful facility, but
24 it's a symphony hall.

25 COUNCIL PRESIDENT VERNA: The Walnut

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2 Theater?

3 MR. ANDERSON: Is smaller than the
4 level that I drew the line at. If you're
5 going to include theaters like the Walnut
6 Street Theater, there are many more theaters
7 like that in Boston and in Chicago and in
8 other markets as well. I tried to draw the
9 line at -- I think I probably used the 1500
10 seat up to 4,000 seats, which includes things
11 like the Wang Center in Boston, the Colonial
12 Theater in Boston. In Chicago, it's the Area
13 Crown and the Opera House and the Auditorium
14 Theater. We tried to come up with --

15 COUNCIL PRESIDENT VERNA: Thank you.
16 I was just curious of the three that you were
17 referring to. Thank you.

18 The Chair recognizes Councilman
19 Clarke.

20 COUNCILMAN CLARKE: Thank you, Madam
21 President.

22 A couple of brief questions. One, I
23 wanted to go over the chronological order of
24 the discussion with the City Controller, and
25 subsequent to that, the issuance of this most

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2 recent letter as of today.

3 MR. RHOADS: In terms of when we
4 circulated the Project Plan and the ordinances
5 introduced, we also circulated to the Office
6 of the Controller for their review, as well as
7 to the Finance Director and the Revenue
8 Department of the City of Philadelphia. So we
9 provided it to them and arranged for -- give
10 them some time to review it and set up
11 subsequent meetings to discuss any questions
12 or concerns they had. So that's all unfolded
13 over the last 30 days.

14 COUNCILMAN CLARKE: And the most
15 recent discussion was a week ago?

16 MR. RHOADS: Yes, I believe we spoke
17 with them towards the end of last week.

18 COUNCILMAN CLARKE: Was that prior
19 to or subsequent to any change in the Project
20 Plan, the most recent change in the Project
21 Plan?

22 MR. RHOADS: The final changes to
23 the Project Plan were made on and circulated
24 to City Council and the School District on
25 Monday, so it was prior to that.

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2 COUNCILMAN CLARKE: Monday as in
3 this past Monday?

4 MR. RHOADS: That's right.

5 COUNCILMAN CLARKE: One last issue.
6 With respect to the community component about
7 the decision-making process as it relates to
8 the use of this particular site -- and I'll
9 probably need Ms. Smallwood.

10 I just wanted to briefly talk about
11 my knowledge of the community component and
12 the determination as to the ultimate use of
13 the site. I recall, I believe it was in 1998,
14 there was an earlier proposal as a
15 supermarket. What exact was it, it was a
16 supermarket and there was rather lengthy
17 discussions about that with community and then
18 there were other ideas that were raised and
19 there were lengthy discussions with the
20 community. And ultimately at the time of this
21 request for demolition permit, there were
22 lengthy and somewhat boisterous discussions
23 with the community about that proposal.

24 Can you just kind of walk me through
25 the people that you talked to, the level of

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2 outreach to residents and how you came to the
3 conclusion, other than the financial aspect of
4 the project, but in terms of the use and what
5 the particular community of interest -- not
6 necessarily just in that particular area, but
7 because of the preservationists' interest and
8 other entities, can you just kind of briefly
9 tell me about that?

10 MS. SMALLWOOD: Yes. May of 2002
11 when Regal Entertainment decided to close the
12 doors, there was a significant public outcry
13 in regards to saving this theater. And Howard
14 Hass actually was leading the way in starting
15 the Save the Sam Eric non-profit organization
16 with its mission to make sure that this
17 building continue standing and that it would
18 be restored and renovated and used some type
19 of multi-entertainment purpose.

20 I have made great strides to keep in
21 the loop Howard Hass and we have kept the
22 lines of communication very open and he is
23 very connected with the historic community as
24 well as the community in which he lives. He
25 lives in Center City, and he has given me his

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2 basic stamp of approval as to this project.

3 He is here today, and I would like, if I can,
4 defer to him for a moment so that he can speak
5 better to that.

6 COUNCIL PRESIDENT VERNA: We have a
7 list of witnesses, and Mr. Hass will be called
8 at the appropriate time. Thank you.

9 MS. SMALLWOOD: But we have made
10 efforts to make sure that we have reached out
11 to the community. I've made presentations to
12 the William Penn House. I've made
13 presentations to the performing arts
14 community. I've made presentations to their
15 Board. I have also met with the Cultural
16 Alliance.

17 We have made a concerted effort to
18 try to involve everyone in the community,
19 especially the preservation community to make
20 sure that we are doing exactly what the public
21 was asking of us and what we promised the
22 public. And that's what brings us here today.

23 But in order to accomplish that, it
24 takes a public/private partnership, not only
25 in this theater, but this is how it's been

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2 constructed in theaters nationwide. And it
3 really does take that partnership to make this
4 actually happen.

5 COUNCILMAN CLARKE: Thank you.

6 Thank you, Madam President.

7 COUNCIL PRESIDENT Verna: You're
8 welcome.

9 The Chair recognizes Councilman
10 Cohen.

11 COUNCILMAN COHEN: Thank you, Madam
12 President.

13 I was going to remark in response to
14 the young woman's fine statements that the
15 trouble is the public's pockets usually get
16 picked. For example, with this advantage of a
17 long life is you see things turn around. It
18 used to be when I first came into Council we
19 worried about the public purse, and government
20 always took the position that we're not going
21 to commit any money until business really
22 shows it's committing the money. Now it's the
23 other way around. From Mr. Anderson I learned
24 that a public corporation consisting of
25 private monies is not ready to make an

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2 investment unless it's sure public money is
3 going to be there. So public money now has
4 become the means of prospecting, the means of
5 investing. If you're going to run a risk,
6 take it with public money, not private money,
7 as the Daily News indicated today about Disney
8 Quest.

9 I remember all the funny costumes
10 that Governor then Mayor Rendell wore in
11 support of Disney Quest. He would come in
12 City Hall dressed in all funny man's clothing
13 to advertise Disney Quest. Today, I learn
14 what appears to be, at least part of the cost,
15 the City is hooked for 44 million. There's no
16 indication that Disney Quest has been hooked
17 for anything. And I don't even know whether
18 that 44 million includes the cost of the
19 beautiful underground garage that can handle
20 some hundreds of cars at Eighth and Market
21 which has now been covered over because there
22 is no Disney Quest. And Disney just felt --
23 and I guess the business has to survive --
24 felt it didn't have enough support or for some
25 reason its interest was elsewhere.

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2 I think that's a wrong twist. I
3 think public money, tax money, is sacred money
4 and it ought to go back to the way it was.
5 Business says, "We ought to get a good return
6 because we invest our money, we take chances."
7 But business seems to move in the other
8 direction these days. It doesn't want to take
9 any chances but it wants to get the same kind
10 of profits it would get if it took chances.
11 And I don't think that's the way it ought to
12 be.

13 I think this development ought to go
14 forward only if business is committed to it
15 fully. And then if a little help is needed,
16 then maybe there's room for some public help.
17 But to build a structure and a proposal like
18 this with about one third of the money,
19 probably before it's done, probably half the
20 money coming from public sources, and I
21 suspect its half already, isn't it, with the
22 State as well as the City? We're only being
23 asked about City money. But that's only the
24 beginning because once you get the City money,
25 then you can go to the State and say, "The

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2 City is already committed, cough up your
3 share." And that's the wrong way to go.

4 We have a lot of problems with your
5 proposal because a TIF is presented to us
6 basically as a loan to be repaid over 20
7 years; is that not so?

8 And it's weighted heavily on the
9 repayment coming from gross receipts and other
10 forms of taxes. We have a Tax Reform
11 Commission. I happen generally to disagree
12 with it, but in any point of view, the
13 business privilege tax and the gross receipts
14 tax are under serious question. The Tax
15 Reform Commission and I think the Mayor of the
16 City has spoken out on the need of repeal for
17 those taxes.

18 So I think, first, we're not talking
19 about a loan at all; we're talking about a
20 gift. And that gift will go to a lost
21 investment if Clear Sound or the Goldenberg
22 Group at any time decides it's not in their
23 best interest.

24 Therefore, I'm going to vote in
25 opposition to this proposal because I don't

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2 think it's at all in the public interest.

3 Sure, I think the Sam Eric ought to
4 be saved. It is a historic treasure. We've
5 had some before; we've lost them. The City
6 has survived. Maybe not as well as it would
7 have survived if they continued it. But it
8 seems to me that business should not adopt a
9 policy of "Let's gamble with the public's tax
10 money, and then if it seems to work out, we'll
11 go ahead."

12 It seems to me that we need a
13 proposal here that concentrates on paying for
14 itself, the way business presents most
15 proposals when it doesn't involve government
16 contribution. And that's the reason I think
17 that having seen what happened with Disney
18 Quest and all the excitement that it caused in
19 Philadelphia at the thought of having a Disney
20 Quest focus right here in Center City -- it
21 still seems to me to be a wonderful idea, but
22 for some reason Disney Quest thought it was
23 not as attractive as any other City.

24 The only thing I can object to --
25 and I address this to you, Mr. Anderson. I

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2 believe that's your name; I apologize if I
3 have it wrong. It seems to me that business
4 now moves in two ways. First, they force
5 cities to compete with each other to compel
6 the cities to give them a much better deal.
7 And now today I heard this other proposal.
8 Now we're being shamed by the fact we're not
9 as good as other cities. These other cities
10 that are only partly our size have many more
11 theaters of appropriate size than we have. So
12 if we're not being forced by competition to
13 lower our standards, we're forced to
14 contribute more because we're shamed into it.
15 I don't think that's a direction to go.

16 I would like to see a proposal in
17 which business has confidence, which business
18 says, "We're going to take the risk because
19 that's what we're in business for. That's
20 what gives us the right."

21 Is Mr. Goldenberg here today?

22 MS. SMALLWOOD: He is not.

23 COUNCILMAN COHEN: I would like to
24 know why in late October he contributed to
25 Mayor Street's campaign 160,000 or 165,000.

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2 It seems to me clear that that was a totally
3 improper gift because by that time you
4 certainly must have been discussing the
5 question of this program or project. Probably
6 you've already had discussions with the
7 Controller, with Mr. Cuorato, with other City
8 developments. And I think that kind of a gift
9 has to be explained away.

10 I don't know what the percentage of
11 return that is as an investment. You
12 contribute \$160,000 around October 20th when
13 the Mayoral race seems to be locked into dead
14 heat and then you come back for a good number
15 of millions thereafter. The rate of return,
16 it's a wonderful investment, campaign finance.
17 And that's why in the next hearing that will
18 be held today we're going to be discussing the
19 bad effect of it.

20 But I wish Mr. Goldenberg were here
21 so he could tell us all about why he decided
22 on that day to contribute other than the
23 reason he gave to the Inquirer this morning,
24 that he liked Mayor Street. I guess he
25 doesn't like the Sam Eric because he was ready

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2 to give Mayor Street what Mayor Street felt he
3 needed, but he's not willing to give Sam Eric
4 what the Sam Eric needs to be a private
5 enterprise.

6 So that, Madam President, the
7 question I really had in mind was to find out
8 who's going to suffer the loss. Will it be a
9 repeat if Goldenberg Group or Clear Sound
10 pulls out? Will it be a repeat of the
11 Inquirer article today: City of Philadelphia
12 loses certain millions of dollars investment?
13 Or will it be that the Goldenberg Group has
14 befits business that invests money? Sometimes
15 you invest money; it doesn't work. But the
16 rate of return on a campaign financed
17 contribution, there's nothing like it, nothing
18 that can smell as sweet or return as great a
19 dividend as a campaign finance contribution.
20 And I wish Mr. Goldenberg were here so that if
21 he feels that charge is unfair, he could have
22 an immediate chance to answer it.

23 Thank you, Madam President.

24 COUNCIL PRESIDENT VERNA: You're
25 welcome.

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2 Councilman Nutter is next for
3 questioning.

4 I would just like to remind my
5 colleagues that we do have a number of
6 witnesses that would like to be heard. And we
7 have also the other Committee that I know we
8 have people here waiting for the other
9 hearing.

10 Councilman Nutter, please.

11 COUNCILMAN NUTTER: Thank you, Madam
12 President.

13 Mr. Cuorato, let me ask you about --
14 there's been a lot of discussion about other
15 venues and the impact on those venues. Has
16 there been a study conducted which indicates
17 whether there are a lack of these types of
18 entertainment venues in Philadelphia?

19 MR. CUORATO: The developer had a
20 study done that covered the market demand for
21 performance venues in Philadelphia.

22 COUNCILMAN NUTTER: Is that the
23 Econsult?

24 MR. CUORATO: Yes, Councilman.

25 COUNCILMAN NUTTER: Was the purpose

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2 of the study to determine whether or not the
3 project would work or was the purpose of the
4 study to determine that there was a lack of
5 venues in the City?

6 MR. CUORATO: The purpose of the
7 study was to determine whether or not the
8 market existed for another venue of this type,
9 whether in fact we had reached a saturation
10 point and another performance venue of this
11 type would do nothing more than drain patrons
12 from other facilities.

13 COUNCILMAN NUTTER: And I'm sorry,
14 and I did ask you a question; I apologize.
15 The gentleman from Clear Channel, his name is?

16 MR. CUORATO: David Anderson.

17 COUNCILMAN NUTTER: David?

18 MR. CUORATO: Yes.

19 COUNCILMAN NUTTER: Anderson?

20 MR. CUORATO: Yes.

21 COUNCILMAN NUTTER: What I didn't
22 understand in response to a question was I
23 heard you talking -- and I heard you say it a
24 couple times -- talking about three venues in
25 Philadelphia. I actually, unfortunately,

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2 don't recall what the question was; I only
3 heard the answer. So what were you responding
4 to?

5 MR. ANDERSON: I believe I was asked
6 by Councilman Clarke to compare the inventory
7 of comparable theaters in Philadelphia with
8 other cities around the country. And I used
9 as the criteria theaters of mid range, 1500
10 seats up to 3 to 4,000 seats that are capable
11 of hosting touring Broadway and other
12 performing arts attractions. And Philadelphia
13 has three of those.

14 COUNCILMAN NUTTER: What are those?

15 MR. ANDERSON: They are the Forrest,
16 the Merriam and the Academy of Music.

17 COUNCILMAN NUTTER: Now, what
18 category do you put the Walnut Street Theater,
19 Annenberg Center, the Mann Center, the
20 Keswick, and the Kimmel? Are they not venues
21 that have the same type of performances that
22 you're talking about?

23 MR. ANDERSON: That's pretty much
24 correct. The Mann is an outdoor facility,
25 much larger. The Kimmel Center is primarily a

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2 concert hall, and the other theaters are much
3 smaller in seating capacity, audience
4 capacity.

5 COUNCILMAN NUTTER: Let me just ask
6 you a couple questions and see what your
7 reaction is.

8 I've been told that there are two
9 venues with 16 to 1800 seats, the Forrest and
10 the Merriam and that combined they are, I
11 guess in your language, dark, 40 to 50 weeks a
12 year; is that correct?

13 MR. ANDERSON: I can't speak for the
14 Forrest, but the Merriam is a theater that we
15 operate in conjunction with the University of
16 the Arts and the Theater League of
17 Philadelphia. The Merriam is booked
18 approximately 250 events a year, which when
19 you consider that the summer is typically a
20 very slow period of time is an incredibly busy
21 venue. We've turned requests for use down
22 frequently because we don't have available
23 dates.

24 COUNCILMAN NUTTER: Now you operate
25 theaters in Baltimore, Chicago, and Boston; is

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2 that correct?

3 MR. ANDERSON: Among other cities.

4 We operate in 11 cities.

5 COUNCILMAN NUTTER: And are any of
6 those markets, from your estimation,
7 saturated? Or were any of those markets
8 saturated when you came?

9 MR. ANDERSON: I will tell you that
10 we made the case in both Baltimore and Boston
11 that there was still additional room for
12 theater venues and, in fact, have contributed
13 to the development of a new theater in each of
14 those markets.

15 In Chicago, when we came into the
16 market, the theaters were already in
17 existence. The most recent two had been added
18 when the City introduced TIF legislation that
19 funded a huge portion of both the Palace and
20 the Ford Theaters in Chicago. I would tell
21 you now that it will be a long time before
22 there is a large theater that gets added to
23 the Chicago inventory. But there are nine
24 that are there now.

25 COUNCILMAN NUTTER: Now, Clear

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2 Channel has a Live Entertainment Division; is
3 that correct?

4 MR. ANDERSON: Yes.

5 COUNCILMAN NUTTER: And do you -- I
6 don't want to use an inappropriate term --
7 either own or control talent for the live
8 entertainment venues that you determine to
9 some extent either how they're booked or where
10 they're booked? How does that work?

11 MR. ANDERSON: I can really only
12 speak from the theatrical standpoint. The
13 largest segment of the entertainment division
14 of Clear Channel is music, concerts and
15 amphitheaters. In this market, Clear Channel
16 operates the -- I guess it's Tweeter Center
17 now, the amphitheater in Camden, and the Tower
18 Theater here and I believe the TLA, the former
19 Electric Factory Company is now a Clear
20 Channel Entertainment subsidiary. But I have
21 little involvement with them. I can't really
22 speak to how they do their talent and talent
23 buying.

24 In the theatrical business, the
25 touring productions that come through

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2 Philadelphia and tour around the country are
3 generally produced in New York by a wide range
4 of producers, one of which is frequently Clear
5 Channel or an investor amongst those
6 productions. But to say that we control the
7 entertainment and the product, that is
8 definitely an exaggeration; that's not true.

9 COUNCILMAN NUTTER: Well, let me
10 just ask a practical question. To the extent
11 that you -- I mean, I don't know what the
12 percentage might be, but if it's a significant
13 number, in all likelihood if there is a Clear
14 Channel talent under contract, is it more or
15 less likely that you would book that talent
16 into the entertainment venue that you are
17 co-owner of versus some other venue?

18 MR. ANDERSON: Again, from a
19 theatrical standpoint, there are no shows that
20 I can think of where we have the controlling
21 ability to make a decision like that that is
22 counter to the best interest of the show.

23 COUNCILMAN NUTTER: Well, I wouldn't
24 think you would do anything that's counter or
25 not in the best interest of the show. I mean,

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2 you might legitimately believe that your
3 co-owned facility is the best place for the
4 show to be.

5 MR. ANDERSON: If that's the case,
6 then -- but the question I thought I heard you
7 ask was whether or not we would put shows into
8 a Clear Channel controlled venue without
9 considerations. And we just do not do that.

10 COUNCILMAN NUTTER: Okay.

11 COUNCILMAN RIZZO: Point of
12 information, Madam President.

13 COUNCILWOMAN VERNA: The Chair
14 recognizes Councilman Rizzo for a point of
15 information.

16 COUNCILMAN RIZZO: If you've already
17 addressed this, I apologize. Twenty-four
18 hundred seats, not the venue for rock
19 concerts, obviously. Is there going to be
20 anything sprung on us -- you talk about
21 Broadway shows. Two months after it opens, we
22 start seeing concerts that empty out at two
23 o'clock in the morning. Could you put on the
24 record what you plan to do and not do there?

25 MR. ANDERSON: If you're familiar

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2 with the programming at the Merriam which is
3 of Avenue of the Arts, it is a wide range of
4 diverse programming. It is performing arts,
5 it is touring theater, it is music, it is
6 comedy, it is local business meeting uses,
7 corporate events. It's a wide range of
8 activity, and we would envision a similar mix
9 at Boyd if it were to be renovated and
10 reopened. Preponderantly, touring Broadway,
11 performing arts, the type of attraction that
12 can use the expanded stage and the 2400 seat
13 capacity. We would hope to do film premiers.
14 We would hope to have an active film program
15 because of the recent history of the Boyd as
16 the Sam Eric. But I would tell you that music
17 would be a small -- not nonexistent, but a
18 small component of the programming. And the
19 concerts that you're talking about wouldn't
20 happen in this type venue.

21 COUNCILMAN RIZZO: My last question
22 is, is this facility going to be able to be
23 rented by a particular --

24 MR. ANDERSON: Anybody who wants to.

25 COUNCILMAN RIZZO: That's my

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2 concern.

3 MR. ANDERSON: Anybody, the City,
4 the local community. We are not -- it's not
5 an exclusive Clear Channel venue, it's not
6 something that we're going to restrict and
7 say, "You can't come here if you're not a
8 Clear Channel show."

9 COUNCILMAN RIZZO: But my question
10 is -- maybe you didn't want to say that. My
11 question is that if a particular rock group
12 wants to rent the facility and have a rock
13 concert that empties at two o'clock in the
14 morning into the community, could my rock band
15 -- I think one of the other Councilmembers
16 mentioned this earlier to me. Could that
17 occur there?

18 MR. ANDERSON: Our management and
19 operation of our facilities, we are very
20 careful to gear our programming to the
21 community that we serve. In this particular
22 case, the Boyd is in a residential community.
23 We would be very careful to make sure that the
24 attractions and the audiences that they
25 brought in would be appropriate for that area.

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2 COUNCILMAN RIZZO: You could legally
3 turn a customer away that you felt was not
4 appropriate?

5 MR. ANDERSON: Yes. The criteria
6 that we typically use is that we're going to
7 operate a first class performing arts
8 facility. And I can give you comparables. We
9 have references from the City of Boston, from
10 the City of Baltimore, from the City of San
11 Antonio, Texas. I could give you a long list
12 of people that --

13 COUNCILMAN RIZZO: I think you
14 understand by now where I'm coming from here.

15 MR. ANDERSON: I absolutely
16 understand. And without talking about the
17 restrictive policies, it's a common sense. We
18 have a big investment in a historic building
19 that's going to be restored. We don't want to
20 bring the type of entertainment that's going
21 to attract an audience that is not going to
22 respect the physical facility or the
23 neighborhood in which it exists.

24 We have noise restrictions, that we
25 abide by, so that the neighborhood isn't going

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2 to be adversely affected by noise emanating
3 from the theater. We have very strict
4 security policies so that the patrons don't
5 become a nuisance in the neighborhood. I
6 talked to somebody from the William Penn House
7 earlier who's concerned about parking. And I
8 can guarantee you that our security will
9 enforce the parking restrictions in the
10 neighborhood.

11 COUNCILMAN RIZZO: I just wanted to
12 cover that particular area for the record.

13 MR. ANDERSON: We can go into more
14 detail as we get into what the specific
15 concerns are. I'm happy to do that.

16 COUNCILMAN RIZZO: Thank you.

17 COUNCIL PRESIDENT VERNA: The Chair
18 again recognizes Councilman Nutter.

19 COUNCILMAN NUTTER: Thank you, Madam
20 Chair.

21 Mr. Anderson, I think my last
22 question for you is I was looking at the study
23 on Page 10. And the first paragraph says,
24 "Would a renovated Boyd contribute to the
25 expanding arts and entertainment market in the

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2 region, or would it simply draw its audiences
3 from patrons of existing venues in
4 Philadelphia, notably those located on the
5 nearby Avenue of the Arts?

6 "No one can answer this question
7 with certainty because predicting the exact
8 future customer base for a restored theater or
9 any new venue is impossible."

10 With that in mind, can you just
11 comment on why you seem to express with such
12 certainty that this would not have the kind of
13 effect that there's been a fair amount of
14 discussion about? And this comes from your
15 report.

16 MR. ANDERSON: I have two ways to
17 address that for you. The first, again, from
18 my experience, most of which is in the
19 operation of restored movie palaces, historic
20 venues. And Councilwoman Tasco's comment goes
21 right to that point. The restoration and
22 adaptive reuse of these historic palaces
23 strikes a chord in most of the communities in
24 which we operate them far beyond just a piece
25 of real estate or just a show on the stage.

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2 They have an emotional attachment to the
3 constituents based on things like "I had my
4 first date there" or "I did this there."

5 COUNCILMAN NUTTER: Yeah, you got
6 her with that one.

7 MR. ANDERSON: So there is no
8 question that the addition of a restored movie
9 palace like the Boyd attracts audiences that
10 might otherwise not come to performing arts at
11 all.

12 Secondly, it goes back to the
13 comparison of a number of venues in the size
14 of the market. When you look at the decisions
15 in front of you, please look not at what
16 happens today, not what happened yesterday,
17 and not even what's going to happen tomorrow,
18 but we're looking at 3, 4, 10 years down the
19 road. This market is growing. The
20 entertainment segment is growing. The Boyd is
21 the last of these decorative movie places in
22 the downtown area. And it is absolutely going
23 to fill a need that if it doesn't exist today
24 to the greatest extent possible is sure to
25 exist in the very near future.

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2 COUNCILMAN NUTTER: Okay. My last
3 question for you, seriously, is given the
4 level of discussion that we've had here and
5 some of the things that have been talked about
6 earlier, have you completely ruled out the
7 prospect of putting additional funds into this
8 project?

9 MR. ANDERSON: No. I think as
10 Leslie said, we are very early in the
11 development process at this point. We have
12 concept drawings only. We haven't done any --
13 we've done fairly cursory investigation of the
14 physical structure. We've had a lot of
15 experience at it and we have a great architect
16 and we've got Turner Construction having
17 looked at it. So there is enough comfort that
18 the costs are going to be within the range
19 that we're talking about it. But there is
20 certainly -- every project that I've ever been
21 in has a number that's higher than what you
22 think it's going to be at the end. And our
23 commitment to the Goldenberg Group, Clear
24 Channel's commitment is that we will fund
25 additional costs should the development

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2 construction end up being more than is
3 currently envisioned. I believe it's going
4 to. I believe that the investment from Clear
5 Channel will end up being more than the \$11
6 million. I believe it will be several million
7 more than that. I don't know what it's going
8 to be. I hope it's not anymore than that,
9 because we start to bump up against what I can
10 do. We are willing to commit to those cost
11 overruns which is a very significant
12 commitment.

13 COUNCILMAN NUTTER: I understand and
14 I appreciate that. I guess the point of my
15 question was not so much to deal with the cost
16 overrun issue was make the assumption -- I'm
17 sure you're hoping the same -- that the
18 project costs will actually stay about the
19 same. What I was talking about was if they
20 are the same, have you ruled out the prospect
21 of additional funding by Clear Channel for the
22 gap?

23 MR. ANDERSON: I guess I would tell
24 you that if it costs another million dollars
25 that I would go back to my company and see if

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2 I could get that done, but I have not had very
3 much success doing that in the past. We
4 really were very careful -- and Leslie and I
5 have talked about this a long time. When we
6 first came to them, we said "This is going to
7 cost \$30 million and we can only justify 10.
8 You've got to somehow find a way to come up
9 with the other 20." The tax credit investment
10 on Clear Channel's part is another significant
11 piece of it because you only get that back as
12 you generate the tax liability.

13 COUNCILMAN NUTTER: Let me ask Mr.
14 Cuorato a couple technical questions and I'll
15 be finished.

16 MR. ANDERSON: He's not here.

17 COUNCILMAN NUTTER: And I know Sam
18 is up there and Leslie there is there as well.
19 Well, I can find some other stuff.

20 Will this be operated as a
21 for-profit or a non-profit venture? After we
22 get through all the affiliates and whose
23 connected to who, whoever is in charge, is
24 this a for-profit entity or a non-profit
25 entity.

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2 MS. SMALLWOOD: It's a for-profit
3 owner of the property which will be master
4 leased to a non-profit entity that currently
5 runs the Merriam Theater. And a long-time
6 management agreement will be entered into with
7 Theater Management Group.

8 COUNCILMAN NUTTER: Okay. So what's
9 the answer?

10 MS. SMALLWOOD: The ultimate tenant
11 would be a non-profit entity, and the
12 management of the actual facility will be by a
13 management agreement.

14 COUNCILMAN NUTTER: That's with a
15 for-profit entity?

16 MS. SMALLWOOD: Correct.

17 COUNCILMAN NUTTER: So we have the
18 for-profit managing the non-profit?

19 MS. SMALLWOOD: Correct.

20 COUNCILMAN NUTTER: Now, what
21 happens if the Commonwealth funding is not
22 approved?

23 MS. SMALLWOOD: If the Commonwealth
24 does not -- are you talking in reference to
25 the redevelopment assistant grant?

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2 COUNCILMAN NUTTER: Yes.

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

4 Your question was if the Commonwealth does

5 not --

6 COUNCILMAN NUTTER: Are the state
7 funds presently available?

8 MR. CUORATO: There's a request in
9 as part of the Redevelopment Assistance
10 Capital Program. This project is on a list of
11 projects that the City would like to see
12 funded from that program. This project is a
13 priority for the City for funding from that
14 program, but the funding has not been approved
15 at the state level.

16 COUNCILMAN NUTTER: How many other
17 projects are on that list?

18 MR. CUORATO: Dozens, Councilman.

19 COUNCILMAN NUTTER: What's the total
20 dollar amount?

21 MR. CUORATO: It's probably several
22 hundred million dollars.

23 COUNCILMAN NUTTER: And is the City
24 anticipating that it's going to receive all
25 the funding for all those projects?

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2 MR. CUORATO: No.

3 COUNCILMAN NUTTER: So there would
4 be a certain amount and then some will happen
5 and some will get cut?

6 MR. CUORATO: That's correct.

7 COUNCILMAN NUTTER: Now, do they
8 need a bill in Harrisburg to do this or is
9 there a need to raise the cap?

10 MR. CUORATO: It's part of the whole
11 state budget process. As the state budget
12 process gets resolved, this Redevelopment
13 Assistance Capital Program should be resolved
14 as well.

15 COUNCILMAN NUTTER: Okay. So let's
16 go back. I mean, we all want to think
17 positive here, but I always like to ask the
18 other side of the question. For whatever
19 reason, if the state funding is not available,
20 what happens?

21 MR. CUORATO: I don't believe we
22 have a project, not in this form. And again,
23 that's why we're here. That's why we're on
24 the schedule we are. We'd like to try to put
25 this piece in place and then make an earnest

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2 appeal to the State that they basically would
3 be in a position to make this project happen.

4 COUNCILMAN NUTTER: Because we would
5 have taken some action?

6 MR. CUORATO: Yes.

7 COUNCILMAN NUTTER: Okay.

8 Let's go back to the whole market
9 value question. Now, when I asked earlier
10 what the sale price was, the answer was \$3.8
11 million. Was that just for one of the pieces,
12 or are there a variety of parcels involved?
13 And what was the total cost of acquisition?

14 MS. SMALLWOOD: That would be
15 relevant to the entire parcel, including 1908
16 through 1918.

17 COUNCILMAN NUTTER: What?

18 MS. SMALLWOOD: I'm sorry.

19 COUNCILMAN NUTTER: The \$3.8 million
20 was for everything?

21 MS. SMALLWOOD: Yes, it was.

22 COUNCILMAN NUTTER: And when Mr.
23 Cuorato spoke earlier, and I guess it's from
24 the Project Plan, if you paid 3.8, why is the
25 market value at 2.5?

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2 MR. RHOADS: Again, the 2.5 relates
3 to what the Board of Revision of Taxes
4 currently values the property in the district
5 at.

6 COUNCILMAN NUTTER: After the
7 purchase?

8 MR. RHOADS: As of today. So as of
9 today, that's right, it's after the purchase
10 of the theater, yes.

11 COUNCILMAN NUTTER: Why would the
12 current market value be less than what you
13 just recently paid for it?

14 MS. SMALLWOOD: Actually, the value
15 of the property has decreased because at the
16 time of the --

17 COUNCILMAN NUTTER: Increased or
18 decreased?

19 MS. SMALLWOOD: I'm sorry. The
20 property value has decreased because at the
21 time of the evaluation of the 3.8 million we
22 had a long-term tenant, United Artists valued
23 into that property. Fair market value. It
24 was a sale lease back with United Artists.
25 They were the original owners at the time of

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2 the purchase. They immediately entered into a
3 20 year lease which factored into the value of
4 the property at that time. Because the
5 property is not currently used or occupied,
6 its value has decreased.

7 COUNCILMAN NUTTER: I guess what I'm
8 trying to understand is somewhere in the
9 Project Plan there was a schedule that had the
10 land cost at six and a half million dollars.
11 Why is that?

12 MS. SMALLWOOD: That is correct.
13 That particular value is also incorporating
14 the acquisition cost of the parking lot that
15 we would need to acquire to be able to do the
16 necessary stage expansion to accommodate the
17 type of programming that we had proposed.

18 COUNCILMAN NUTTER: When you
19 received your value from the BRT, did you
20 request a value or did you just call them up
21 and give them the addresses and that's what
22 they told you? Or how did you get that
23 number?

24 MR. RHOADS: The BRT has a very
25 handy website. So we did obtain the value for

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2 the theater itself from the website and then
3 the remaining parcels that comprised the
4 district, we sat down and prorated those
5 amounts based on discussions with the City
6 Revenue Department because they constitute
7 portions of existing parcels.

8 COUNCILMAN NUTTER: Is the BRT aware
9 that you just recently bought the property at
10 more than they have it valued at?

11 MR. RHOADS: I'm not sure I could
12 speak to the procedures of the BRT, but I
13 believe they do get notice of all sales.

14 COUNCILMAN NUTTER: One of the
15 requirements for a TIF is a letter signed by
16 the Finance Director out of Section 21-1403(1)
17 of the Philadelphia Code. Do you have such a
18 letter?

19 MR. RHOADS: We do.

20 COUNCILMAN NUTTER: Is it part of
21 the Project Plan, as required?

22 MR. RHOADS: Under that bill, there
23 are certifications and statements required to
24 be incorporated into the Project Plan. Those
25 are incorporated in. As a matter of process,

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2 I believe the bill requires that the Finance
3 Director deliver a letter, and they have.

4 COUNCILMAN NUTTER: Where is the
5 letter?

6 MR. RHOADS: I have it right here.
7 It's addressed to Council President Verna and
8 Members of City Council.

9 COUNCILMAN NUTTER: I'm only asking
10 because I've not seen the letter. The
11 requirement is that the letter be attached to
12 the plan. I have two plans that I received
13 over the past two weeks, I don't have anything
14 from the Finance Director.

15 Has the Project Plan also been sent
16 over to PICA?

17 MR. RHOADS: Yes, it has.

18 COUNCILMAN NUTTER: Any response
19 from them?

20 MR. RHOADS: Not to my knowledge.

21 COUNCILMAN NUTTER: On Page 1, it's
22 listed as Page 1, of the execute summary, Part
23 1, Proposed Improvements, it says, "The
24 district shall not include air rights above 15
25 feet over a portion of the site labeled and

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2 loading and support space on the Proposed
3 Plan. Tax revenues from any future
4 development of the excluded space shall not be
5 included in the district and shall not be
6 pledged to the TIF fund."

7 Who owns the air rights?

8 MS. SMALLWOOD: As part of this
9 project, as I indicated, we have to acquire a
10 portion of the parking lot that is located at
11 1924-26 Chestnut Street and also a portion of
12 109-115 South 20th Street. The current owners
13 of the parking lots will retain air rights
14 over those particular parcels.

15 COUNCILMAN NUTTER: What do you
16 estimate their value to be?

17 MS. SMALLWOOD: At grade and air
18 rights?

19 COUNCILMAN NUTTER: No, just air
20 rights.

21 MS. SMALLWOOD: I don't know if I
22 can actually break that value out.

23 COUNCILMAN NUTTER: Then what number
24 do you have?

25 MR. RHOADS: It's physically not

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2 included in the district, so we wouldn't have
3 a value of those rights.
4 COUNCILMAN NUTTER: And no one's
5 tried to determine their value?
6 MS. SMALLWOOD: No.
7 COUNCILMAN NUTTER: Okay. Thank you
8 very much.
9 Thank you, Madam President.
10 COUNCIL PRESIDENT Verna: You're
11 welcome. The Chair recognizes Councilman
12 Goode.
13 COUNCILMAN GOODE: Thank you, Madam
14 President.
15 Mr. Cuorato or Mr. Rhoads, can you
16 tell me again for the record what is the
17 project financial gap?
18 MR. CUORATO: The financial gap is
19 \$17.5 million.
20 COUNCILMAN GOODE: What percentage
21 of the project is that? Is it over 50
22 percent?
23 MR. CUORATO: That is just over 50
24 percent, Councilman, yes.
25 COUNCILMAN GOODE: What is the

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2 amount of public subsidy?

3 MR. CUORATO: \$17.5 million.

4 COUNCILMAN GOODE: I don't know who
5 can answer this question. How many businesses
6 did PIDC fund last year with that level of
7 financial gap and public subsidy?

8 MR. RHOADS: I'm sorry, Councilman,
9 I don't think I'd be able to answer off the
10 top of my head.

11 COUNCILMAN GOODE: Could it possibly
12 be zero?

13 MR. CUORATO: It could be. I'm
14 trying to do the same thing Mr. Rhoads did
15 which is just determine whether or not we've
16 had any major projects.

17 COUNCILMAN GOODE: I'm referring to
18 businesses.

19 Can you imagine a business going
20 into PIDC or PCDC for public financing with a
21 need for public subsidy over 50 percent and
22 with a gap over 50 percent?

23 Typically not or never?

24 MR. RHOADS: I don't think I can
25 ever say never, no. But typically not.

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2 COUNCILMAN GOODE: There's not one
3 recollection of a business ever coming in --
4 not a project, but business, ever coming in
5 requesting public financing where the need for
6 public subsidy is over 50 percent and the gap
7 in the project is over 50 percent?

8 MR. RHOADS: The types of projects
9 that require -- and I agree with you, that
10 would be a substantial subsidy. And those
11 are, obviously, driven by the economics of the
12 project, so the places where we see that kind
13 of level would be, for example,
14 community-based type projects that --

15 COUNCILMAN GOODE: I'm asking about
16 businesses.

17 MR. RHOADS: Those are businesses.

18 COUNCILMAN GOODE: In most cases
19 they are non-profit enterprises and the
20 projects, unless their structured as joint
21 businesses, are not necessarily businesses.

22 My real question is, you would tell
23 most people that come into your agency for
24 business development financing if they were
25 requesting that level of subsidy and had that

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2 type of gap that there was not a market for
3 their project.

4 MR. RHOADS: Again, if you're
5 talking about, for example, the typical
6 industrial type of deal or manufacturing type
7 of deal that comes into PIDC, I think you're
8 correct, you would not see this kind of
9 subsidy, that's correct.

10 COUNCILMAN GOODE: But you are
11 confident that from this study, which I'm not
12 sure why you would be confident from this
13 study, that there is a market for this venue?

14 MR. RHOADS: Yes.

15 COUNCILMAN GOODE: And there is a
16 market that can be maintained for this venue?

17 MR. RHOADS: At this level of
18 investment, yes.

19 COUNCILMAN GOODE: And there is a
20 market that can be maintained for this venue,
21 even if other venues are developed?

22 MR. RHOADS: I can't speculate into
23 the future about if other markets are
24 developed.

25 COUNCILMAN GOODE: So if another

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2 venue were to be developed a few years from
3 now, it's possible that there's no longer
4 going to be the same market for this
5 particular venue?

6 MR. RHOADS: Let me revise my
7 answer. We are confident that this could -- I
8 mean, obviously, we have some interested
9 parties are entering into agreement in which
10 --

11 COUNCILMAN GOODE: Sir, I can't hear
12 you. Can you pull the mike a little closer?

13 MR. RHOADS: I'm sorry. There are
14 two parties entering into some agreements here
15 to operate a theater here and they're
16 confident that they can make that work.

17 COUNCILMAN GOODE: Regardless of how
18 many additional venues are created?

19 MR. CUORATO: Councilman, this is
20 the business world. This is development as we
21 see it day in and day out. We can't -- I
22 mean, this applies not only to this project
23 and future performing arts venues, this
24 applies across the board in business. There's
25 no way we can accurately predict if there's

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2 going to be more businesses that are coming in
3 and what effect they're going to have on
4 existing businesses in three or four years.
5 We hope to get more businesses coming into the
6 City.

7 COUNCILMAN GOODE: That is actually
8 my point exactly. Is your level of confidence
9 in the market for this venue comparable to
10 your confidence in the market for hotel
11 development in the '90s? Because in the '90s,
12 there were those who would criticize PIDC for
13 building too many hotels, for actually
14 offering Tax Increment Financing to too many
15 hotels, for actually ruining any sort of
16 sanity to the hotel development market because
17 everybody wanted a TIF, everyone got a TIF,
18 and you couldn't never tell what the real
19 hotel market was or was not going to be with
20 or without 9/11.

21 MR. CUORATO: Councilman, I would
22 suggest to you that -- I mean, we can
23 certainly have a discussion about the hotel
24 industry and what happened in the '90s and
25 what we hope will happen in ensuing years if

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2 the Convention Center is expanded, and I'd be
3 happy to do that. But I just want to come
4 back to the point that you made about we are
5 absolutely confident that the market is there
6 for this venue at this time, that this project
7 will be successful. We think Philadelphia is
8 certainly strong enough to support another
9 performing arts venue.

10 And just to get back to your earlier
11 point, I know you made reference a couple of
12 times to comparisons that the public may have
13 funded with typical business deals. And I
14 would suggest to you respectfully, Councilman,
15 this is not a typical project. I mean we are
16 acknowledging that this is a higher than usual
17 subsidy that's necessary, but it's due to the
18 nature of this project, the fact that it's
19 renovating a historic building --

20 COUNCILMAN GOODE: That's why I then
21 also compared it to the hotel development
22 that's being done. And aren't some of those
23 hotels now being converted?

24 MR. CUORATO: One that I'm aware of,
25 yes, Councilman.

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2 COUNCILMAN GOODE: And you don't
3 anticipate that more will have to be converted
4 because the market cannot sustain that many
5 hotels.

6 MR. CUORATO: I don't know if
7 anymore will be converted. And, in fact, if
8 we can move ahead with expansion of this
9 Convention Center, I think the hotel industry
10 will get back on its feet very quickly.

11 COUNCILMAN GOODE: I guess the last
12 question responds to -- what you said in
13 response to my question is the business
14 environment does change. There may be more
15 venues that come into play here. They may or
16 may not be public/private partnerships. They
17 will obviously affect what you think the
18 particular market is for this venue right now.
19 Why a multi-year TIF?

20 MR. CUORATO: I'm sorry, Councilman.

21 COUNCILMAN GOODE: Why a multi-year
22 TIF, multi-year forgiveness of taxes if you
23 don't know what the market is going to be?

24 Because Mr. Anderson says the market
25 is ripe, is no where near saturation, which

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2 means that from the building of this venue,
3 however it's built, with whatever financing
4 it's built with, Philadelphia is going to
5 continue to grow in terms of art and culture,
6 in terms of these type of venues, because the
7 market is no where near saturation. So the
8 point is, why use a TIF for this project, not
9 being able to look that far out if we're that
10 far from saturation?

11 MR. RHOADS: I think the answer is
12 you have a set of project costs, \$33 million,
13 that the private parties here have determined
14 what sort of return and reasonable investment
15 that warrants, and that has left the gap that
16 we discussed earlier. We have talked about
17 two pieces to fill that gap from the public
18 sector, the TIF and the State.

19 COUNCILMAN GOODE: The short of it,
20 they put up as much money as they're going put
21 up?

22 MR. RHOADS: That's right. So the
23 TIF is required out over the 20 years to
24 provide that piece of --

25 COUNCILMAN GOODE: They have simply

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2 put up as much money as they're going to put
3 up.

4 MR. RHOADS: Correct.

5 COUNCILMAN GOODE: Even though the
6 market is no where near saturated in terms of
7 these types of venues, and this is possibly a
8 very hot place to create these types of
9 venues, according to Mr. Anderson?

10 MR. RHOADS: They put it up, I
11 think, in recognition of where they think the
12 market will go over that term.

13 COUNCILMAN GOODE: But they've put
14 up as much as they're going to put up?

15 MR. RHOADS: Correct.

16 COUNCILMAN GOODE: Thank you.

17 Thank you, Madam President.

18 COUNCILWOMAN VERNA: The Chair
19 recognizes Councilwoman Miller.

20 COUNCILWOMAN MILLER: Thank you,
21 Madam President.

22 Mr. Cuorato, good afternoon. How
23 are you?

24 MR. CUORATO: Good afternoon,
25 Councilwoman. Fine, thank you.

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2 COUNCILWOMAN MILLER: In your
3 remarks, you made reference to an equal
4 opportunity plan and said you had it and you
5 would distribute it, and I'd like to get a
6 copy of that. I'm sure all Members would.
7 You have it with you today?

8 MR. CUORATO: We do, Councilwoman.
9 We have it right here.

10 COUNCILWOMAN MILLER: On the last
11 page, the addendum to the Project Plan, it
12 talks about the potential of 60 full-time jobs
13 and that you'd use actually a number of
14 entities to employ people, low and moderate
15 income youth. And then it also states about
16 the contracting opportunities, goods, services
17 and equipment. Can you tell me what would be
18 a contracting opportunity? Just give us some
19 examples.

20 MR. CUORATO: I'm going to ask Ms.
21 Smallwood to answer that, Councilwoman.

22 COUNCILWOMAN MILLER: Fine.

23 MS. SMALLWOOD: I apologize. Could
24 you repeat the question?

25 COUNCILWOMAN MILLER: The equal

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2 opportunity plan described in the Project
3 Plan, it's Page No. 10. And it talks about 60
4 full-time jobs that will be eligible for
5 income eligible youth only. What would those
6 income guidelines be, and why is there an
7 emphasis on income eligibility for jobs in a
8 theater?

9 MS. SMALLWOOD: We've had
10 conversations with the City of Philadelphia in
11 reference to the EEO plan, and they have given
12 us certain criterion and direction as to what
13 goals should be achieved, of which we have
14 distributed to any of those partners that are
15 involved in this project and we have all
16 fundamentally agreed that we will reach these
17 goals. In regards to the actual, I think,
18 youth, that is part of one of disadvantaged
19 groups that are trying to be targeted for
20 employment.

21 COUNCILWOMAN MILLER: I'll come back
22 to the employment in a second.

23 Does your plan entail here --
24 because there's nothing on this back page in
25 this paragraph that talks about contracting

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2 opportunities for minority contractors in the
3 renovation of the theater. Have you set
4 percentage goals? Would that be in this plan?

5 MS. SMALLWOOD: It actually is set
6 forth in the EEO plan that's being distributed
7 now.

8 COUNCILWOMAN MILLER: And who would
9 be responsible for implementing that plan and
10 monitoring it, et cetera?

11 MS. SMALLWOOD: I know that the City
12 of Philadelphia's Equal Opportunity Office is
13 intimately involved. I know that MBEC would
14 be involved. And they've also recommended and
15 we have agreed that there will be an actual
16 entity still yet to be determined who will be
17 constantly monitoring that.

18 COUNCILWOMAN MILLER: From your
19 business?

20 MS. SMALLWOOD: Actually, no. There
21 will be an independent agency that will be
22 brought on board to monitor that level of
23 participation.

24 COUNCILWOMAN MILLER: That your
25 company will bring to the table, or that this

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2 partnership will bring to the table.

3 I guess I'm trying to get to what
4 responsibility will the partnership, whatever
5 the entity will end up being called, have with
6 the implementation of this plan.

7 MS. SMALLWOOD: There are meetings
8 that are required during construction. They
9 will be on a monthly basis. And there are
10 reportings that have to be done to the
11 President of City Council as well as to the
12 MBEC office. And again, there will be an
13 independent auditing agency that will be
14 recommended by the City who will oversee the
15 numbers of participation in the project.

16 COUNCILWOMAN MILLER: I understand.
17 We always have these entities that oversee,
18 but it doesn't mean that the issue of minority
19 participation is implemented and properly
20 accounted for from the business owner. And
21 that's what I'll call you, the business owner.
22 Who from your part --

23 MS. SMALLWOOD: I would be that
24 person who's responsible for that. We also
25 have individuals that work in our construction

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2 and architectural division of the company,
3 they would be intimately and intricately
4 involved with that as well.

5 COUNCILWOMAN MILLER: So you're not
6 going to demolish the building, you're just
7 going to renovate it.

8 MS. SMALLWOOD: That is our
9 objective and desire. But, obviously, all of
10 the funding needs to come together for us to
11 be able to reach that goal.

12 COUNCILWOMAN MILLER: I understand
13 that. But just in the event it does, then
14 you'll have a list of trades that will be
15 needed, et cetera?

16 MS. SMALLWOOD: Absolutely. The
17 City has provided us with a comprehensive list
18 of those companies that their certifications
19 are intact and are in good standing. And we
20 obviously will be contacting them and putting
21 out bids and making sure that they respond.

22 COUNCILWOMAN MILLER: Do you know
23 what the percentages are? Of course, I
24 haven't had a chance to read the plan.

25 MS. SMALLWOOD: In regards to the

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2 construction workforce, 40 percent minority, 5
3 percent female. Work hour goals for skilled
4 minority and female persons, 30 percent. Work
5 hour goal for semi-skilled minority and female
6 persons, 70 percent. Apprentices and
7 pre-apprentice craft persons, 25 percent
8 minority, 10 percent female. Construction
9 management, 50 percent minority.
10 Architectural engineering and design, 29
11 percent minority, 10 percent women, 1 percent
12 disabled. Subcontractors, 35 percent
13 minority, 10 percent women, 1 percent
14 disabled. All other professionals, we will
15 make all good faith efforts to be able to fill
16 with percentages and good faith efforts. The
17 definition of the same has been attached as an
18 addendum to our EEO plan and in regards to
19 operations, that good faith effort will be put
20 forth as well.
21 COUNCILWOMAN MILLER: And I guess at
22 some point, you'll have a list and describe
23 what the contracting opportunities are, goods,
24 services and equipment?
25 MS. SMALLWOOD: Absolutely. As the

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2 program is able to progress, we're able to
3 secure the funding that we need to proceed,
4 those things will become more particular, more
5 specific, as time goes on.

6 COUNCILWOMAN MILLER: Thank you.

7 Thank you, Madam President.

8 COUNCIL PRESIDENT Verna: Are there
9 any other questions from Members of the
10 Committee of these witnesses?

11 (No response.)

12 COUNCIL PRESIDENT Verna: Mr.

13 Cuorato, you will stay?

14 MR. CUORATO: Yes.

15 COUNCIL PRESIDENT Verna: Thank you.

16 MR. CUORATO: Madam President, if I
17 may, I'm sorry. One last point, and it's a
18 technical point. We did distribute an
19 amendment to the ordinance and a revised
20 Project Plan. I believe that was distributed.
21 We had them on the witness table here, and I
22 believe it was distributed to Council.

23 The amendment to the ordinance --

24 COUNCIL PRESIDENT Verna: When did
25 you have the amendments?

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2 MR. CUORATO: The beginning of the
3 hearing.

4 COUNCIL PRESIDENT VERNA: I don't
5 have a copy of it. I don't know that Members
6 have copies.

7 Do the Members have copies of the
8 amendment?

9 And incidentally, Mr. Cuorato, the
10 statement of review of estimates signed by
11 Janice Davis, the first time I saw it -- well,
12 it's dated November 18th and addressed to me
13 and Members of Council. We just got a copy of
14 this because Councilman Nutter was questioning
15 that, but it was never delivered to us. We
16 got it as a photostatic copy of what Mr.
17 Cuorato had. It's not that we had ever
18 received it prior to the hearing.

19 MR. CUORATO: I apologize, Madam
20 President. We thought Finance was sending it
21 to you as well, and apparently they just sent
22 it to us and expected us to distribute it.

23 COUNCIL PRESIDENT VERNA: It's
24 addressed to us, but we never received it.

25 MR. CUORATO: I believe they just

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2 sent it to us. And I apologize.

3 COUNCIL PRESIDENT Verna: Do Members
4 have the amendments? We don't have them up
5 here.

6 MR. CUORATO: The amendment to the
7 ordinance. We had them on the table, Madam
8 President. We think they were distributed.

9 COUNCIL PRESIDENT Verna: Everybody
10 apparently has the amendments. Thank you, Mr.
11 Cuorato.

12 MR. CUORATO: We just wanted to make
13 sure that was on the record. Thank you, Madam
14 President.

15 COUNCIL PRESIDENT Verna: Thank you.
16 I'm glad you called that to our attention.

17 Janice Price, please.

18 Good afternoon. Thank you for your
19 patience. Please identify yourself for the
20 record.

21 MS. PRICE: Good afternoon, and
22 thank you. President Verna, Members of
23 Council and distinguished guests, my name is
24 Janice Price. It's my privilege to serve as
25 the President and CEO of Kimmel Center, Inc.,

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2 which is the non-profit organization that
3 manages and programs the Kimmel Center for the
4 Performing Arts and the Academy of Music. I'd
5 like to thank you for the opportunity to
6 testify today. We are incredibly grateful for
7 the City's enormous investment in the
8 performing arts in Philadelphia through the
9 transformation of South Broad Street into the
10 Avenue of the Arts over the past decade.

11 First, let me say that the Kimmel
12 Center is in full support of historic
13 preservation efforts to restore the Sam Eric
14 movie house. Having just completed a \$40
15 million renovation of the magnificent Academy
16 of Music with the Philadelphia Orchestra, we
17 are sensitive to the value of preserving our
18 historic entertainment facilities.

19 The Academy of Music renovation was
20 undertaken as a key component of the regional
21 Performing Arts Center business plan, which
22 called for touring Broadway to fill the
23 renovated Academy's stage, thereby providing
24 vital revenue to the Kimmel Center and thereby
25 its resident companies. This restoration,

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2 including updating the back stage with modern
3 lighting and rigging systems to accommodate
4 the largest of Broadway touring shows, and
5 last spring we launched the first season of
6 Citizens Bank Broadway at the Academy which
7 brought new life to the venerable theater and
8 more than 120,000 patrons onto Broad Street.

9 I believe you have a copy of our
10 first season Broadway brochure at your desk.

11 A highlight of our season last
12 summer was Beauty and the Beast which played
13 for two weeks, closing their national tour,
14 and this is the first of many Disney
15 productions that we plan to bring to the
16 Academy of Music.

17 Today, I'm here to join with other
18 members of the theater and performing arts
19 community in requesting additional analysis of
20 the impact of the proposed Boyd Theater
21 project on the existing theater community.
22 Simply stated, we believe that there are
23 significant questions about both supply and
24 demand in the current theatrical marketplace.
25 Public financing of an additional venue,

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2 without a defined statement of the need, would
3 directly impact the viability of established
4 community organizations, including Kimmel
5 Center, Inc.

6 First, I'd like to address the issue
7 of supply. Currently, Broadway programming in
8 Philadelphia is presented by a half dozen
9 theaters. A cornerstone of the Boyd project
10 is to present an extensive array of Broadway
11 programming. Securing quality programming for
12 our theaters is an already challenging task
13 due to increasingly limited offerings on tour.
14 In fact, as we have previously heard, two of
15 the largest commercial theaters in our
16 community are dark anywhere from 35 to 50
17 weeks a year. There are simply not enough
18 touring Broadway shows, musical theater and
19 specialty events to fill all of these
20 theaters.

21 Second, let's consider the
22 audience's demand. Boyd Theater Project Plan
23 assumes yearly attendance of over 441,000
24 patrons. This reflects more than a 50 percent
25 increase over the estimated attendance at

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2 Philadelphia's major theaters, which we
3 estimate in our informal survey of our fellow
4 theaters to be 770,000 in the year 2003-04.
5 This suggests that there may in fact currently
6 be excess seating capacity in this community.
7 While each of us has seen success in
8 developing audiences for all of our theatrical
9 and other performing arts programs, we have
10 serious concerns about what it will mean to
11 add a 50 percent capacity increase to the
12 marketplace in only one year.

13 In the past decade, as you've heard,
14 new theaters have opened in Baltimore, Chicago
15 and Boston; marketplaces that already had, as
16 you've also heard, a considerable supply of
17 theater seats. As a result, some formerly
18 active venues are now dark.

19 We're very excited about our new
20 Broadway at the Academy serious. Just last
21 night we celebrated opening night of the
22 critically acclaimed, three Tony Award winning
23 program, "Urinetown," which will be at the
24 Academy through Sunday. This winter, "Oliver"
25 and "Les Miserables" will fill the stage as we

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2 continue to fulfill our vision of creating a
3 thriving cultural district and bringing world
4 class programming to Philadelphia.

5 In closing, we're simply asking that
6 a study be commissioned that thoroughly
7 examines the impact of this proposed
8 additional venue on the existing producing and
9 presenting companies in the Philadelphia
10 region.

11 If I may just respond to a few of
12 Mr. Cuorato's and the other witnesses' remarks
13 on that front, there is a study that I have
14 heard today was consulted that purports to
15 study this impact. And to my knowledge,
16 certainly no one in our organization or others
17 of our fellow theater producing companies were
18 consulted for the study, nor have we seen a
19 copy of it.

20 To Mr. Anderson's testimony with
21 respect to three theaters in Philadelphia who
22 produce the volume and the size theater that
23 they are going to produce at the Boyd or
24 propose to produce at the Boyd, those three
25 theaters, I would contend, are very different

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2 from Boston, Houston, Chicago or many of the
3 other markets he mentioned and that they are a
4 mere 90 minutes away from New York City. The
5 American League of Theaters reports that only
6 16 percent of audiences for Broadway theater
7 come from Philadelphia and its region. So we
8 do need to take into account that even
9 producers who are considering booking shows
10 here in Philadelphia will often ask us to wait
11 an additional season beyond the time that
12 program would be touring in other markets as
13 they still consider the Philadelphia audience
14 an audience for them in New York City.

15 In closing, I would also just like
16 to add in response to some of the other
17 testimony that I'm not entirely in agreement
18 with Mr. Anderson when he says that their
19 ownership or management of theaters in markets
20 where they seek to place shows where they have
21 an investment interest is always the case. I
22 do think that that should be taken into
23 consideration. They do control investment in
24 many of these programs. They also control the
25 theaters in which they then play in many of

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2 these markets, and they additionally control
3 many of the booking and touring organizations
4 who actually do negotiate with other producers
5 in markets to place those shows.

6 Thank you for giving us the
7 opportunity to testify today, and I'm open for
8 any questions.

9 COUNCIL PRESIDENT VERNA: Thank you
10 very much.

11 Councilman Nutter, do you have a
12 statement or a question? Your light is on.

13 COUNCILMAN NUTTER: No, Madam
14 President.

15 COUNCIL PRESIDENT VERNA: Councilman
16 Clarke.

17 COUNCILMAN CLARKE: Thank you, Madam
18 President.

19 Good evening. Real quickly, I want
20 to ask you a couple questions. In your
21 testimony, you reference the public financing
22 of this particular facility. Did the Kimmel
23 Center receive any public financing?

24 MS. PRICE: The Kimmel Center
25 received significant state financing. It

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2 received, obviously, also significant city
3 funding, most specifically through the grant
4 of the land on which the center was built. We
5 do not get ongoing subsidy from either state
6 or -- a very small amount, obviously, through
7 the Cultural Fund of ongoing funding from the
8 City.

9 COUNCILMAN CLARKE: But it did
10 receive substantial, and I mean substantial
11 public financing.

12 MS. PRICE: It did.

13 COUNCILMAN CLARKE: With respect to
14 the garage that supported, as I was told at
15 the time when I was asked to introduce the TIF
16 ordinance, supported the Kimmel Center -- and
17 I'm not sure if you were around during the
18 course of the testimony.

19 MS. PRICE: I was not.

20 COUNCILMAN CLARKE: It was said to
21 me by the developer of the garage that without
22 the garage the Kimmel Center would not work,
23 and they had lengthy testimony to support that
24 claim. And that particular garage also
25 required public financing. You obviously

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2 aren't familiar with that.

3 MS. PRICE: I'm familiar with the
4 garage receiving public funding or being a TIF
5 project. I'm not familiar with the fact that
6 there's any direct income ongoing coming to
7 the Kimmel Center as a result of that garage.

8 COUNCILMAN CLARKE: No, there's no
9 direct income. We were told, and frankly
10 speaking, we probably would not have been able
11 to get the TIF bill passed if it were not its
12 relationship to the operation and the ongoing
13 success of the Kimmel Center, and that's what
14 we were told by the developer and also from
15 individuals from the Kimmel Center who
16 testified at that particular hearing.

17 You're not familiar with that?

18 MS. PRICE: I'm not familiar with
19 what went into the rationale to allow a TIF
20 for that garage development, no.

21 COUNCILMAN CLARKE: I just wanted to
22 make those couple of points, very succinct
23 points with respect to public financing for
24 both the facility itself and the facility that
25 we were told that would support the facility,

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2 the Kimmel Center.

3 Thank you, Madam President.

4 COUNCIL PRESIDENT VERNA: The Chair
5 recognizes Councilman DiCicco.

6 COUNCILMAN DICICCO: Thank you,
7 Madam President.

8 Thank you for your testimony. I'm
9 still a bit torn on this whole issue. I do
10 support TIFs. I've enjoyed the support of
11 many of my colleagues on TIFs that I've had
12 the opportunity to introduce in my district.
13 But the ending of your last statement where
14 you suggest that Clear Channel -- I assumed
15 you were referring to them -- had the ability
16 to attract and market certain types of
17 entertainment venues at this proposed
18 facility. For lack of a better word, it
19 almost sounds as though they can steer
20 business to them that may have looked to go to
21 other venues throughout the City. Is that an
22 accurate account of what you were suggesting?

23 MS. PRICE: Yes.

24 COUNCILMAN DICICCO: I find that to
25 be somewhat disturbing.

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2 Is there anyone from Clear Channel
3 who can help us with that comment?

4 MR. ANDERSON: It's not true.

5 COUNCIL PRESIDENT VERNA: Mr.

6 Anderson, you can't have a private
7 conversation. The stenographer has to hear
8 you. You have to identify yourself, please.

9 COUNCILMAN DICICCO: For the record,
10 before you answer that, I fully agree with the
11 comments made by Mr. Cuorato earlier this
12 afternoon that Philadelphia just needs to
13 continue not to say, "We're satisfied with the
14 status quo." We do need to think big. I
15 think that most of the time my legislation
16 bills that I've either introduced or support
17 are in that vein.

18 I was in New York this past
19 Saturday. I went to see "Hairspray." And I
20 know we're not in New York. We don't have 8
21 million people and the tourists that they get,
22 but it is a wonderful experience to be able to
23 have a variety of places to go to. And I hope
24 that some day we could say the same for
25 Philadelphia.

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2 But I have a problem with the lady's
3 comments about Clear Channel's ability and
4 marketing ability, if you will. Could you
5 explain a little bit about that, what Clear
6 Channel does in addition to managing these
7 types of facilities?

8 MR. ANDERSON: The marketing piece
9 of it, I'm not sure that she spoke to. Clear
10 Channel owns several radio stations and a lot
11 of the outdoor advertising venues in the
12 Philadelphia market. But they charge the same
13 rates to our entertainment division as they
14 charge to Exxon or Verizon or any of the local
15 banks. So I would say that we have very
16 little crossover in the marketing piece of it.

17 COUNCILMAN DICICCO: But one could
18 assume that if there were competing interests
19 for billboards that if the tour, the show that
20 was being promoted would have a first
21 preference towards getting that billboard
22 because it kind of goes hand in hand with what
23 Clear Channel is doing in addition to the
24 advertising. Is that an accurate --

25 MR. ANDERSON: Again, the outdoor

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2 and the radio pieces of the Clear Channel
3 business, I'm not terribly familiar with them.
4 I do know that in this market there are at any
5 given time 30 percent of the billboard spaces
6 that are empty, that are unused and that are
7 available for anybody to use. So it's not a
8 question, I don't believe, of whether it's
9 saturated and Clear Channel product forcing
10 somebody else out of the ability to advertise.

11 As far as the product itself, the
12 theatrical product itself, Clear Channel is
13 not a controlling partner or general partner,
14 executive producer in any of the touring
15 Broadway shows that are on the road now.

16 COUNCILMAN DICICCO: Do you know of
17 any situations in the other 16 facilities,
18 entertainment facilities, theater facilities,
19 where there's a package deal where the touring
20 company will get a discount on advertising?

21 MR. ANDERSON: Don't believe it
22 happens.

23 COUNCILMAN DICICCO: No further
24 questions.

25 MR. ANDERSON: Again, Clear Channel

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2 is a huge public entity and it is a target for
3 accusations and for investigation.

4 COUNCILMAN DICICCO: I'm not -- I
5 don't mean it to be that way.

6 MR. ANDERSON: I know you're not;
7 she was.

8 Clear Channel by virtue of what it
9 is, is subject to an incredible amount of
10 public scrutiny. And it is required by the
11 Justice Department, for example, to maintain
12 enough separation so that there is no
13 retrainive trade. It has accumulated the
14 strength and the size that it has through
15 acquisition, to a large degree. And every
16 acquisition that they've undertaken has been
17 scrutinized by the Justice Department to make
18 sure that it didn't cross those lines.

19 COUNCILMAN DICICCO: Thank you.

20 No further questions, Madam
21 President.

22 COUNCIL PRESIDENT VERNA: Thank you.

23 Councilman Nutter, do you have any
24 questions or comments of Ms. Price.

25 COUNCILMAN NUTTER: Just a piece of

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2 information. The Q and A between Councilman
3 Clarke and Ms. Price on the issue of the
4 garage that Councilman Clarke was talking
5 about, my recollection of that particular TIF
6 is there was a need for a garage at that
7 location because that would then enable the
8 Kimmel Center to meet its attendance
9 projections because you had to have parking.
10 So I don't recall the flow of funds. There
11 may be no flow of funds, but given the
12 location of the Kimmel at Broad and Spruce,
13 and I think the parking lot is at 15th and
14 Spruce diagonally across the back, the
15 proposal at the time -- and there was a lot of
16 discussion about why we need to do a garage,
17 et cetera, et cetera. So there may not be any
18 financial connection between the garage and
19 Kimmel but, clearly, in order to meet patron
20 attendance projections for the Center to work,
21 there was a need for a significant parking
22 garage nearby. So I think that is the
23 connection between those two, as I recall it
24 from a couple years ago.

25 MS. PRICE: I would say it would

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2 definitely be seen as an amenity enhancement.
3 And I do apologize for knowing only
4 peripherally about what happened with the
5 construction of the garage. It did happen
6 before I arrived. But I will get
7 knowledgeable about it.

8 COUNCILMAN NUTTER: Thanks.

9 COUNCIL PRESIDENT VERNA: The Chair
10 recognizes Councilman Cohen.

11 COUNCILMAN COHEN: There are two
12 main companies involved here; is that right?

13 MS. PRICE: Two main companies
14 involved in?

15 COUNCILMAN COHEN: In this proposal.

16 MS. PRICE: In the Goldenberg
17 proposal?

18 COUNCIL PRESIDENT VERNA: I don't
19 think Ms. Price can answer that question.

20 Is Mr. Cuorato here?

21 COUNCILMAN RIZZO: Yes, he's here.

22 COUNCIL PRESIDENT VERNA: Councilman
23 Cohen, we're waiting for Mr. Cuorato to
24 address your question.

25 In the interim, the Chair recognizes

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2 Councilman DiCicco.

3 COUNCILMAN DICICCO: Thank you,
4 Madam President.

5 Ms. Price, the Academy is a
6 non-profit organization?

7 MS. PRICE: The Academy is a
8 non-profit organization owned by the
9 Philadelphia Orchestra and managed by Kimmel
10 Center, Inc., which is also a non-profit
11 organization.

12 COUNCILMAN DICICCO: Mr. Anderson,
13 does Clear Channel ever provide any discounted
14 or free advertising for non-profits, that you
15 know of?

16 MR. ANDERSON: I believe they do
17 from time to time, but, again, I'm not
18 familiar with the advertising policies. I can
19 tell you that our Theater Management Division
20 definitely provides discount and free use of
21 the theater spaces that we operate for
22 not-for-profit organizations.

23 COUNCILMAN DICICCO: Thank you.

24 COUNCILMAN COHEN: Which is the part
25 of this combination which engages in the

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2 heinous details of billboards?

3 MR. ANDERSON: Not mine.

4 COUNCILMAN COHEN: Is that Clear

5 Sound?

6 MR. ANDERSON: Clear Channel; Clear

7 Channel Outdoor.

8 COUNCILMAN COHEN: To what extent do

9 they get involved in billboards?

10 MR. ANDERSON: Clear Channel Outdoor

11 owns an amazing number of billboards in this

12 market. I can't tell you the percentage. I'm

13 not familiar with the specifics. But Clear

14 Channel Outdoor is a significant operator of

15 billboard advertising in Philadelphia.

16 COUNCIL PRESIDENT VERNA: Councilman

17 Cohen, do you have any further questions?

18 COUNCILMAN COHEN: Yes. I would say

19 that that is not a plus, at least from this

20 Councilman.

21 COUNCIL PRESIDENT VERNA:

22 Councilman, do you have any further questions?

23 COUNCILMAN COHEN: To the person

24 from Kimmel Center. Is there a realistic

25 thought in your mind that this new project

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2 proposal would be harmful to Kimmel? Or do
3 you think it would cause both to fail? What
4 is the concern of Kimmel?

5 MS. PRICE: The core of the
6 testimony really is to say that we don't feel
7 that sufficient study to answer that question
8 has taken place or not study that has been
9 shared with those of us in the sector who are
10 currently engaged as practitioners in that
11 field. We have significant internal
12 information to indicate that we and many of
13 our colleagues in the field, while we have
14 obviously grown the audience tremendously for
15 all forms of performing arts since the opening
16 of Kimmel Center a mere not even two years,
17 and that to add an additional 50 percent of
18 capacity into the marketplace at this point in
19 time, we would just like an opportunity to at
20 least see the study that's been prepared or
21 input to an additional study to answer that
22 question.

23 COUNCILMAN RIZZO: Point of
24 information.

25 COUNCIL PRESIDENT VERNA: The Chair

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2 recognizes Councilman Rizzo for a point of
3 information.

4 COUNCILMAN RIZZO: Could I just ask
5 a question of the Administration and also
6 Clear Channel?

7 Trying to be cooperative and giving
8 me an opportunity to gather additional
9 information and the request from the Kimmel
10 Center, I would like to ask the Administration
11 and Clear Channel, if we did delay and brought
12 this over to the next Session of Council, what
13 the impact would have on this project? I
14 don't see this project as something that is so
15 very time sensitive that a short delay in
16 moving forward could cost this project. I'd
17 like to ask the Administration and also Clear
18 Channel to comment on that, because we're
19 pretty reasonable people around here. And I
20 think we have cooperated before and cooperated
21 and waited until additional information became
22 available.

23 So I'd like to ask the City Rep what
24 the ramification would be of a few months
25 delay on this project?

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2 COUNCILMAN COHEN: Just the question

3 I was going to add. There seems to be a
4 number of spots which, if cleared up, might
5 lead to a different conclusion.

6 We're being asked at the end of a
7 term to rush through something very complex.
8 Where you've studied it for years, we're asked
9 in one afternoon to get together and figure
10 all this out. It's a pretty difficult
11 assignment even if we're hard-working and
12 willing to stay late to listen. It's
13 nonetheless very difficult.

14 And I think Councilman Rizzo's
15 suggestion makes a lot of sense. We would
16 like, if possible, to conclude unanimously one
17 way or the other, but we feel that there's so
18 many questions unanswered.

19 I'd like to know in addition to the
20 question Councilman Rizzo asked, what
21 experience do you have with the State? What
22 is the likelihood of you getting approval from
23 the State? Or do you feel it necessary to get
24 approval from the City or that you'll be
25 laughed out by the State unless you do?

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2 That's so easy to give us an answer,
3 but it's really not a compelling answer. If
4 your program has merit, then both legislative
5 bodies will be interested in the subject.

6 So I think Councilman Rizzo's
7 question deserves a lot of consideration.

8 MR. CUORATO: On behalf of the
9 Administration, Councilman, we believe we've
10 presented a strong case for this project to
11 move forward now. I have stated that state
12 funding will be essential, that if we don't
13 get the state funding, we likely do not have a
14 project. It certainly strengthens our case
15 with the State if we are able to say that the
16 City has stepped forward and done its share of
17 the public funding for this project.

18 Again, we've made the case. We've
19 talked about the fact that we've had certain
20 objectives for this property. We wanted to
21 preserve the building. We wanted to put it to
22 an effective reuse. We believe, as Councilman
23 DiCicco stated better than I did earlier, that
24 we should not settle for the status quo. We
25 should not simply say, "We have a certain

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2 number of theaters and, gee, we can't bring
3 another one on." We can certainly grow this
4 market.

5 Delay for projects like this is
6 never a good thing. The costs will go up.

7 COUNCILMAN COHEN: Mr. Cuorato,
8 would you say that your general statement to
9 that effect holds in view of Disney Quest.
10 Nothing could have had a stronger build-up by
11 everybody in the Administration. Everybody
12 told us it was the most wonderful opportunity
13 Philadelphia ever had or ever likely would
14 get, and we cooperated fully. And yet, it
15 didn't avail because ultimately a decision has
16 to be the decision of the private developer.

17 COUNCILMAN RIZZO: Can I follow-up?

18 COUNCILMAN COHEN: Yes.

19 COUNCIL PRESIDENT VERNA: The Chair
20 recognizes Councilman Rizzo.

21 COUNCILMAN RIZZO: Mr. Cuorato, I
22 hear what you say about the state funding, but
23 a delay wouldn't affect the state funding.
24 Whenever we start, the process would start. I
25 don't understand why a short delay to gather

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2 additional information would affect any of the
3 process. I don't believe there's some time
4 line to apply for the state funds.

5 MR. CUORATO: Councilman, delays are
6 not good for any project. The costs are
7 certainly not going to go down; they're going
8 to go up. And, again, we believe we put
9 before you today all of the information that
10 you need to consider this carefully. And we
11 hope that you will support it. I don't know
12 that a delay would accomplish anything, quite
13 frankly, except, No. 1, create some
14 uncertainty as we seek state funding; and No.
15 2, certainly would lead to the project cost
16 increasing which would further put the project
17 in a financing situation that we'd have to
18 find a way to deal with. I just don't believe
19 there's any additional information or benefit
20 to be gained by waiting. I think we've
21 presented as much information as we had.

22 COUNCILMAN RIZZO: But you heard the
23 request of the Kimmel Center.

24 MR. CUORATO: I did hear the request
25 of the Kimmel Center. But, again, we don't

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2 believe that Philadelphia is a City that
3 cannot afford to bring on another performance
4 venue. We should not be approaching this
5 project as though it's status quo. It's
6 everything stays the same. We can't afford to
7 take on another project that would add such a
8 great economic benefit to the City.

9 COUNCILMAN RIZZO: Again, I don't
10 disagree. But, again, it's how the project is
11 being financed that's the question here today.
12 We're not against the project, it's just the
13 way it's being funded.

14 MR. CUORATO: If I may, Councilman,
15 just one other point about the TIF because I
16 know there are continued references to public
17 subsidy, tax dollars being used to support
18 this project, et cetera. This project
19 represents the renovation of the Sam Eric
20 Theater, which is a goal that we all, I think,
21 all agree that we would like to see achieved.
22 If the project does not happen, there are a
23 couple of alternatives. One is the developer
24 would be forced to demolish the building. So
25 perhaps the No. 1 goal that we've all sought

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2 to achieve would not happen. The developer
3 would be forced to take the building down, as
4 is their right, and likely there would be
5 another development. So would we be foregoing
6 tax revenues if there were a development? We
7 likely would have the tax revenues, but we
8 wouldn't have the last major movie palace in
9 the City.

10 If the project does go forward in
11 accordance with the terms that we've put
12 before you here today, we have demonstrated, I
13 think, that there will be additional revenues
14 to the School District over the 20 years,
15 additional revenues to the City. We get a
16 spectacular, new performance venue in a
17 renovated Sam Eric Theater which will
18 revitalize that Chestnut Street corridor. And
19 there is no reason -- I continue to insist,
20 there is absolutely no reason why we have to
21 settle for the status quo and we can't grow
22 the market. It's too easy to just sit here
23 and say, "We're here. We have these venues.
24 We don't want anymore competition because it
25 will take our patrons away." It's too easy to

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2 sit here and say that.

3 COUNCIL PRESIDENT Verna: Mr.

4 Cuorato, I don't think anybody is saying that.

5 MR. CUORATO: Madam President, with
6 all due respect, I think that we've already
7 heard testimony to that effect.

8 COUNCIL PRESIDENT Verna: Mr.

9 Cuorato, let me just ask a question, if I may.

10 I know that Councilman Rizzo has made a
11 request of you.

12 If the TIF creation date is not
13 until July 1, 2004, why are you requesting the
14 approval now?

15 Now, you said you have to go to the
16 State. Well, this is November. I'm sure that
17 -- wouldn't this have to be approved by the
18 legislature? And are they going to be in
19 session December, January, February?

20 MS. SMALLWOOD: Yes, President. But
21 part of our funding program for this project
22 is that we need the commitment of the City to
23 help us sway the Governor to fund the rest of
24 this project. And it's very difficult for us
25 to be able to go ahead do all the other

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2 preliminary studies and surveys and drawings
3 that we would need to continue to proceed and
4 progress this project without the City's
5 commitment at that time. Delaying that would
6 put us at a greater disadvantage.

7 COUNCIL PRESIDENT VERNA: Councilman
8 Cohen, your light is still on. Is there a
9 question or comment that you have, sir?

10 COUNCILMAN COHEN: Yes. You know, I
11 was holding myself back because, Mr. Cuorato,
12 you're very insulting to us. This Council has
13 been most cooperative in project after
14 project. Yet you come at the end of a
15 session, you hold a gun to our head and say,
16 "We've given you all we have. That ought to
17 be enough for you."

18 I think we make the decision as to
19 what's enough for us. You don't make that
20 decision, Mr. Cuorato. And I resent your
21 believing that you have the power to make that
22 decision.

23 MR. CUORATO: I certainly did not
24 intend my comments that way, Councilman.

25 COUNCILMAN COHEN: I think your

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2 request is very reasonable. We've given you
3 all the reasons why we want this request.

4 MR. CUORATO: Councilman, I
5 certainly did not intend my comments to be
6 taken that way. I only said that in response
7 to your question and Councilman Rizzo's
8 question that I thought we had presented all
9 of the information that we have.

10 COUNCILMAN COHEN: Some of us, at
11 least, don't think so.

12 MR. CUORATO: I understand,
13 Councilman.

14 COUNCILMAN COHEN: That's all I
15 have, Madam President.

16 COUNCIL PRESIDENT VERNA: Thank you.
17 The Chair recognizes Councilman Goode.

18 COUNCILMAN GOODE: Thank you, Madam
19 President. In response to your funding
20 program time line, how helpful do you think
21 it's going to be if this bill does not pass in
22 Council or if this bill does not pass with a
23 large majority of Council? Do you actually
24 believe that helps in your lobbying efforts
25 toward the Governor?

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2 MS. SMALLWOOD: I think the fact
3 that this TIF legislation would be passed
4 would be very helpful.

5 COUNCILMAN GOODE: Regardless of
6 whether many of the Members vote against it?

7 MS. SMALLWOOD: I think the passage
8 of the legislation coupled with the public
9 support that has been shown already to the
10 Governor in regards to a letter campaign and
11 all of the different documentation that has
12 been provided by Save the Sam Eric, I think it
13 will be very effective.

14 COUNCILMAN GOODE: But if the Kimmel
15 Center wants an industry analysis and several
16 Members of the Council want more time to
17 consider it, you think just a mere passage,
18 not the overwhelming passage, is actually
19 going to send a message to the Governor who is
20 a former Mayor of this City?

21 MS. SMALLWOOD: I'm sure I can't say
22 that an overwhelming passage would probably be
23 beneficial, but I do not think that if it's
24 not an overwhelming passage that we cannot
25 still utilize it in a positive way in lobbying

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2 the Governor.

3 COUNCILMAN GOODE: Let me ask a
4 rather cynical question. How long did you
5 think this hearing was going to take?

6 MS. SMALLWOOD: Well, I knew that I
7 had a long list of witnesses that wanted to
8 come and testify on our behalf, so I thought
9 it was going to be rather lengthy.

10 COUNCILMAN GOODE: How long did you
11 think we would questioning you?

12 MS. SMALLWOOD: I had no idea, but I
13 was prepared to stay here as long as was
14 necessary because I'm committed to the
15 project.

16 COUNCILMAN GOODE: This took a lot
17 longer than you thought, didn't it?

18 MS. SMALLWOOD: No, absolutely not.
19 I know this is a challenged project, but I
20 also know that it's a project that I'm very
21 committed to.

22 COUNCILMAN GOODE: I think you
23 thought this was a short first step.

24 MS. SMALLWOOD: I absolutely did not
25 think this was going to be short. That's why

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2 I came with a long list of people that I
3 needed to support it.

4 COUNCILMAN GOODE: I'm talking about
5 in terms of our questioning of Goldenberg --

6 MS. SMALLWOOD: No, I expected it to
7 be.

8 COUNCILMAN GOODE: -- our
9 questioning of Clear Channel, our questioning
10 of the economic development agencies in terms
11 of whether this project is being funded right,
12 in terms of what information we are due before
13 we give up taxpayer dollars and whether you
14 sought out philanthropic sources, whether you
15 put us first rather than go to the State,
16 whether you thought this was a first easy step
17 or not. I think you thought it was.

18 MS. SMALLWOOD: No, I didn't. I
19 think it is your obligation to ask these
20 challenging questions.

21 COUNCILMAN GOODE: Even if this bill
22 passes, you should not assume that people
23 won't even lobby against the funding for it
24 until the Kimmel Center's questions are
25 answered.

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2 Thank you, Madam President.

3 MS. SMALLWOOD: I respect your
4 comments, but I would like to have the
5 opportunity to respond to them.

6 By no means did I expect this to be
7 a short or very easy public hearing. I came
8 here prepared to answer all of your questions.
9 I came here prepared with people that I know
10 that are in support of this project.

11 I have lived and breathed this
12 project for two years now. I'm very committed
13 to it. I believe in it like everyone else
14 that's here today. And I appreciate, I truly
15 appreciate the questions that you are
16 proposing and I am here to answer every last
17 one because I believe in this project and I
18 believe that the City should believe in this
19 project and what it can do for this City.

20 COUNCILMAN GOODE: Your two years of
21 preparation and knowledge base does not
22 compare to coming in here for a couple hours
23 and think we're going to give up \$5 million in
24 Tax Increment Financing.

25 MS. SMALLWOOD: You're not giving up

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2 \$5 million. You are actually gaining taxes
3 from this proposed project.

4 COUNCILMAN GOODE: I don't believe
5 that. I believe that if you tear it down and
6 build something else, you get tax revenue over
7 the next 20 years. I believe that if you find
8 other funding rather than use Tax Increment
9 Financing, you get tax revenue.

10 This whole notion this project
11 doesn't happen without TIFs is ridiculous.

12 MS. SMALLWOOD: Then obviously you
13 are not a proponent of historic preservation.
14 That's one of the things that we are trying to
15 focus on here.

16 COUNCILMAN GOODE: I don't think
17 it's worth using taxpayers' dollars.

18 MS. SMALLWOOD: Duly respected.

19 COUNCIL PRESIDENT VERNA: Thank you.

20 Are there any other members who have
21 questions of our witness, Ms. Price?

22 (No response.)

23 COUNCIL PRESIDENT VERNA: Seeing
24 none, our next witness will be Howard Hass,
25 Friends of the Boyd.

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2 MR. HASS: Hello. My name is Howard
3 Hass. I am the Center City attorney and
4 member of the Theater Historic Society of
5 America who organized the Committee to Save
6 the Sam Eric 17 months ago. I also
7 incorporated the Friends of the Boyd which is
8 the non-profit organization dedicated to
9 saving the Sam Eric Theater.

10 A year ago we quickly gathered 5,000
11 petition signatures and handed them to Mayor
12 Street. We stood every Saturday last year in
13 front of the theater so we could meet with
14 people and explain our cause. Hundreds of
15 volunteers have demonstrated with us.

16 Why save the Sam Eric? Why have so
17 many people from web masters to graphic
18 designers, from architects to
19 preservationists, from film fans to community
20 activists devoted so many hours volunteering
21 to this cause? Because the Sam Eric, built as
22 the Boyd, is Philadelphia's last first-run
23 movie palace. It's opulent lobby, foyer,
24 upstairs foyer, lower lounge, and glorious
25 auditorium market is the last of its breed. A

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2 building of Hollywood fantasy where for a
3 couple of hours, the common man could feel
4 like a king.

5 Philadelphia cannot just be 18th
6 Century history. We need to save our 20th
7 century history, too, just like every other
8 City in the United States. No American City
9 has knocked down every last movie palace. We
10 would be the laughing stock of the nation if
11 we knocked down our last movie palace.

12 We have been in the Boyd Theater
13 many times in the last year. We have worked
14 closely with the Goldenberg Group on plans for
15 restoration. We have researched the theater's
16 history, gathered artifacts from the last 75
17 years to exhibit in the theater and are
18 looking forward to being part of the
19 public/private partnership that will reopen
20 the theater and operate it.

21 We are very excited about the
22 Goldenberg Group's plans. This will be a
23 spectacular restoration and an art deco
24 showplace akin to Radio City Music Hall that
25 Philadelphia will be proud of.

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2 We will help fund-raise to ensure
3 authentic restoration of the Boyd Theater to
4 its art deco. We have already identified
5 foundations that if, this project becomes a
6 reality, will help to restore the original art
7 deco marquis and vertical sign and ticket
8 booth and art deco class. You can't count
9 upon them to give \$18 million, but we will
10 raise money.

11 The Goldenberg Group found Clear
12 Channel. Clear Channel is the A Team. They
13 will bring in first-rate shows.

14 The friends of the Boyd will operate
15 a film program, a very special program of film
16 festivals in conjunction with the Philadelphia
17 Film Society and our own classic film series.
18 This year we showed a silent movie filmed in
19 Philadelphia and a W.C. Field's film at the
20 International House as successful film
21 fund-raising events. Ed Bacon is our special
22 guest on December 5th when we show the "The
23 Philadelphia Story" also at International
24 House. I put the flyer in those folders that
25 we provided all of you with those photographs.

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2 Real Philadelphians from the
3 neighborhoods will be able to once again
4 afford to feel like king for a couple hours at
5 the Boyd by attending one of our movies. We
6 are also speaking with the Goldenberg Group
7 and another developer about their interest in
8 bringing terrific restaurants to the 1900
9 block of Chestnut Street. And we recently
10 insisted that the lovely art deco buildings
11 neighboring the theater at 1900 and 1902
12 Chestnut Street be preserved rather than
13 demolished. They will be preserved.

14 But the Boyd Theater cannot be an
15 anchor of Chestnut Street, it cannot
16 revitalize Chestnut Street with restaurants
17 and retail without your support. We ask for
18 your vote today. Frankly speaking, we won't
19 allow the demolition of Philadelphia's last
20 movie palace. We will stand in front of the
21 bulldozers and we will stand in front of the
22 wrecking ball. Please don't let it come to
23 that day. Don't vote no for yourself, vote
24 for your children, your grandchildren and your
25 great-grandchildren.

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2 We gave you copies of photographs
3 including all those school children in front
4 of the theater 50 years ago. Please vote yes
5 so once again the children will be able walk
6 into the Boyd and enjoy a movie in a movie
7 palace. Don't make the children go to New
8 York City. Save the theater here in the great
9 City of Philadelphia.

10 I would like to hand in a letter
11 from State Representative Babette Josephs
12 which I've copied for everybody, along with a
13 copy of my address. And I would like
14 permission from Madam Chairman because Mr.
15 Raymond Murray of the Philadelphia Film
16 Society had to be in Brazil at a film event
17 today, if I could read his short letter.

18 COUNCIL PRESIDENT VERNA: Please do.

19 MR. HASS: Thank you.

20 "Dear City Council Members: Over
21 the past 15 years, film festivals have become
22 significant economic and cultural stimulus for
23 cities. The prestige of a successful film
24 festival - like those in Toronto, San
25 Francisco, Montreal and Seattle - have

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2 contributed to the positive image of those
3 cities.

4 "The Philadelphia Film Festival drew
5 almost 60,000 patrons from around the city,
6 region and world last April and the
7 Philadelphia Gay and Lesbian Film Festival,
8 the largest such festival on the east coast,
9 attracted almost 30,000. The festivals
10 attract out-of-towners who stay in hotels, go
11 to restaurants, experience Philadelphia in a
12 positive way and in turn expectedly spread the
13 good word of our City to others.

14 "But our film festivals have had
15 difficulty in finding large, professional
16 Center City venues to showcase the biggest
17 films and stars. The Prince Music Theater is
18 tremendous, but at 450 seats, it quickly sells
19 out. Like all other top rank film festivals,
20 the Philadelphia Film Society craves a large
21 venue with a grandeur and glamour to evoke the
22 dreams of filmmaking. That venue is obviously
23 the Boyd. I see our opening and closing night
24 films screened at the new Boyd as well as our
25 most important film and honors presentations.

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2 "The addition of the Boyd for the
3 two film festivals can help catapult our
4 festivals into the top ranks of American film
5 festivals.

6 "Sincerely, Raymond Murray."

7 And again, I'd like for the
8 Councilmembers to have a copy of Mr. Murray's
9 letter.

10 COUNCIL PRESIDENT VERNA: Thank you.
11 And State Representative Babette Josephs'
12 letter will also be made part of the record.
13 A copy of it will be given to the
14 stenographer.

15 (Copy of letter attached to
16 transcript.)

17 MR. HASS: We thank you for your
18 time. Many of our supporters have spent these
19 last few hours here and we thank them for
20 coming.

21 Are there any questions?

22 COUNCIL PRESIDENT VERNA: Thank you
23 very much, Mr. Hass.

24 Councilman Goode, do you have a
25 question or comment, sir?

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2 COUNCILMAN GOODE: Yes. Thank you
3 for your testimony and for passion.

4 How much money have the Friends of
5 Boyd Theater raised from the foundation
6 community?

7 MR. HASS: 7500 from the Samuel Fels
8 Foundation. The City of Philadelphia granted
9 2500. The Philadelphia Film Office is here,
10 500 --

11 COUNCILMAN GOODE: Separate from
12 city government.

13 MR. HASS: Well, we have a couple
14 fund-raisers such as Jim McClellan whose been
15 fund-raising from foundations for 35 years.
16 And he's come to me with --

17 COUNCILMAN GOODE: Excuse me, sir.
18 How much money have you raised so far?

19 MR. HASS: Just the 7500.

20 If I can finish my answer. The
21 problem is, until there's a committed project,
22 the fund-raisers can't raise from the
23 foundations. We've had several meetings with
24 the foundations. They're very eager to assist
25 the project, but they can't do it until the

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2 project is a definite go. And that won't
3 happen until there is City and Harrisburg
4 money. And then we will raise the funds
5 because we will recreate those art deco
6 elements that have been missing or damaged
7 over the years..

8 COUNCILMAN GOODE: And what are you
9 committed to raising?

10 MR. HASS: We anticipate about at
11 least \$750,000 for the art deco restoration.
12 And we are also approaching foundations for
13 some of the programming money for the
14 community access as well.

15 COUNCILMAN GOODE: Thank you.

16 MR. HASS: Thank you.

17 COUNCIL PRESIDENT VERNA: Thank you.

18 Any questions or comments from any
19 Members of Council of Mr. Hass?

20 (No response.)

21 COUNCIL PRESIDENT VERNA: Thank you
22 so very much for your patience, sir.

23 MR. HASS: Thank you.

24 COUNCIL PRESIDENT VERNA: Our next
25 witness will be Judith Robinson.

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2 MS. ROBINSON: Good evening. Thank
3 you very much.

4 COUNCIL PRESIDENT VERA: Thank you
5 for your patience. Please identify yourself
6 for the record and proceed with your
7 testimony.

8 MS. ROBINSON: My name is Judith
9 Robinson. I'm here as a member of the 5th
10 District. I am always interested in TIF
11 financing. There have been quite a few in the
12 5th District. And I'm always looking at the
13 equity in how the resources are being spread
14 to finance various economic development
15 projects.

16 I want to first commend all the
17 people who worked very hard to create the
18 non-profit entity to support the historic
19 significant Boyd Theater. I commend you very
20 much on your hard work. And historically
21 significant building preservation is very
22 important to me also. So I want to say that
23 very much up front.

24 But I am very much concerned when
25 there's a TIF being used because every time

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2 there is a TIF used, I look at the Economic
3 Opportunity Plan, because that's very much
4 important to me as a community activist. So
5 there is my area of concern.

6 I am concerned that when there are
7 amendments and they say that they're in the
8 Chief Clerk's Office, and we go to do our
9 research and the documents are not there. So
10 I would respectfully request that the Chair
11 really address some of those issue with
12 documents not being in Chief Clerk's Office
13 when we as citizens go to try to find out
14 about what's going on and do our research. So
15 I'm really concerned that the Economic
16 Development Plan was just delivered today.

17 I am concerned because every time
18 there is an Economic Development Plan, it is
19 written in the plan that there will be a
20 certain number of jobs created and that it
21 will have a certain economic impact. This
22 project is in the 5th District, so I'm looking
23 at it as a 5th District project. And I see
24 where there is supposed to be X number of
25 construction jobs and then so many permanent

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2 jobs. I'm very much concerned that you read
3 the Economic Plan, but the reality once the
4 project moves forward, if in fact it does,
5 that it's not reality. The plan and the facts
6 are not the same.

7 So I'm very much concerned that we
8 have some enforcement, some follow-up on all
9 of these plans, because we know there are tax
10 dollars being used. Our school children are
11 not getting funds or they're being abated for
12 a period of time, to use that word instead of
13 saying that they're just not getting any
14 overall. But there are some tax benefits; I
15 heard that today. But I'm more so concerned
16 about the economic impact prior to or as you
17 go along with this development.

18 So those are my main areas of
19 concern: That documents are not here and that
20 although we're very much concerned about
21 historic preservation, I'm really concerned
22 because the Uptown is an art deco type theater
23 also in the 5th District and this project, the
24 Boyd, has been aggressively worked on for
25 about 17 months, and I think if you go back to

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2 Council hearings in the past, the Uptown
3 process has been waiting, lingering for many,
4 many years. So I'm really concerned how
5 equity is spread around, how PIDC uses their
6 resources and then the economic development
7 benefits.

8 So I would encourage you Council
9 folks to please look at those areas and follow
10 up and make sure that this Economic
11 Development Plan is, in fact, enforced. And I
12 thank you very much for your time.

13 COUNCIL PRESIDENT VERNA: Thank you,
14 Ms. Robinson.

15 Our next witness is Terry Gillan.

16 And is Mr. Gallery here, John
17 Gallery? You will be next, sir.

18 MS. GILLAN: Good evening, Madam
19 President and Members of Council. I am the
20 Democratic Leader of the 30th Ward and member
21 of the Committee to Save the Sam Eric. I'm
22 here testify on behalf of the proposal to
23 provide a TIF for the Sam Eric Theater. I do
24 this with the full knowledge of the policy
25 issues raised by doing a new TIF. Indeed, in

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2 my previous positions as Senior Vice President
3 of PIDC and Director of Policy for the State's
4 Department of Community and Economic
5 Development, I have on many occasions wondered
6 about the utility of TIFs. Many of us felt,
7 for example, that the City was too liberal in
8 the 1990s in its provision of TIFs for hotels.

9 It is interesting that some of the
10 opponents of this bill are concerned that the
11 TIF might provide the Sam Eric with an unfair
12 competitive advantage. We do need to be
13 careful about this because in the economic
14 development business, we provide competitive
15 disadvantages all the time. Sometimes the law
16 of unintended consequences means that we even
17 put other enterprises out of business as a
18 result of our actions.

19 Indeed, the same argument has been
20 made about Keystone Opportunity Zones, for
21 example, and with good reason. At the State
22 level we have heard many stories of businesses
23 that have suffered because a competitor was
24 put into a zone across the street.

25 Policymakers need to view these

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2 tools with more careful and thoughtfulness
3 than they have in the past, both at the city
4 and state level.

5 There is, however, a good policy
6 basis for this TIF proposal, and this is it.
7 Historic buildings do need subsidies in order
8 to be successful. There is no way that an old
9 building can be rehabbed for the same cost
10 that a new one can be built. We can debate
11 what that premium is. It may be 10 percent or
12 it may be 200 percent, but there is a premium
13 for historic properties. That premium is cost
14 worth paying. If cities, especially
15 downtowns, are to thrive, we need policies
16 that make it economical to rehab old buildings
17 and discourage new construction at the expense
18 of blighted buildings.

19 This policy is at the heart of both
20 Mayor Street's NTI Program and Governor
21 Rendell's program to end sprawl and promote
22 cities and towns throughout Pennsylvania.
23 This policy is behind the national historic
24 tax credit and a current effort to get a tax
25 credit at the state level, which I support.

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2 Old buildings are worth saving and rehabbing
3 even if they cost a little more, because in
4 the long run they vitalize neighborhoods and
5 fight suburban sprawl.

6 So I would urge City Council, as you
7 deliberate, to adopt a new policy. You should
8 use TIFs and other economic development tools
9 only to subsidize the cost of renovating old,
10 historic buildings, not to build new office
11 buildings, not to build new stadiums, just
12 historic buildings. It is important to
13 develop a clear policy, but also to understand
14 that the cost of not doing anything in this
15 case is high. Without some sort of subsidy,
16 historic buildings such as the Sam Eric will
17 not get reused and they will continue to
18 blight our neighborhoods. Thank you.

19 COUNCIL PRESIDENT VERNA: Thank you.
20 The Chair recognizes Councilman Goode.

21 COUNCILMAN GOODE: Thank you, Madam
22 President. Just a few questions.

23 In view of the fact that there are
24 state and federal historic tax credits being
25 sought, do you actually believe we should be

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2 contributing in terms tax incentives in this
3 project specifically for the purpose of
4 historic preservation?

5 MS. GILLAN: Yes, I do. But let me
6 clarify. There are no state historic tax
7 credits right now; that's in the form of
8 legislation that's pending in the legislature,
9 so they don't exist at the state level. I
10 think they should. But, yes, I do think it's
11 appropriate to do it at the city level.

12 COUNCILMAN GOODE: Second question
13 is, do you actually believe that a TIF is
14 required for this project?

15 MS. GILLAN: I believe that some
16 sort of a subsidy is required for this
17 project. Now, whether that has to be in the
18 form of a TIF, I don't know. I honestly am
19 not privy to the numbers, so I don't know if a
20 TIF is required. It ought to be the last form
21 of a requirement. You and I, I think, are in
22 agreement on this point.

23 COUNCILMAN GOODE: Because we are in
24 agreement, I will ask the last question.

25 How do you think the use of TIFs in

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2 the '90s in terms of hotel development and
3 even within this project, even though you
4 haven't looked to numbers, fit into the future
5 context of what we need to do in terms of tax
6 reform in the City?

7 MS. GILLAN: Oh, my God, that's such
8 a big question. How does it fit within the
9 context of tax reform?

10 COUNCILMAN GOODE: Can we continue
11 to do -- supposedly, we are doing TIFs because
12 of the lack of competitive nature of our tax
13 structure, and continue to do it and have done
14 20, 25 projects potentially for half a billion
15 in TIFs. If those projects have gone through
16 or we continue to do TIFs because of our
17 competitive disadvantage in terms of tax
18 structure, doesn't it take away from our
19 ability to really do comprehensive tax reform
20 and improve the business environment for all
21 of Philadelphia?

22 MS. GILLAN: Well, what I think it
23 does, Councilman, is I think doing subsidies
24 or policy through the Tax Code is always
25 dangerous because it's off the books. I think

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2 that it would be better to provide these sort
3 of subsidies up front as a line item so that
4 everybody can see them, because when we do
5 them as a tax abatement or a tax subsidy, they
6 get hit and the cost gets hidden and then the
7 law of unintended consequences comes in. And
8 when you start fiddling with the market, which
9 I think is what you're getting at, you often
10 have strange results. So I think it's better
11 to do these things not through the Tax Code,
12 but as up front subsidies where we can be
13 clear about what we're doing and be clear
14 about what the costs are.

15 COUNCILMAN GOODE: Thank you. I
16 just wanted to have a good economic
17 development discussion with you.

18 (Laughter.)

19 COUNCIL PRESIDENT VERNA: Thank you
20 very much, Ms. Gillan.

21 Mr. John Gallery. It's very nice
22 seeing you. Thank you for your patience.

23 MR. GALLERY: It's always a pleasure
24 to be here.

25 My name is Gallery, I'm here as

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2 Execute Director of the Preservation Alliance.

3 I've handed in a written testimony, and in the
4 interest of time, I'm not going to read that.

5 I'd like to just speak to a few of the points
6 that are in that and also to some of the
7 discussion that's gone on.

8 First of all, I would like to
9 encourage all of you, if you have not already,
10 to pick up the manila file folder that was
11 distributed by Howard Hass to each of you that
12 has in it some photographs of this building.
13 I think if you look at that building and ask
14 yourself the question, "Do you want to be the
15 City Council which authorizes the demolition
16 of that historic resource?" I hope those
17 photographs will make you think twice.

18 This is a unique building in
19 Philadelphia. It is one of most beautiful
20 buildings of the period that we have. It is
21 one of the greatest art deco buildings in this
22 City, of which there are relatively few
23 examples. And it's an important building, not
24 just as a piece of architecture, because it
25 represents an important social and cultural

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2 phenomena of our past. I cannot think of any
3 other building in Philadelphia at this time
4 that has the potential of the Boyd that is
5 more important to be preserved.

6 In my long history of work in
7 Philadelphia, I have not seen as much public
8 support for the preservation of the Boyd as I
9 have seen for any other preservation project
10 for the Litt Brothers building back in the
11 1980s. This project has brought out thousands
12 of people. And if Council has an interest in
13 what is important to the citizens of
14 Philadelphia, I think the incredible response
15 there's been to this shows that this has a
16 tremendous interest.

17 But because this is a unique
18 property, preserving it and developing it is
19 also a unique problem. I looked at this
20 building in the 1980s as a private consultant.
21 I've looked at it again as the Goldenberg
22 Group has studied this. Finding a use for
23 this building is very difficult. And we have
24 been blessed with the opportunity that has
25 come here through the participation of Clear

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2 Channel. There are relatively few, and I am
3 not sure there are any other, potential uses
4 that can preserve this building other than the
5 proposal that's been put before you. And so
6 the choice really is not between if we don't
7 do this, what else will happen. The choice
8 is, losing this building or preserving it.

9 A second point that has been made
10 about the market issue, I'd like to remind you
11 that Clear Channel is already involved in
12 programming shows into both the Academy and
13 the Merriam Theater. Why would they come into
14 the City to do another facility if they didn't
15 believe there was a strong market here, given
16 the fact that they already know the market
17 here, they're already booking things here?
18 They're going to bring to this facility things
19 that would not go to the Academy or someplace
20 else. They're going to bring things which
21 will never come to Philadelphia if we don't
22 have the resource of the Boyd.

23 Lastly, let me just say I've been
24 involved in a lot of financing of historic
25 preservation and other development projects in

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2 Philadelphia. It has not been unusual for me
3 to look for a combination of public funds that
4 may be 40 percent of the project financing for
5 a difficult project. When I structured the
6 financing for the Litt Brothers project, the
7 percentages of public support were very high.
8 And had there been a TIF Program at the time,
9 I would have been here then with the
10 developers trying to get your support.

11 This is an important project for
12 this City Council to be behind. Its financial
13 support is critical to the completion of the
14 project. And on behalf of the entire
15 preservation community, I strongly urge you as
16 a Committee and as a Council as a whole to
17 really put your full enthusiastic support
18 behind this project. Thank you.

19 COUNCIL PRESIDENT VERNA: Thank you,
20 Mr. Gallery. And we will make certain that
21 your testimony will be given to the
22 stenographer so it will be transcribed in
23 full.

24 MR. GALLERY: Thank you.

25 COUNCIL PRESIDENT VERNA: Councilman

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2 Goode has a comment or question of you.

3 COUNCILMAN GOODE: Thank you, Madam
4 President.

5 I hear your testimony that there
6 should be some local public support in the
7 name of preservation. But in your judgment,
8 does that have to be Tax Increment Financing?

9 MR. GALLERY: Councilman, if you
10 have \$5 million from another source that you'd
11 like the City to put into it, I think we'd be
12 happy to have it.

13 COUNCILMAN GOODE: I'm sure there
14 are many sources publically and privately. My
15 question to is, in your judgement, does it
16 have to be Tax Increment Financing?

17 MR. GALLERY: I think I answered
18 your question. I said, if you as a City
19 Council would like to appropriate \$5 million
20 from a different source in the City other than
21 Tax Increment Financing, that would be fine.
22 But do I think it's necessary --

23 COUNCILMAN GOODE: That's not the
24 proposal before us.

25 MR. GALLERY: Councilman Goode, I'd

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2 appreciate it if you'd let me finish answering
3 your question.

4 COUNCILMAN GOODE: If you're going
5 to answer the question.

6 MR. GALLERY: I'm answering the
7 question. Yes, I do believe that since you
8 have no other way of supporting this project,
9 this Tax Increment Financing is essential and
10 is appropriate for the City to do and it is
11 necessary for the project, yes.

12 COUNCILMAN GOODE: So, in your
13 judgment, there is no other form of financing
14 other than Tax Increment Financing?

15 MR. GALLERY: Every other form of
16 financing is already in there. Clear Channel
17 has already a very substantial equity
18 commitment. All of the financing that can be
19 obtained through federal historic tax credits
20 is already in there. There is no other "in
21 there" to be had. So yes, we need it,
22 absolutely.

23 COUNCILMAN GOODE: Thank you for
24 your comments.

25 COUNCIL PRESIDENT VERNA: Thank you

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2 very much.

3 Thank you, Mr. Gallery.

4 Adrian Fine.

5 MR. FINE: Good evening. My name is
6 Adrian Fine, I am the Director for the
7 Northeast Field Office of the National Trust
8 for Historic Preservation based here in
9 Philadelphia. And for those who may not be
10 aware, we are a privately funded, non-profit
11 organization, the largest of its kind in the
12 US based in D.C. I just have some brief
13 remarks.

14 On behalf of the National Trust and
15 our 11,000 members in Pennsylvania, I'm here
16 in support of this TIF District for the
17 Historic Body Theater. In 2001, the National
18 Trust for Historic Preservation placed
19 historic movie palace theaters on our
20 America's 11 most endangered places listing.
21 And we wanted to draw attention to the issues
22 impacting these types of highly specialized
23 historic buildings. We also wanted to promote
24 viable alternatives to demolition -- and,
25 certainly, that's what we've seen, demolition

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2 after demolition -- across the country and
3 many creative partnerships that can and should
4 occur to put these landmarks back into use.

5 For these reasons, the National
6 Trust has a strong interest in Philadelphia's
7 Boyd Theater and the efforts that can result
8 in a preservation outcome.

9 Boston, Detroit, Los Angeles,
10 Washington, Atlanta, Baltimore, Chicago, Tampa
11 and Minneapolis are just a few recent examples
12 of cities where restored historic theaters
13 have become significant entertainment venues
14 and tourism attractions. We strongly believe
15 a restored Boyd Theater has the same, if not
16 greater potential to serve as an anchor and
17 contribute directly to the growing revitalize
18 of the Chestnut Street corridor.

19 Public investment funding for a
20 restored Boyd Theater also has the ability to
21 generate direct and indirect economic benefits
22 to the Philadelphia region and the
23 Commonwealth. And as a cultural attraction
24 and companion piece, the Boyd Theater
25 undoubtedly will also further the success

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2 already achieved through Avenue of the Arts
3 initiative and Kimmel Center instead of
4 detracting to from it.

5 TIF funding has fostered in many
6 other cities the restoration of significant
7 architectural landmarks. It's intended to
8 support development only in properties where
9 improvements won't otherwise take place or, in
10 other words, where it isn't otherwise likely
11 to be cost effective. And that's exactly what
12 we have with the case of the Boyd Theater.
13 TIF incentives such as this should be used as
14 a gap filler and as a project enablement.
15 Without TIF support, we have no doubt and we
16 are certainly concerned that the Boyd Theater
17 may not and will not be restored and
18 potentially lost down the road.

19 There is a precedent for doing this,
20 supporting arts and culture as a driver of
21 economic development here and in other places
22 such as Cincinnati, such as Pittsburgh, such
23 as Chicago, for instance. Four historic
24 theaters in Chicago's historic Central Loop
25 District had benefited directly from TIF

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2 assistance, prompting 59.2 million in direct
3 subsidies while generating 102 million in
4 private investment. This includes the
5 Oriental, the Palace, the Goodman, and the
6 Chicago.

7 In Minneapolis, the City has taken
8 an active role purchasing three historic
9 theaters and restoring two in the last 10
10 year.

11 In Boston, the City has taken a lead
12 role in helping to restore and re-open the
13 B.F. Keefe, the Modern, and the Paramount.

14 Pittsburgh's Cultural Trust has
15 assisted five historic theaters.

16 The 1927 Coronado Theater in
17 Rockford, Illinois, has benefited from a
18 direct \$7 million direct subsidy from the
19 City.

20 Detroit's Theater District, one of
21 the largest in the country, specific the Fox,
22 the Capital and Gem and others have generated
23 tremendous commercial interest and investment
24 in the surrounding area with new start-up
25 restaurants, comedy clubs and others.

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2 Lastly, Center City Philadelphia has
3 only one remaining intact 1920s spectacular
4 art deco movie palace, and they can't afford
5 to lose it. To the City's credit, a restored
6 and re-opened Boyd Theater can make a
7 significant and positive economic impact on
8 the Philadelphia region. However, it needs
9 the City's help to make this happen.
10 Therefore, the National Trust for Historic
11 Preservation certainly urges you to support
12 this TIF District application.

13 And I will say lastly that in our
14 work all across the country in community after
15 community where we're working with groups like
16 Save the Sam Eric and local governments and
17 groups like Clear Channel, this is what we
18 hear over and over and over, is that these
19 types of projects are one of the most
20 difficult types to get off the ground. These
21 buildings are highly specialized, highly
22 costly to rehabilitate and bring them back on
23 line. And that's certainly the case with the
24 Boyd Theater. And in all of the examples
25 where you have success stories from all the

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2 cities I've mentioned and many others, it's
3 resulted in a direct and tangible involvement
4 by the local government in helping to make
5 that happen. So we're certainly urging you to
6 do that with the Boyd Theater as well. So I
7 thank you.

8 COUNCIL PRESIDENT VERNA: Thank you
9 very much, sir.

10 The Chair recognizes Councilman
11 Goode.

12 COUNCILMAN GOODE: In your citing of
13 TIF projects or TIF financing for historic
14 preservation of cultural districts in other
15 cities around the nation, did the
16 establishment of those TIF districts and did
17 that TIF financing -- was it directed toward a
18 single property, or was it actually directed
19 toward the preservation of a district and
20 several properties within that district?

21 MR. FINE: In the case of Chicago,
22 it was directed towards specific theater
23 buildings.

24 COUNCILMAN GOODE: I'm sorry, can
25 you repeat that?

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2 MR. FINE: In the case that I cited
3 for Chicago with the four theaters that I
4 specifically mentioned as far as TIF
5 assistance --

6 COUNCILMAN GOODE: But it was
7 directed toward four separate buildings.

8 MR. FINE: Absolutely.

9 COUNCILMAN GOODE: Did those four
10 buildings have the same developer.

11 MR. FINE: I'm almost positive no.

12 COUNCILMAN GOODE: So in your
13 knowledge of how TIFs are done in other
14 cities, whether it's for historic preservation
15 for cultural districts, there are probably
16 several different developers and several
17 properties involved in the creation of that
18 TIF district; is that correct.

19 MR. FINE: Often.

20 COUNCILMAN GOODE: Thank you.

21 COUNCIL PRESIDENT VERNA: Our next
22 witness is Mr. Michael Barnes.

23 Mr. Barnes, please identify yourself
24 for the record and proceed.

25 MR. BARNES: Madam President,

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2 Members of Council, my name is Michael Barnes.
3 I'm the business manager of Stagehands Local
4 No. 8 here in Philadelphia. I'm also a Vice
5 President on the International's Executive
6 Board for Theatrical Union in North America.
7 I come before the Council in support of the
8 bill.

9 I don't have a lot of stats to put
10 forth. I am basically coming from my
11 knowledge of the theater industry as person
12 whose family's been involved in it since 1917.
13 My grandfather got into the union in 1917. My
14 father was in 1947. I have brothers, sisters,
15 nephews, cousins that all work in the
16 theaters. My father who was the stage manager
17 for the Philadelphia Orchestra from 1953 to
18 '86 and my oldest brother currently now has
19 his job and has managed the Philadelphia
20 Orchestra for the last 50 years. So we have
21 somewhat of a knowledge of the theater
22 industry in the City of Philadelphia.

23 I started in the industry in 1980 in
24 the Merriam Theater which was then the Shubert
25 Theater. I remember working for a show with

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2 Mickey Rooney called "Sugar Babes." I
3 remember Mickey Rooney going out on stage and
4 making a comment that he knew he was in
5 Philadelphia because of the orange paint on
6 the walls. At the time, the owner of the
7 theater had run out of money and couldn't
8 renovate the place so he left the primer on
9 the walls. And I bring that story up because
10 I think it's relative to some of the concerns
11 that are expressed to so many other employers
12 that are in the City, and I have a
13 relationship with those employers because I
14 negotiate with them and represent the
15 stagehands, ushers, ticket sellers, and
16 wardrobe people that work in their theaters.
17 And I'm in somewhat of a unique situation
18 because a lot of times I sit on the opposite
19 side of the table from Dave Anderson of Clear
20 Channel, but today I'm on the same side.

21 When I started working in the
22 Merriam Theater in 1987, I remember there was
23 a concern expressed by so many other theaters
24 at the time that the competition from the
25 Merriam, there wasn't enough product. I

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2 became the business agent in 1992, after
3 working at the Merriam for five years and
4 watching the industry build up with the two
5 theaters that were in town. In about five or
6 seven years I was contacted about the Kimmel
7 Center. And people asked me if we would be
8 support of a new performing arts center, which
9 absolutely we were in favor of. We thought it
10 would enhance the theatrical community in the
11 City of Philadelphia. And I negotiated with
12 Dave Anderson during the construction of
13 Kimmel Center. And the concern that Dave
14 Anderson expressed to me was that, with the
15 new theater, would they be able to book enough
16 shows in Philadelphia. And I find it ironic
17 now that both people have a concern.

18 My feeling on it is that looking at
19 what's happened to the industry, looking at
20 the amount of jobs it's provided for my
21 membership and the amount of product that has
22 increased as the theaters increased, I think
23 -- while I don't have the exact numbers and I
24 would have prepared myself if I knew it was
25 needed -- I think the trends indicate that

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2 additional theaters do mean additional product
3 and additional jobs.

4 For IATSE who had 75 stagehands in
5 1987 with the initiation of a ushers local at
6 the Kimmel Center, we now have over 500
7 members, and we continue to grow.

8 In regards to income, our local's
9 income has seen an increase over a thousand
10 percent in the last 10 years because of the
11 entertainment industry and the growth of the
12 additional theaters in the Kimmel Center.

13 There's another trend that I think
14 we can look at to maybe address some of the
15 concern, and that's the trend that occurred in
16 the arena industry. In the arena industry, we
17 only had one arena at one point in
18 Philadelphia, which was the Spectrum Arena.
19 We then built at the time I guess it was First
20 Union Center, Global Spectrum, now the
21 Wachovia Center. There was a concern whether
22 we could sustain two arenas, and then the
23 Liacouras Center was built and then the
24 Tweeter Center was built and the Sovereign
25 Bank Arena was built in Trenton, and the

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2 Convention Center opened up in Atlantic City,
3 and we upwards to eight arena venues within a
4 60 mile radius. This was in an area where
5 we've only one arena upwards to 10 years ago.
6 As a result of those eight arenas, we've seen
7 an increase of employment and we've seen an
8 increase in product.

9 The same issues have occurred down
10 at Penns Landing. We now have two stages at
11 Penn's Landing. We do shows at the Electric
12 Factory, we do shows at the Mann Music Center
13 and Tweeter. And, again, we've just seen an
14 increase in job and an increase in income
15 opportunities for our members.

16 So because of those two issues, I do
17 stand in support. I think for the economic
18 reasons and the jobs reasons, this is good for
19 the City. But on a personal note, I can say
20 being in this industry and knowing what's
21 going on in North America, people are not
22 rushing in to build these theaters throughout
23 the country. The only company that I've seen
24 that's been actively, aggressively putting
25 these theaters up in Boston and Baltimore has

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2 been Clear Channel. If they leave and we
3 don't make the deal with them, I don't see
4 another suitor coming in to fill the void.
5 And while, yes, I do think that the building
6 will be replaced by another tax ratable, you
7 cannot replace a theater of that magnitude and
8 you can't replace the cultural benefit that a
9 theater brings to this City.

10 When I bring people into the City
11 from all over the country, which I do, I drive
12 them by the Kimmel Center, I drive them by the
13 Convention Center, I drive them by the
14 Wachovia, the Lincoln Financial Field, I drive
15 them by the buildings that demonstrate what
16 the City has culturally. And it does give us
17 identity and I think it does make us
18 recognizable as a first class City throughout
19 the United States. I talk to people all the
20 time in my travels in the United States and
21 Canada, and I think the addition of a
22 2300-seat, first-rate, Broadway theater will
23 do a lot to elevate the status of this City.

24 COUNCIL PRESIDENT VERNA: Thank you
25 very much.

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2 Are there questions or comments of
3 this witness?

4 (No response.)

5 COUNCIL PRESIDENT VERNA: Seeing
6 none, I thank you.

7 Mr. Anthony Giuseppe.

8 MR. GIUSSEPPE: Good evening
9 President and Councilwomen, Councilmen. We're
10 here because we feel that the investment that
11 the City will be making on the movie theater,
12 besides for the art which is very substantial,
13 important for the City of Philadelphia, also
14 for the vitality of the neighborhood.

15 I own and operate three restaurants
16 in the City Philadelphia. And I've been a
17 pioneer on Front Street, on Front and Market.
18 And I also adventured myself a few years ago
19 on Chestnut Street. And I look at the area
20 and I visualize the area to be like the rest
21 of Center City, like Walnut Street, 18th
22 Street, 19th Street. And I felt that Chestnut
23 at one point in this City was a very important
24 avenue. And I believe that with this
25 investment that the City will be making with

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2 the new Goldenberg proposal, it would be
3 beneficial for the economic aspect and also it
4 will be an investment in the future, more
5 revenue, more of everything. And I'm all for
6 it for this substantial investment that the
7 City will be making.

8 COUNCIL PRESIDENT VERNA: Please
9 identify yourself.

10 MR. MASSOPOLO: My name is Anthony
11 Massopolo (ph), I'm the general manager of one
12 of Giuseppe's restaurants. And I think we
13 have to look at the bigger picture and look at
14 how much impact it's going to have on the
15 whole area of Chestnut Street. The
16 restaurants, more employment, more revenue,
17 more taxes. You know, we're looking at 5
18 million from the City, but we're also looking
19 over a long period of time of generating a lot
20 more than that \$5 million that they're putting
21 into it.

22 I urge City Council to kind of just
23 support this. And I think that the City needs
24 another venue like this. Other people are
25 against it, but competition in any business is

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2 always good, and I think we can always bring
3 in more people.

4 Philadelphia is a great City and I
5 think we shouldn't limit ourselves to what we
6 have, we should continue to strive or grow.
7 And I think that this is something that will
8 really benefit that area as well as the City
9 of Philadelphia. Thank you.

10 COUNCIL PRESIDENT Verna: Thank you
11 very much. And thank you for your patience.
12 You've been very patient waiting there.

13 The Chair recognizes Councilwoman
14 Blackwell.

15 COUNCILWOMAN BLACKWELL: Thank you,
16 Madam President. I too would like thank my
17 wonderful friends Giuseppe and Anthony for
18 your patience, for being here all day, and for
19 your contribution to our City. Certainly, we
20 know all that you've done for that area and
21 all that you've done to help people. People
22 don't realize how much you've done to help
23 people in need. And certainly we thank you.
24 You've helped us as we try reach out for even
25 the homeless. People don't know that. But we

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2 know your love for the City, of your
3 contributions, not only for South Philly, but
4 to people everywhere. And we say thank you.

5 MR. GIUSSEPE: Thank you. I also
6 want you to know that we will doing this year
7 the homeless dinner again. You will get all
8 my full support for all the pastry. And I
9 heard that we might have a little problem with
10 the dinners. So you call me and I try to help
11 you on the other side as well.

12 COUNCILWOMAN BLACKWELL: Thank you.

13 COUNCIL PRESIDENT VERNA: Thank you
14 very much.

15 Are there any other witnesses that
16 would like to be heard?

17 Please approach the witness table.
18 Good evening. Please identify yourself for
19 the record.

20 MR. STEINKE: Good evening. My name
21 is Paul Steinke. I am the Chair of the Board
22 of Directors of the Preservation Alliance for
23 Greater Philadelphia and also General Manager
24 of the Reading Terminal Market in
25 Philadelphia. I'm going to dispense with my

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2 prepared marks and just say a few brief
3 things, make a few points in follow-up to some
4 of the comments and questions that City
5 Council have had today.

6 I'm a native Philadelphian, a
7 student of it's history. I love this City,
8 like all of you. I regret that I'm not old
9 enough to have experienced places like the
10 Earl Theater at 11th and Market Streets or
11 Stanley Theaters on Market Street West. I
12 also am a consumer of Philadelphia's cultural
13 offerings. Just last night, I attended
14 Broadway at the Academy. I'm a subscriber of
15 the Philadelphia Orchestra, go to the Kimmel
16 Center, so I'm a real fan of culture. And I
17 wanted to follow-up on a point that one of
18 your witnesses, Ms. Price, made about how 16
19 percent of New York City's theater audience
20 comes from the Philadelphia region. I have a
21 slightly different take on that than Ms. Price
22 does. I say, let's fight keep those people in
23 Philadelphia. Why are we letting them go to
24 New York, pay their amusement tax, eat in
25 their restaurants, contribute to the New York

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2 City economy? If we can offer more of what
3 they're looking for in our City, we will keep
4 that tax revenue, keep that activity, keep
5 that urban life in our City. And I think this
6 project is a way for us to do that.

7 No. 2, City Council has seen fit in
8 the past to grant TIF support to parking
9 garages that are adjacent to cultural
10 facilities. I say to you, this is an
11 opportunity to grant a TIF to a project for
12 people, not for cars; a project that will be a
13 proud part of Philadelphia's cultural and
14 architectural scene. So I think there's a
15 point to be made there.

16 And finally, this part of Chestnut
17 Street where the Boyd Theater is located
18 continues to struggle. If you take a walk
19 down the street, you see lots of vacancy,
20 under-utilization. And I think the Boyd will
21 be the catalyst to turning that around and
22 bringing Chestnut Street back at the same time
23 that you're bringing the Boyd back.

24 My main point was going to about the
25 Reading Terminal, not just the market, but the

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2 whole building, which is a building that 15
3 years ago came very close to itself being
4 demolished. And if it had been demolished for
5 the new Convention Center, it probably would
6 have been cheaper to do it that way. But you
7 in City Council and other people in leadership
8 in this City saw the value of Reading
9 Terminal, its historical and architectural
10 value as an icon of this City, and you found a
11 way to make it part of the new Pennsylvania
12 Convention Center. And look at it today. It
13 is a marvel nationally in the convention
14 business. It is a marvel nationally as an
15 example of adaptive reuse. And I really
16 believe, ladies and gentlemen, Honorable
17 Members of City Council, that this project,
18 the Boyd Theater, will do the same for
19 Chestnut Street West that the Reading Terminal
20 renovation has done for Market East and the
21 Convention Center.

22 So as a native Philadelphian, a
23 proud Philadelphian who walks these streets
24 and uses our City to its fullest, I ask you,
25 please, cast your vote in support of this

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2 project. You won't regret it.

3 COUNCIL PRESIDENT Verna: Thank you
4 very much, sir.

5 Good evening. Please identify
6 yourself for the record.

7 MR. Horen: Madam Chairman, Members
8 of City Council, my name is Robert Horen,
9 H-O-R-E-N, and I'm the President of the
10 William Penn House, a 600-apartment unit
11 cooperative building that's located between
12 19th and 20th Street between Ransdell and
13 Ludlow. We have two entrances out onto
14 Chestnut Street directly across the street
15 from the Boyd Theater.

16 The gentleman that spoke that owned
17 restaurant on Chestnut Street, when his
18 restaurant was open and was reviewed in the
19 newspaper, it got a nice review, but the
20 closing comment was that it was on a seedy
21 block of Chestnut Street. And that really cut
22 me to the quick because we go to lengths to
23 keep our building and our area nice. Our
24 building has a beautiful garden in front of
25 it. And unfortunately, it's located next door

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2 to a liquor store. When that liquor store was
3 opened, it was promised to us that it was
4 going to be the premiere wine shop of the
5 City. It's now just another liquor store.
6 And the premiere wine in the City has moved
7 down to Eighth Street. We have three parking
8 places in front of our building that are
9 constantly being used by patrons of the liquor
10 store, and in cases of emergencies and people
11 trying to get into cabs, it presents a problem
12 for us.

13 However, when we thought of the
14 alternative of what could go across the
15 street, a supermarket, some other highrise
16 buildings, we're in favor of the Boyd Theater
17 being redeveloped and put there. We think it
18 would be a great thing for the street.

19 1930 Chestnut is being re-habbed and
20 is going to be a new luxury building. 1920
21 Chestnut, same thing.

22 The one concern that we do have is
23 what type of venues are going to go in there
24 in the long run. There was talk that it could
25 possibly become something like the Troc

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2 Threater at Tenth and Arch. If that were to
3 happen, we'd be the biggest losers. We want
4 to make sure that if you approve this, and we
5 certainly champion a Boyd Theater being there,
6 that some restrictions be put on the type of
7 venues that go into that theater. We're
8 certainly in favor of Broadway shows and
9 classic music and regular type of concerts, as
10 opposed to rock and roll concerts.

11 Howard Hass mentioned the
12 preservation of the building. That's
13 important to us too. And there is a plan to
14 develop the buildings at the corner, on the
15 southwest corner of 19th and Chestnut Street,
16 and they want to preserve that building. But
17 they want to put a Walgreen's drug store in
18 there right across the street from the CVS,
19 the existing CVS drug store. We just don't
20 think that that's a proper mix for the
21 neighborhood. The traffic, it's horrendous
22 now. It will just be worse.

23 So I close, Madam Chair, by asking
24 you to, yes, we would approve of this, but we
25 would like to know that there would be some

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2 sort of restrictions on the type of venues and
3 the timing on that. And I think Councilman
4 Rizzo addressed that matter. Thank you.

5 COUNCIL PRESIDENT VERNA: Thank you
6 very much.

7 Are there any questions or comments
8 from members of the Committee of this witness?

9 (No response.)

10 COUNCIL PRESIDENT VERNA: Thank you
11 again for your patience.

12 Please identify yourself for the
13 record.

14 MR. MORRISON: My name is Craig
15 Morrison. I'm an architect and I was asked to
16 come down by Ms. Smallwood in my role as a
17 Board Member of the League of Historic
18 American Theaters.

19 The League has a membership of about
20 500. Most of these are, in fact, historic
21 theaters. There are some service providers to
22 theaters in it. I feel like if you read the
23 Bible, so much has been said, when you're down
24 to the end of Revelation like I'm at,
25 everything's been said already. So I don't

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2 have too much to add except to say that of the
3 350 or so of our members who are restoring
4 historic theaters, I will say that in almost
5 every case, there's been some type of a public
6 and private partnership has gone into their
7 success. They've universally done good things
8 for their community.

9 The public and private partnership
10 is varied. In some cases they are totally
11 under municipal ownership and municipal
12 operation. In other cases, they get specific
13 grants for operation from the City. In some
14 cases their cities have acquired the building
15 by eminent domain and given it without cost
16 for a not-for-profit organization.

17 But in some way or another the
18 public and the private sectors have worked
19 together to make these things happen.

20 I had a long list. I was going to
21 tell you all about what's happening in Boston
22 and Chicago. Mr. Anderson did it in much more
23 detail than I could. And Mr. Hass has much
24 more fire and eloquence than I could ever hope
25 to be.

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2 If I can make one comment, though,
3 about some of the comments that were made by
4 the Kimmel Center. I think in a way deep in
5 his heart every businessman would like to be
6 the only one in town. You know, there are far
7 too many archetects out there as far as I'm
8 concerned. They seem to get all the work, and
9 here I come and make testimonies. But what
10 would Chinatown be if there was only one
11 Chinese restaurant there? It would be a nice
12 Chinese restaurant, but it wouldn't Chinatown.
13 What would South Philadelphia be if there was
14 one really good Italian restaurant but no
15 others?

16 The product is there. In New York,
17 we have about 25 Broadway theaters. Five have
18 been brought on line just within the last five
19 years. There's product to fill them. This
20 morning I read in the paper about a new
21 Stephen Sondheim musical. It has a number
22 problems, but it's not coming to Broadway this
23 year because there's no theater to put it
24 into. They're all full, they're all busy.

25 I could make a list of -- my memory

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2 of Philadelphia goes back somewhere between
3 Councilman Nutter's and Councilman Cohen's. I
4 can remember it as the Boyd Theater, but I'm
5 sure the Councilman knows a few others. I
6 won't say what point in between there.
7 Sometimes I feel more closer to Mr. Cohen than
8 almost everybody else here. But if I were to
9 list the 10 or 12 theaters, the Stanley, the
10 Stanton, the Earl, the Randolph, one after
11 another, the people are there to fill them.

12 Movie marketing is something other
13 than what it was. Those venues are gone as
14 movie venues. But the seats are there, the
15 people are there to fill them. Philadelphia
16 should not need to go to New York to get a
17 variety of programming.

18 When I was a student college in the
19 little college town of Ann Arbor, there was a
20 wider variety of orchestral programming in Ann
21 Arbor than there was in Philadelphia. Why?
22 There was one venue in Philadelphia, and the
23 Philadelphia Orchestra was there every night.
24 You go out to Ann Arbor, I heard the Berlin
25 Philharmonic, the Chicago Symphony, San

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2 Francisco, Boston. There wasn't room for them
3 to fit into Philadelphia. Philadelphia needs
4 venues. It needed them then and it needs them
5 now.

6 With that thought, as I said, I'm a
7 20-year Philadelphia resident, now I'm a
8 resident of New York, and I'm eager to go to
9 30th Street Station which was restored by
10 public and private partnership, use the train
11 which is public and privately run, and thank
12 you very much.

13 COUNCIL PRESIDENT VERNA: Thank you
14 very much, sir.

15 The Chair recognizes Councilwoman
16 Tasco.

17 COUNCILWOMAN TASCO: I have a
18 question. Are you familiar with the
19 revitalization or the restoration or the
20 preservation, I guess is the word, of the
21 Highway Theater on Old York Road in
22 Jenkintown?

23 Recently, there was an article in
24 the paper about the effort to restore that.
25 It was originally called The Highway.

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2 MR. MORRISON: I used to like to go
3 to Martin's Aquarium up there, but The Highway
4 was just showing movies. I'm not aware of
5 that recent effort. I'd like to know more
6 about it.

7 COUNCILWOMAN TASC0: I wanted to
8 know if you knew if there were any public
9 dollars in it.

10 MR. MORRISON: I have no idea.

11 COUNCILWOMAN TASC0: We'll find that
12 out. Thank you.

13 COUNCIL PRESIDENT VERNA: Thank you
14 again.

15 Are there any other witnesses that
16 would like to testify?

17 (No response.)

18 COUNCIL PRESIDENT VERNA: Councilman
19 Nutter, did you want to be recognized?

20 COUNCILMAN NUTTER: For one
21 matter -- maybe two. Is Mr. Cuorato around?

22 Mr. Cuorato, just in the realm of
23 how we do what we do and sometimes if we
24 follow some of the provisions that we put in
25 place, it can sometimes make this process a

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2 little easier.

3 There was testimony earlier about
4 this letter from the Finance Director, Ms.
5 Davis. There seemed maybe to be some
6 confusion about where the letter was supposed
7 to do. I think Mr. Rhoads indicated that he
8 thought that finance was sending it over on
9 their own, but apparently they sent it to you.
10 Again, within the Code on the TIF districts,
11 the letter that has been sent over by way of
12 the ordinance is supposed to be included in
13 the Project Plan. So again, for the future so
14 that there's no confusion about that, if you'd
15 just include it in the Project Plan then we
16 will have it and not have to ask for it or
17 wonder what's going on or anything like that.

18 MR. CUORATO: Again, I apologize,
19 Councilman, we will do that. And I guess I
20 would need to ask that it be included in the
21 Project Plan before you.

22 COUNCILMAN NUTTER: Lastly, on the
23 letter itself, the last paragraph would raise
24 a lot of questions, but for the fact that
25 we've asked a lot of questions all day. But

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2 the last paragraph says, "The assumptions are
3 based on critical project descriptions. These
4 descriptions, which include the project size,
5 the project completion date, the number of
6 performances, and the amounts of tickets sold
7 per performance were not included in our
8 review."

9 If we do other TIFs as we go forward
10 in this process, that would probably be about
11 half of what needs to be reviewed or
12 quantified or attested to, which is the whole
13 purpose of the letter in the first place. So,
14 I mean, you've certainly met the technical
15 requirement because there's a letter and it's
16 signed by the Finance Director. But the
17 letter tells us that, in essence, only half of
18 what's required to be reviewed has actually
19 been reviewed. And I think it doesn't add
20 value necessarily to the process that we're
21 going through or even do justice potentially
22 to the project. The whole purpose of having
23 the Finance Director write us a letter about
24 this is that someone outside of the agency
25 that's sponsoring it or the entity that's

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2 looking for it has literally reviewed all of
3 the numbers, put them to some test. I mean,
4 the project works or it doesn't.

5 So, again, as we go through this, if
6 you can make sure that what we get is
7 responsive to the provisions of the Code, it
8 would be really helpful.

9 MR. CUORATO: Yes, sir.

10 COUNCILMAN NUTTER: Thank you.

11 Thank you, Madam Chair.

12 COUNCIL PRESIDENT VERNA: The Chair
13 recognizes Councilman Goode.

14 COUNCILMAN GOODE: Thank you, Madam
15 President. I'll be brief. I just want to
16 take one more shot at Mr. Cuorato.

17 (Laughter.)

18 COUNCILMAN GOODE: In the course of
19 this hearing and the course of other hearings
20 on TIF projects, we have talked about the fact
21 that TIF districts are not done in
22 Philadelphia the way they're done in other
23 cities. In other words, in other cities
24 they're actually done as districts where there
25 are many developers and many different

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2 properties for the purpose of a broader
3 development plan. Even though this TIF
4 district, if approved, will go toward what
5 people believe is a landmark property that may
6 generate other investment in the area, are
7 there any other development plans linked to
8 this TIF district?

9 MR. CUORATO: No, Councilman. Other
10 than what we expect and what we testified
11 earlier to be what we expect will be a very
12 positive impact on the Chestnut Street
13 corridor.

14 COUNCILMAN GOODE: So in the end,
15 all we know of, there is one developer of one
16 property?

17 MR. CUORATO: I'm sorry.

18 COUNCILMAN GOODE: Right now all we
19 have is one developer of one property?

20 MR. CUORATO: Yes.

21 COUNCILMAN GOODE: Thank you. I'm
22 finished.

23 COUNCIL PRESIDENT VERNA: Thank you.

24 The Chair recognizes Councilman
25 Clarke.

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2 COUNCILMAN CLARKE: Thank you, Madam
3 President. I'd like to thank my colleagues
4 and the members in the audience for indulging
5 us through our lengthy questioning.

6 There were a number of questions
7 that were raised here today, to my
8 recollection, between my lobbying efforts in
9 the hallway and while I was in the Council
10 that I believe that were not necessarily
11 answered to the level that people felt at
12 comfort level, and I know a couple of my
13 colleagues would like to see some information
14 in more specific terms. So I've talked to the
15 development team and the City Administration
16 and PIDC individuals and asked them to pull
17 together some responses to some of those
18 questions, some issues with respect to use of
19 the facility, content of the programming.
20 Most recently individuals have expressed some
21 concerns about traffic flow, pedestrian and
22 vehicular. A couple other members were
23 concerned about the monitoring of the
24 development of the project short-term and
25 long-term. I know there were some issues with

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2 respect to participation on the construction
3 phase that I think can be a little more
4 detailed in nature.

5 I would like to ask, Madam
6 President, if we can have this particular
7 hearing recessed, if it's okay with you, until
8 tomorrow morning. And they've indicated that
9 they will pull some documents together and
10 lengthen their evening a little longer and
11 have that prepared for us in the morning, if
12 that's okay with you.

13 COUNCIL PRESIDENT VERNA: That would
14 be fine.

15 COUNCILMAN CLARKE: Thank you.

16 COUNCIL PRESIDENT VERNA:
17 Councilman, you did not specify time. I would
18 suggest it be at 9 o'clock.

19 COUNCILMAN CLARKE: That's fine with
20 me, Madam President.

21 COUNCIL PRESIDENT VERNA: Fine.

22 The Committee of the Whole will
23 recess until tomorrow morning at 9 o'clock.
24 Thank you very much for your patience.

25 (Council adjourned at 6:45 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of November 19, 2003, were
reported fully and accurately by me, and that
this is a correct transcript of the same.

RE: COMMITTEE OF OF THE WHOLE

Lisa C. Bradley, RPR