

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON COMMERCE AND
ECONOMIC DEVELOPMENT

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, November 21, 2016
1:10 p.m.

PRESENT:

COUNCILWOMAN CHERELLE L. PARKER, VICE CHAIR
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN AL TAUBENBERGER

BILLS 160678 and 160679
RESOLUTION 160042

- - -

1
2 COUNCILWOMAN PARKER: Good
3 afternoon, everyone. We'll ask everyone
4 to take their seats. This is a hearing
5 of the City Council Committee on Commerce
6 and Economic Development, and we want to
7 officially call this public hearing to
8 order. The purpose of this public
9 hearing is to hear testimony on
10 Resolution No. 160042.

11 I would like to recognize that
12 a quorum of the Committee members are in
13 attendance. Starting from my left,
14 Councilmembers Blondell Reynolds Brown,
15 Allan Domb, Kenyatta Johnson, and David
16 Oh.

17 And before we begin, for the
18 record, we want to just note that Bills
19 No. 160678 and 160679 will not be heard
20 in this Committee today. Those bills
21 have been referred to the Committee on
22 Law and Government. So we will only be
23 hearing testimony on Resolution No.
24 160042.

25 With that in mind, I want to

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2 ask the sponsor of the resolution, my
3 colleague Councilman Johnson, for any
4 opening remarks.

5 COUNCILMAN JOHNSON: Thank you
6 very much, Madam Chair.

7 First and foremost, I want to
8 thank everyone for being here this
9 morning -- this afternoon actually, and
10 we're going to get started. I want to
11 start off by talking about the importance
12 of diversity and inclusion as we look at
13 moving the City of Philadelphia forward.
14 As a Councilperson representing the 2nd
15 Councilmanic District, I represent the
16 Airport, Navy Yard, as well as more than
17 15 different diverse neighborhoods
18 throughout the City of Philadelphia, and
19 I often talk to my constituents how the
20 district in which I represent is the
21 economic engine here for the City of
22 Philadelphia. It's very important and
23 critical to me that if the district that
24 I represent is the economic engine in the
25 City of Philadelphia, the work that we

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2 put forward must be diverse and
3 inclusive. And so I want to thank
4 representatives from the Philadelphia
5 Navy Yard, PIDC, Liberty Property Trust,
6 as well as members of the Philadelphia
7 International Airport for being here
8 today, as well as members of the
9 Administration just so we can begin
10 evaluating, building upon, making sure
11 that as we move the City of Philadelphia
12 forward, diversity and inclusion is a
13 part of our number one agenda.

14 I can also speak for my
15 colleagues who work very tirelessly with
16 me on this issue. We have a commitment
17 as members of Council to make sure that
18 all boats are rising as the City of
19 Philadelphia moves forward. Often when
20 I'm out and about in the community, we
21 talk about cranes in the sky. And so if
22 there's going to be cranes in the sky and
23 buildings and development taking place,
24 we have a commitment to not only make
25 sure that that process is diverse and

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2 inclusive on the building trades side
3 but, most importantly, on the
4 professional services side.

5 And so I want to thank all of
6 you for being here, and with that being
7 said, we're going to get started. But I
8 want to briefly look at some numbers as
9 it relates to a snapshot of where we're
10 at as a city.

11 From December 2015, the City of
12 Philadelphia has awarded a total of \$2
13 billion of contracts to minority, women,
14 or disabled-owned businesses. From
15 Fiscal Year 2008 to Fiscal Year 2015,
16 these minority-owned businesses received
17 \$291 million in public works contracts.
18 City departments awarded 201 million in
19 non-federally funded contracts to
20 minority-owned businesses, which
21 represented almost 32 percent of eligible
22 for-profit contracts for Fiscal Year
23 2015.

24 African American-owned
25 businesses earned 81 million, or 40

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2 percent, of all minority contracting
3 opportunities. White women-owned
4 businesses were awarded 78 million, or 39
5 percent, of the contract portfolio.
6 Hispanic or Latino American-owned
7 businesses and Asian American-owned
8 businesses each received roughly 20
9 million, or 10 percent each, of all
10 awarded contracts. Other minority
11 populations combined for a little over
12 one percent of all awarded contracts.

13 As we move forward together as
14 a city, economic development and
15 expansion opportunities should include
16 underrepresented populations in the City
17 of Philadelphia. The reason we are
18 hosting this hearing is to check on the
19 progress of minority and diversity
20 inclusion initiatives at the Philadelphia
21 International Airport and Navy Yard. And
22 I work very closely with both entities on
23 this particular topic, and today is just
24 also an opportunity to highlight the
25 progress that we have made, but also

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2 build upon that progress as we go into
3 the future.

4 And so with that being said, we
5 want to get the hearing started and I'll
6 turn things back over to Madam Chair.

7 COUNCILWOMAN PARKER: Thank
8 you, Councilman Johnson.

9 Any of our other colleagues
10 have any opening comments they would like
11 to make?

12 (No response.)

13 COUNCILWOMAN PARKER: With that
14 being said, the Clerk will now read the
15 title of the resolution being considered
16 today.

17 THE CLERK: Resolution No.
18 160042, a resolution authorizing City
19 Council's Committee on Commerce and
20 Economic Development to hold hearings
21 regarding economic opportunity and
22 diversity participation at the
23 Philadelphia International Airport and
24 the Navy Yard.

25 COUNCILWOMAN PARKER: The Clerk

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2 will please call the first panel of
3 witnesses to testify on the resolution.

4 THE CLERK: Harold T. Epps,
5 Iola Harper, and Nolan Atkinson.

6 COUNCILWOMAN PARKER: Let me
7 just state for the record the rules of
8 engagement for today, with the approval
9 of the resolution's chair, Councilman
10 Johnson. For those of you who have
11 submitted your testimony in advance, we
12 do have a copy of it. If you feel
13 comfortable reading your testimony,
14 please feel free to do so. However, we
15 will not chide any of you who decide that
16 you want to summarize your testimony. I
17 want you to feel free and comfortable to
18 do whatever is best suited for you.

19 (Witnesses approached witness
20 table.)

21 COUNCILWOMAN PARKER: We will
22 hear testimony from all members of each
23 of the panel and we will ask questions
24 after the entire panel has spoken.

25 Please state your name for the

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2 record and proceed with your testimony.

3 MR. EPPS: Madam Chair, my name
4 is Harold T. Epps. I am the Director of
5 Commerce for the City of Philadelphia.

6 Good afternoon, members of the
7 Committee on Commerce and Economic
8 Development. Again, my name is Harold T.
9 Epps, Director of Commerce. It is my
10 pleasure to be here today to provide
11 testimony regarding Resolution No.
12 160042, introduced by Councilman Johnson,
13 authorizing hearings on economic
14 opportunity and diversity participation
15 at the Philadelphia International Airport
16 and the Philadelphia Navy Yard. I am
17 joined today by Nolan Atkinson, Chief
18 Diversity Officer, and Iola Harper,
19 Deputy Commerce Director, Office of
20 Economic Opportunity.

21 The Philadelphia Airport falls
22 under the purview of the Department of
23 Commerce and is a major area of focus.
24 Chellie Cameron, who is a tremendous
25 leader for the Airport, is in frequent

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2 contact with me about all issues
3 pertaining to the operations and future
4 of our Philadelphia Airport. Likewise,
5 the Philadelphia Navy Yard, run by PIDC,
6 is an important economic engine for the
7 City and I consider it to be a major
8 priority and directly linked to
9 Commerce's goals of business attraction,
10 retention, and economic inclusion. I am
11 fortunate to have extremely capable
12 partners at the helm of the Navy Yard.
13 John Grady, President of PIDC, and Prema
14 Gupta, Director of the Navy Yard, are
15 here today to offer more details relevant
16 to today's hearing.

17 My close involvement with both
18 the Airport and the Philadelphia Navy
19 Yard have made me even more aware of the
20 extent to which both of these facilities
21 can and do play a central role in
22 providing contract and job opportunities
23 for Philadelphia's minority, women, and
24 disadvantaged community and all of our
25 local residents.

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I know that I have stated my commitment to diversity before in this room, and I will continue to stress my dedication today and many more times moving forward, because inclusion and participation are of paramount importance to me and to this Administration. The Office of Economic Opportunity is one of three units within the Department of Commerce. I have given OEO full attention since the first day of this Administration, working closely with Angela Dowd-Burton and now with OEO's recently appointed leader, Ms. Iola Harper, sitting to my right. Since becoming Commerce Director, I have learned a great deal about how OEO operates, and together with its leadership we have begun developing new strategies to further its mission and ensure even greater opportunities for Philadelphia's minority and women-owned businesses. We will soon be developing a new strategic plan to chart the three

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2 years ahead.

3 We have been working hard to
4 improve our processes and also have begun
5 a number of new initiatives. Most
6 recently, the Mayor wrote to more than
7 200 developers and major stakeholders in
8 the community, encouraging them to go
9 and -- to go above and beyond established
10 participation goals. We also have
11 recognized that one of the greatest
12 barriers to inclusion lies in the
13 procurement process, especially in the
14 contract conformance step, and OEO and
15 the Procurement Department are working
16 very closely to make significant
17 improvements. Likewise, in order to
18 ensure that I have a full understanding
19 of the inner workings of OEO, I have
20 become a signatory on all EOPs early on
21 in my administration.

22 But even with the best of
23 processes, we will never have the
24 participation that I know everyone in
25 this room would like to see without

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2 ensuring that our minority and
3 women-owned businesses have the capacity
4 to take on this work. Winning large
5 contracts and doing business with the
6 City or with major stakeholders requires
7 having honed business management skills,
8 strong finances, access to capital,
9 bonding, and adequate staffing. Without
10 these attributes, the most committed
11 business owner may still face challenges
12 and even failure if awarded a contract.
13 And because we want the opportunities
14 offered by the Airport, the Navy Yard,
15 and others to be a launching pad for our
16 M/W/DSBE community, we are committed to
17 connecting emerging businesses to
18 technical assistance, financing, bonding,
19 mentor-protege programs, and whatever
20 else is necessary to poise them for
21 growth.

22 Following this panel, you will
23 hear directly from the leadership of the
24 Airport and PIDC. I am confident that
25 they will be able to address any specific

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2 questions or concerns that you may have.

3 I want to close by

4 acknowledging City Council for continuing

5 to push for more diversity and more

6 inclusion in City opportunities. This

7 has been a longstanding dialogue between

8 our branches, not merely the people in

9 this room today, and it has not always

10 been an easy one. I cannot speak to the

11 past, but I want to reiterate today that

12 this is a shared commitment, and we

13 welcome and rely on a partnership with

14 City Council.

15 Thank you for the opportunity.

16 MS. HARPER: No testimony.

17 We're just here for questions.

18 COUNCILWOMAN PARKER: We have

19 three of you sort of listed on the panel,

20 so I wasn't sure if the three of you were

21 going to give individual testimony.

22 MR. ATKINSON: Good afternoon,

23 members of Council, Madam Chair. I am

24 Nolan Atkinson, the City's Chief

25 Diversity and Inclusion Officer. I have

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2 submitted written testimony. I am here
3 to answer any questions which you may
4 have.

5 COUNCILWOMAN PARKER: Since we
6 will have no further testimony from this
7 panel, we sort of want to open it up for
8 questions now. We'll start with
9 Councilman Johnson.

10 COUNCILMAN JOHNSON: Thank you,
11 Madam Chair.

12 Thank you, all three of you,
13 for submitting your testimony on this
14 particular topic. I want to go back to
15 the statement regarding -- and this is
16 for Mr. Epps. How are you doing today?

17 MR. EPPS: Wonderful. Thank
18 you. And you?

19 COUNCILMAN JOHNSON: I'm doing
20 pretty good. Can't complain.

21 I just want to go back over
22 just a couple of the statements. One,
23 regarding the outreach to over 200
24 developers and major stakeholders,
25 encouraging them to go above and beyond

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2 established participation goals. So give
3 me an idea of what that looks like. So a
4 letter just went out. What's the
5 follow-up? Who responded? And where
6 does that fit into the grand scheme of
7 the Administration moving forward
8 specifically focusing on diversity and
9 inclusion goals?

10 That's the first part, and then
11 down -- the second part of your testimony
12 talked about the problems that arise with
13 the procurement of contracts, but it
14 follows up and says, We are committed to
15 connecting emerging businesses to
16 technical assistance, financing, bonding,
17 mentor-protege programs, and whatever
18 else is necessary to poise them for
19 growth. Just give me an overview. I
20 know both of the two agencies who are
21 here will elaborate on it, but just give
22 me an overview as being the head of those
23 two departments.

24 MR. EPPS: Thank you for your
25 question, Councilman. So coming on the

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2 heels of MED Week, we decided -- we
3 decided last spring. We just wanted to
4 figure out the right time to have the
5 Mayor and our offices reinforce and
6 reiterate that this Administration was
7 fully dedicated and committed to raising
8 and continuing to see growth in our
9 minority and women-owned spending levels,
10 particularly the professional services
11 side, as you articulated. One of the
12 things we learned very early on in this
13 Administration is we put a lot of
14 emphasis on the construction side, and
15 too often we kind of let the front end of
16 development processes go by without
17 putting scrutiny and expectations around
18 the issue of diversity and inclusion.
19 And so we asked -- we drafted a letter to
20 reiterate to all stakeholders, both
21 public and private sector, that this
22 would be something that we would continue
23 to address. And the way we will follow
24 up on is, all of them have to have an
25 EOP, and the office that Ms. Harper leads

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2 will ensure that we continue to
3 challenge/raise the level of
4 participation. And, again, I want to
5 continue to stress particularly on the
6 professional services side.

7 We know from the Disparity
8 Study that we've got great capacity and,
9 again, history shows that we spend a lot
10 of time on the construction side and
11 forego opportunity on the front end, and
12 this letter was to reiterate that we will
13 raise our level of expectations and
14 visibility on that.

15 Now, the second question is --
16 and, again, Ms. Harper is coming from The
17 Enterprise Center. She saw this in her
18 last role, that we need more capacity, we
19 need more scale of our minority and
20 women-owned companies, and in order to do
21 that, we have to make sure, if you will,
22 that they are ready for prime time. And
23 so our office, along with others,
24 Enterprise Center is one of those places,
25 that we want to be intentional and

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2 aggressive and progressive about making
3 sure that companies have all the
4 technical assistance, all the financing
5 support, and any other tool that they
6 will need to grow from one level to the
7 next level. Because if you think about
8 the billions of dollars that will be
9 spent in the City, we are very fortunate
10 to already see where our next five to
11 seven to ten-year plan will take us.
12 We've got to make sure our companies are
13 ready, and we have learned from years of
14 doing this work that some will need
15 additional support to climb the hill of
16 capacity and capability.

17 COUNCILMAN JOHNSON: Thank you.

18 This next question is for
19 Mr. Atkinson as well as Ms. Harper, and
20 I'm trying to -- I want to get some
21 clarity on the two. So, Ms. Harper,
22 welcome --

23 MS. HARPER: Thank you.

24 COUNCILMAN JOHNSON: -- in your
25 new position. And state for the record

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2 your name and the exact description of
3 your title.

4 MS. HARPER: Sure. Iola
5 Harper, Deputy Commerce Director, Office
6 of Economic Opportunity.

7 COUNCILMAN JOHNSON: And
8 Dr. Nolan Atkinson, state for the record
9 your name and the exact title of your
10 position.

11 MR. ATKINSON: My name is Nolan
12 Atkinson.

13 COUNCILMAN JOHNSON: That's for
14 the record.

15 MR. ATKINSON: Nolan Atkinson.
16 I am the Chief Diversity and Inclusion
17 Officer housed in the Office of the
18 Mayor.

19 COUNCILMAN JOHNSON: Because I
20 want to make sure there's not an overlap,
21 but for both of you, I just want to get
22 an idea of where we're at in terms of
23 both of you are taking on two new
24 positions. Where are we in terms of the
25 Administration diversity and inclusion?

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2 Two, is there a strategic plan that comes
3 out of your office, Mr. Nolan Atkinson,
4 that specifically crafts or works in
5 partnership with the Airport as well as
6 the work that's taking place in the Navy
7 Yard?

8 MR. ATKINSON: Yes, sir. OEO
9 reports directly to the Commerce
10 Department and Director Harold Epps and
11 on all matters of direct day-to-day
12 activity reports to Mr. Epps. My
13 responsibility is to do an overview, to
14 take a long view as to the planning and
15 performance of the Office of Economic
16 Opportunity and to make recommendations.

17 COUNCILMAN JOHNSON: So thus
18 far since you arrived in the new
19 Administration, where are we in terms of
20 the overall big picture strategic plan
21 for the City of Philadelphia through your
22 office?

23 MR. ATKINSON: With regard to a
24 big picture plan, we're currently --
25 Ms. Harper has only been with OEO for

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2 about six weeks, and where we are --

3 COUNCILMAN JOHNSON: I was
4 referring more to your office. I'm going
5 to come back to Ms. Harper and what she
6 is doing, because I know she just took
7 over for Angela Dowd-Burton, so I think
8 she's probably still getting adjusted to
9 that position. But I'm speaking more so
10 the newly created position that the Mayor
11 just created, which is your commission,
12 Office of Diversity and Inclusion.

13 MR. ATKINSON: Yes, sir. And
14 your question is with regard to?

15 COUNCILMAN JOHNSON: Where are
16 we with the strategic plan for the City
17 of Philadelphia that's listed in your
18 testimony?

19 MR. ATKINSON: As listed in my
20 testimony, that strategic plan refers to
21 the City of Philadelphia workforce.

22 COUNCILMAN JOHNSON: Workforce,
23 yes.

24 MR. ATKINSON: And where we are
25 is on two levels. If you examine the

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2 exempt workforce and reviewing the
3 metrics, we made a commitment that we
4 were going to develop a transparent
5 report and make it available to the
6 public in the first year of the
7 Administration. We're close to being on
8 that target and not there yet, but I
9 would say hopefully in the month of
10 January at the latest we will have
11 information on exempt workforce.

12 With respect to the civil
13 service workforce, that is something
14 which we did not get into this year
15 because of the Pew Foundation's
16 examination of other cities and other
17 practices, and they're going to give us a
18 report in the spring of 2017. So we have
19 not done anything with regard to the
20 civil service workforce, except monitor
21 the two Foundation's activities so that
22 we have some awareness of what they're
23 doing.

24 COUNCILMAN JOHNSON: And
25 specifically because we're talking about

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2 diversity and inclusion and your
3 strategic plan revolves around workforce,
4 does this deal with executive level all
5 the way down to basic service-related
6 workers as well?

7 MR. ATKINSON: The strategic
8 plan that we're going to do this year is
9 going to be the exempt workforce
10 beginning at the executive level.

11 COUNCILMAN JOHNSON: At the
12 executive level.

13 MR. ATKINSON: That is correct,
14 sir.

15 COUNCILMAN JOHNSON: So that
16 would be making sure that on the
17 executive level of all City agencies,
18 rather we're talking about Airport, Navy
19 Yard, Streets, Parks and Rec, we will be
20 making sure that that workforce will be
21 diverse and inclusive from top to bottom,
22 just to make sure I'm clear?

23 MR. ATKINSON: Well, I want
24 to -- if I could say, I think what we're
25 doing and what our goal is the first year

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2 is, we're taking a snapshot of what is
3 there, which we will give information
4 about and we will then be able to make a
5 report to the citizens of Philadelphia as
6 to where we are with the diversity of the
7 workforce, and we will then be able to
8 make strategic plans. In the meantime,
9 however, we have been doing diversity and
10 inclusion training in all City
11 departments -- most City departments, not
12 all but most City departments, and to
13 date, I believe that consists of 22 or 23
14 departments to date.

15 COUNCILMAN JOHNSON: Okay.
16 Thank you, Mr. Atkinson.

17 I'm just going to finish with
18 Ms. Harper. So, Ms. Harper, I know
19 you're new to your position and making a
20 transition from one administration to a
21 new administration. Can you give us an
22 overview of currently your plans in your
23 new position specifically as it relates
24 to your goals as relates to your
25 position, diversity and inclusion, but as

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2 it relates to the Philadelphia Navy Yard
3 and the Airport, your interaction with
4 them? How do you go about establishing
5 working in partnership with Commerce
6 Director Harold Epps to make sure we're
7 reaching the goals that we want to reach
8 in both of those two City agencies?

9 MS. HARPER: Absolutely. So,
10 first, in terms of where we are, most of
11 you should have received a draft summary
12 of FY16 outcomes for the office, for our
13 office. Our plan is to produce the full
14 report, and that full report will also
15 include some pages that outline our
16 strategic direction going forward.

17 So in the summary that I shared
18 with all of you, it does offer a few
19 bulleted points of the things that we're
20 looking at strategically, and those were
21 arrived at based on conversations with
22 many of you, conversations with many of
23 the folks that are sitting in the
24 audience today. We have an Advisory
25 Council that we've met with. And so a

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2 lot of the time that I have been on board
3 has been spent talking to people and
4 trying to get a handle on really what is
5 important to them in terms of OEO, how we
6 can position this agency to be useful to
7 not only the Administration but, more
8 importantly, to the businesses and the
9 taxpayers that we serve, how can we
10 position this agency to push the needle
11 on inclusion. And so some of the things
12 that we're looking at going forward
13 obviously are growth of the registry.
14 Right now we want to get the registry
15 filled with more businesses that are from
16 the Philadelphia area, so targeted rows
17 of the OEO registry.

18 We're looking at exploring the
19 few and no exemptions that I know trouble
20 a number of people. Business owners and
21 Council folks alike really have questions
22 about the few and no and the exemptions
23 and what that means, and so we're looking
24 at exploring that.

25 We have already had

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2 conversations about partnering on a
3 bonding and education program for a lot
4 of the businesses that we work with. And
5 clearly we're looking at capacity
6 building. And so I've had conversations
7 with probably every non-profit economic
8 development organization to look at how
9 OEO can work more closely and have a
10 reciprocal relationship with the
11 companies that we work with. Many of
12 them need capital, but honestly, many of
13 them also need access and opportunity,
14 and so how do we position, as Harold Epps
15 talked about earlier, how do we position
16 them to scale and grow so that they can
17 take advantage of the opportunities that
18 not only the City has to offer but that
19 our quasi's have to offer, that our
20 universities and hospitals have to offer,
21 so on and so forth.

22 And then, finally, we're
23 looking at increased communication from
24 our office. One of the things that I've
25 heard from many of the firms that we

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2 serve is they don't hear from us enough.

3 They're not getting enough information.

4 They're finding out information too late.

5 And so we're looking at how do we

6 effectively communicate information and

7 opportunities not only to the businesses

8 that we serve, but also to the body of

9 City Council as well.

10 So those are some of the things

11 that we're looking at. Certainly if

12 there are other things that we need to

13 look at, I haven't had a chance to meet

14 with each of you yet, but I believe I am

15 at least on all of your calendars at this

16 point. I am happy to entertain any other

17 thoughts.

18 So that's what we're looking at

19 going forward. You've received a

20 summary. You will receive a full report

21 from our office on January 16th that will

22 include that information, more detail on

23 that information.

24 In terms of how we work with

25 the Airport and Navy Yard, I have had an

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2 opportunity to actually visit the Airport
3 and have detailed discussions on their
4 DBE program, how their DBE program works
5 in conjunction with our program. And so
6 at this point, what I can say is that I
7 have clarity on how it works, but I don't
8 know specifically right now if there's a
9 plan. There isn't a plan in terms of
10 doing anything specific going forward,
11 but we do have a very good working
12 relationship. We do have very clear
13 communication between our agencies.

14 I have not yet had an
15 opportunity to talk with folks at PIDC
16 other than anecdotally, and so it is my
17 plan to go out and have conversations
18 with them to look at how OEO can operate
19 effectively and usefully in that arena as
20 well.

21 COUNCILMAN JOHNSON: Who will
22 be responsible for enforcement on OEO's
23 side or for the City of Philadelphia as a
24 whole in partnership with your office to
25 make sure that if a person comes and

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2 says, I'm contracting with XYZ company as
3 a sub, and we want to make sure that the
4 person receives a contract from the City
5 of Philadelphia, that they're following
6 through reaching their goals, we know
7 that for a fact that who they partner
8 with is who they say they partner with,
9 right, in order for them to get the
10 contract. And the second part of that
11 question is, separate from the
12 enforcement, what's our participation
13 goals for the City as a whole? Where are
14 we in terms of achieving that goal, but
15 what's the actual dollar value? Because
16 a lot of times companies will say, Well,
17 the goal is 35 percent, we hit 34
18 percent. But then when I look at how
19 much the company that they partnered with
20 actually received in terms of dollars and
21 cents, it may be totally different from
22 them actually saying, Well, I reached my
23 goal in terms of participating.

24 MS. HARPER: Absolutely. So I
25 can say for FY16 we were at 30.65

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2 percent.

3 COUNCILMAN JOHNSON: Say it
4 again, please.

5 MS. HARPER: 30.65 percent.

6 The goal that's been established -- oh,
7 representing \$318 million.

8 COUNCILMAN JOHNSON: 318
9 million?

10 MS. HARPER: Yes. I can share
11 that our Mayor has established a goal of
12 35 percent.

13 COUNCILMAN JOHNSON: 35? Okay.

14 MS. HARPER: Yes. And we are
15 looking at every possible way over the
16 next five years to get from 30.65 percent
17 to 35 percent.

18 MR. EPPS: Let me just clarify,
19 that the past Administration, the goal
20 was 30 percent, and under this
21 Administration, we agreed to raise it at
22 aspiration over the four-year period to
23 35 percent. So for year one, we're at
24 30.65. The numbers went from 302 million
25 last year to 318 million. Always say --

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2 COUNCILMAN JOHNSON: That's an
3 increase in 118?

4 MR. EPPS: The increase is \$16
5 million. I always say you can't spend a
6 percent, so it's only the dollars, and
7 the dollars went from \$302 million to
8 \$318 million.

9 We also say that the Office of
10 OEO is working proactively and
11 intentionally with the Procurement Office
12 to make sure that we have better
13 communication to get higher levels of
14 response in those categories where we
15 were not getting a number of responses.
16 So we know by category how many responses
17 we get to RFPs. In some categories we're
18 not satisfied with those levels, and so
19 there is aggression around focusing in on
20 those areas and getting more responses.

21 COUNCILMAN JOHNSON: Being
22 proactive around --

23 MR. EPPS: Number two, I
24 believe it's been passed. Somebody will
25 help me. I know we had intent to pass --

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2 I think y'all did approve the legislation
3 around best value; is that correct? Was
4 that approved?

5 MS. HARPER: It's scheduled for
6 tomorrow, I think.

7 MR. EPPS: Maybe it's not
8 approved, but anyway, the best value will
9 also give us many more levers to pull to
10 make sure that we're getting contracts
11 into the right hands and not just on
12 lowest cost, which also will improve the
13 level of participation of
14 Philadelphia-based companies and also
15 minority and women-owned companies.

16 COUNCILMAN JOHNSON: I'm going
17 to wrap up, because I see my colleague
18 down there has her light on, Councilwoman
19 Blondell Reynolds Brown, but just the
20 last question to Ms. Harper. Under the
21 last Administration, there was a process
22 in which on certain development projects
23 that will go through City Council and
24 receive City Council support, has an EOP
25 plan, Angela would meet or her team would

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2 meet with that particular developer. I
3 think it's once a month or every other
4 month. My Council staff would be there.
5 I know we did it for Xfinity Live.
6 Angela would come. There was a minority
7 consultant on the team as well, and we
8 would meet once a month to go over is
9 Xfinity live in South Philadelphia
10 reaching their goals, who are they
11 contracting with, is there any problems
12 on the sites in terms of the building
13 trades hiring people. How is that
14 process working under this
15 Administration? Are you still taking on
16 that same model and, if so, on how many
17 projects does your office actually go out
18 and actually participate in in terms of
19 making sure people are held accountable
20 in reaching their goals?

21 MS. HARPER: Sure. So that's
22 called the oversight process with our
23 EOPs. That process has continued and
24 will continue. I found that it is an
25 extremely helpful process in terms of

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2 really being clear about a project, what
3 stage it's in, what's going on, and the
4 possibilities of any type of remedial
5 action that may need to happen. So they
6 will continue.

7 Typically an oversight
8 committee is pulled together when a
9 project owner requests or if the project
10 is over, I believe, \$50 million, is the
11 trigger right now. So --

12 COUNCILMAN JOHNSON: Is there a
13 process for the Airport now? Is there an
14 oversight process with the Airport
15 working in partnership with them from
16 your office?

17 MS. HARPER: Sure. So our
18 office is involved if there are City
19 dollars involved. If it is a federal
20 project, we obviously are able to
21 communicate and share our thoughts with
22 the Airport, but we are not necessarily
23 involved in goal-setting for projects
24 that do not have City dollars involved.

25 COUNCILMAN JOHNSON: Okay.

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2 Thank you.

3 COUNCILWOMAN PARKER: Thank
4 you, Councilman Johnson.

5 Let me just acknowledge the
6 presence of Councilwoman Jannie
7 Blackwell, who is seated to my left.

8 Before we call on Councilwoman
9 Blondell Reynolds Brown, Councilman
10 Johnson, I just want to quickly follow up
11 on your last comment. And while I know
12 the resolution that we are discussing at
13 hand is particularly related to Navy Yard
14 along with the Airport, but I'm looking
15 at the summary of Ms. Harper that you
16 provided to Council with a specific eye
17 at the personal and professional
18 services. And this is on Page 5 of your
19 summary. And you note that personal and
20 professional services represents 54
21 percent of our spending.

22 Now, with that in mind, this is
23 from the City's perspective. I was
24 encouraged to sort of take a stroll
25 through our EOP legislation championed by

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2 former Councilman Wilson Goode, now one
3 of our senior advisors, and I have to ask
4 you all for the record, because I've
5 gotten five answers from five different
6 people when I've asked this question.
7 When you define when an EOP must be
8 submitted, it says that, (c) -- now, I'm
9 looking at Chapter 17-1600 and this is
10 Section 17-1601, which includes the
11 definitions. You know we were originally
12 at 250. The leadership of our Council
13 President, that number was reduced to
14 100,000. And it says at (d) and (e), A
15 development project or contract that
16 requires an ordinance of Council in order
17 to proceed; or a development project or a
18 contract, other than one for development
19 exclusively of a single-family home, that
20 requires a resolution of Council in order
21 to proceed. But this next one is the one
22 that is really the rub for me. A
23 development project or contract that
24 requires an action of the Zoning Board of
25 Adjustment pursuant to Section 14-303(7)

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2 or (8), other than a project or contract
3 for the development of an exclusively one
4 single-family home.

5 So my interpretation of that
6 now -- and, again, I know this is about
7 those two regions in particular, but when
8 I look at this and I'm looking at this 54
9 percent number, and this is just personal
10 and professional services here in the
11 City, but when I think about the
12 opportunities that are being left on the
13 table in accordance to what is presented
14 as it relates to this Zoning Board of
15 Adjustment language, that says to me that
16 any project that is going before the
17 Zoning Board of Adjustment, aside from a
18 one single-family home, if it requires
19 Zoning Board action, that an EOP plan is
20 required. And so I want to get a sense
21 from you. Are we interpreting that
22 language correctly? Should it be any
23 project that's going before the Zoning
24 Board that meets all the requirements set
25 forth in the EOP legislation, it should

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2 have EOP with it? Because when I've
3 talked to attorneys, I've had several to
4 tell me, Yes, you're absolutely right.
5 If a project has -- if it's over 100,000
6 and it requires action of the Zoning
7 Board, they should submit an EOP plan.
8 If that is the truth, have we been
9 requiring that, and who is monitoring it?

10 MS. HARPER: So I don't know if
11 we have been requiring it. That is how I
12 interpret the legislation. So what I can
13 do is look at what's been happening and I
14 can report back to the body.

15 COUNCILWOMAN PARKER: Okay. I
16 would appreciate that and the response as
17 soon as possible, because if that is the
18 case and you and I are interpreting the
19 language that is written in the EOP
20 legislation exactly the same and we have
21 not been monitoring whether or not any
22 project valued over \$100,000, aside from
23 an individual single-family home, that is
24 requiring action from the Zoning Board,
25 it's supposed to have an EOP submitted

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2 and we have not -- I'm just looking at
3 your 54 percent as it relates to City
4 spending for personal and professional
5 services and think how many opportunities
6 for minorities, women, and disadvantaged
7 businesses we as a city have been leaving
8 off the table because we haven't been
9 following through.

10 MS. HARPER: Absolutely. I
11 will follow up and I will provide the
12 information.

13 I do want to offer a point of
14 clarity, though, that not every EOP has
15 an oversight committee. So what I will
16 also look at is the number of active
17 oversight committees and I can share that
18 with you as well.

19 COUNCILWOMAN PARKER: Thank
20 you.

21 Councilwoman Reynolds Brown.

22 COUNCILWOMAN BROWN: Thank you.

23 Good morning. All of my
24 questions are scattered based on a number
25 of responses that you've offered. So let

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2 me follow up with my most recent -- your
3 most recent statement.

4 You said that not all EOPs have
5 oversight committees. So what's the
6 trigger? What determines who should be
7 subject to an oversight committee?

8 MS. HARPER: So right now it's
9 my understanding that a project that is
10 valued at \$50 million or when the project
11 owner requests an oversight committee.
12 Those are the two triggers presently that
13 put an EOP committee into place.

14 COUNCILWOMAN BROWN: Okay. You
15 also mentioned that where there are no
16 City dollars, the City's reach is
17 limited. And phrased differently, with
18 federal contracts, the City has no reach;
19 is that fair to say?

20 MS. HARPER: It's not exactly
21 what I said, but, yes, that is in the
22 spirit of what I said. We have the
23 ability to communicate, and Kathy and I
24 have conversations in terms of projects
25 that are going on at the Airport, but we

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2 do not have goal-setting authority over
3 any project that does not have City
4 dollars in terms of the Airport
5 relationship.

6 COUNCILWOMAN BROWN: So when it
7 comes to MBE/WBE goals, expectations --

8 MS. HARPER: They are set --

9 COUNCILWOMAN BROWN: -- are
10 there, and this body on federal dollars,
11 we have no say?

12 MS. HARPER: Well, it's set by
13 the Airport, and their goals and
14 guidelines are set by the federal
15 government. So they can -- when their
16 panel comes up, they will offer some
17 additional feedback. So it's not that
18 there are no goals. It's just that the
19 goals are set by the federal government
20 and they're set -- the process of
21 goal-setting is done by the Airport.

22 MR. EPPS: So, Councilwoman,
23 one of the places of connectivity is
24 through my office where the Airport
25 reports to -- the CEO has an advisory

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2 committee, which I am on, and it has a
3 diversity and inclusion subcommittee,
4 which I chair. And so though there's a
5 different set of federal --

6 COUNCILWOMAN BROWN:
7 Guidelines?

8 MR. EPPS: -- guidelines, we
9 work collaboratively to make sure that
10 the intent of the and desires of the
11 Administration are implemented to the
12 best we can, but we are -- by law they
13 are imposed by the federal government and
14 not by the City.

15 COUNCILWOMAN BROWN: So have
16 you seen an experience where the
17 expectations of the Administration and
18 Council are not aligned with the
19 expectations of the feds around MBE/WBE
20 activity?

21 MR. EPPS: To be honest, the
22 answer is yes. Yes. The federal
23 government's expectations are not as high
24 as ours. So there is work that we have
25 to do.

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2 COUNCILWOMAN BROWN: Where is
3 the Greater Philadelphia Chamber in this
4 conversation and debate and ongoing
5 effort for equity?

6 MR. EPPS: You happen to be
7 looking at two past members of the
8 Diversity and Inclusion Committee at the
9 Chamber. That's Mr. Atkinson and myself.
10 We continue as ex-officio members of that
11 body. We were just at a meeting two
12 weeks ago when we were there for the
13 purpose of making sure that the Chamber
14 continued to be intentional about its
15 agenda as it relates to diversity and
16 inclusion. And, again, I would say we've
17 got work to do.

18 COUNCILWOMAN BROWN: So
19 intentional means what? Is there a
20 committee at the Chamber that focuses on
21 this like a laser beam and then maybe
22 looks to see corporate leaders who get it
23 and do it in a really great way?

24 MR. EPPS: There was a whole
25 bunch there, but, yes, there's a

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2 committee, and I am not going to say that
3 all the corporate leaders get it in a
4 great way. I would just say that we set
5 some expectations and there's more work
6 to do to get the kind of full alignment
7 and participation we'd like to have.

8 COUNCILWOMAN BROWN: So are
9 there any stars there that can lead by
10 example or have demonstrated that they
11 get it, believe it, practiced it, and
12 lead by example?

13 MR. EPPS: Yes, there are so.

14 COUNCILWOMAN BROWN: Okay. So
15 we'll do a separate follow-up on that
16 later.

17 MR. EPPS: Yes. I'll refrain
18 from giving you some because I would
19 leave out others. But, yes, there are
20 definitely some.

21 COUNCILWOMAN BROWN: Okay. The
22 diversity/inclusion training, how old is
23 that practice? Somewhere in either the
24 testimony or your statement there's the
25 mention of what is now appears to be new

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2 diversity/inclusion training across
3 departments?

4 MR. ATKINSON: That's new.
5 That started with me, I believe.

6 COUNCILWOMAN BROWN: And we can
7 look for the yield or the findings in the
8 pending report?

9 MR. ATKINSON: I'll certainly
10 report on every department that I met
11 with. It's a 90-minute training session.

12 COUNCILWOMAN BROWN: It's a
13 what?

14 MR. ATKINSON: A 90-minute
15 training session with the executive
16 leadership of departments.

17 COUNCILWOMAN BROWN: In another
18 hearing I requested a breakdown by
19 department of the OEO officers affiliated
20 or associated with the 25 departments
21 across government, and I keep this as a
22 tool for hearings like now. So there are
23 four OEO officers responsible for 25
24 departments based on the 2015 report. Is
25 that still the same?

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2 MS. HARPER: We are gathering
3 all of the data now. Some names have
4 changed, and so that will come -- that
5 will be part of our January report. But
6 I don't believe that there are any
7 substantive changes from FY15 in terms of
8 the ratio of OEO officers that are
9 represented on the OEO officers list that
10 you have.

11 COUNCILWOMAN BROWN: So given
12 that part of the mission of this hearing
13 is to gather some assurance that the
14 needle is moving, particularly at the
15 Airport and PIDC, operationally what are
16 you doing differently with regard to
17 those professionals to send this message
18 that Council and the Mayor as he has
19 articulated is serious about this issue?

20 MS. HARPER: So the first OEO
21 officers meeting that I will preside over
22 will happen in the month of December, and
23 Nolan Atkinson has been invited to that
24 meeting to begin to have the
25 conversations about diversity and

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2 inclusion, but we will --

3 COUNCILWOMAN BROWN: Will there
4 be regular meetings?

5 MS. HARPER: Yes. We meet
6 bimonthly with the OEO officers. So
7 there is opportunity for ample
8 interaction with the officers from each
9 department.

10 MR. EPPS: So Councilwoman?

11 COUNCILWOMAN BROWN: Please.

12 MR. EPPS: I think one of the
13 things around behavior that I was
14 impressed with was during MED Week there
15 were I don't know how many events around
16 town, but one of the ones --

17 MS. HARPER: 40.

18 MR. EPPS: How many, 40?

19 MS. HARPER: 40 events.

20 MR. EPPS: One I was most
21 impressed with was the forum held at the
22 Airport on Friday. It must have been 400
23 or 500 people in the room, and there were
24 break-out groups that really talked about
25 how you do business with the Airport

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2 across all dimensions. Chellie and her
3 team can report in more detail than I
4 can, but I think it did go a long way to
5 be aligned with the spirit, and what
6 we've got to do now is make sure that we
7 can get aligned around the numbers.

8 COUNCILWOMAN BROWN: So that
9 goes to my favorite expression. You
10 listen to what people say, then you watch
11 what they do. And it's always in the
12 numbers and the reports that yield what's
13 real and what's not.

14 How is the Airport -- and maybe
15 this question may be more appropriate for
16 the Airport. So is it fair to say that
17 the leadership at the Department of
18 Commerce, the CEO at the Airport, and the
19 CEO at PIDC are peers? Because I'm
20 trying to get a handle on where does the
21 buck stop when it comes to meeting goals
22 at PIDC and the Airport.

23 MR. EPPS: Well, clearly the
24 Airport ends up -- the buck stops in my
25 office. PIDC is a separate agency, and

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2 the buck stops with the CEO, but I am
3 also on the PIDC Board, as is Councilman
4 Johnson and Blackwell. So we have
5 accountability to ensure that PIDC is
6 doing what it needs to do. But then let
7 me also stress -- and Mr. Grady will talk
8 about it differently -- the Navy Yard is
9 a compilation of a lot of private
10 entities and there is no such thing as a
11 Navy Yard agency that has oversight or
12 responsibility for all of the activities
13 at the Navy Yard. So that's a very
14 complex institution or plot of land, but
15 as it relates -- and there are people
16 here from Liberty Property Trust and
17 others that can speak to that, but I can
18 say that all the leaders involved, we are
19 all on the same page about where we want
20 to go. The question is how fast will we
21 get there.

22 COUNCILWOMAN BROWN: Okay.
23 What are the limitations or differences
24 that exist for projects that are not
25 MBE/WBE, but the owner is a minority? So

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2 prime projects. Is there any monitoring,
3 if you will, of prime projects where the
4 owner is a female or a minority but is
5 not MBE/WBE?

6 MR. EPPS: I'm going to let
7 Ms. Harper say. If I understand your
8 question, that's an oxymoron, because if
9 they are a -- if they do business with
10 the City and they are minority or woman,
11 they must be certified. And so by
12 default --

13 COUNCILWOMAN BROWN: That's
14 item A.

15 MR. EPPS: That's automatic.
16 By default, that makes them an M/WBE.

17 COUNCILWOMAN BROWN: Forgive
18 me?

19 MR. EPPS: That makes them an
20 M/WBE.

21 COUNCILWOMAN BROWN: So I'm not
22 making myself clear.

23 Those who become so successful
24 that they no longer meet the --

25 MR. EPPS: In the way the City

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2 certifies through MSDC, there's no such
3 thing as getting too big. It's only in
4 the federal contracting where you can
5 outgrow their certification. But the way
6 the City, the State, and the private
7 sector, there's no such thing as getting
8 too big. That is one of the reasons we
9 advocate for that form of certification.

10 If you choose to certify as a
11 minority or woman-owned company, you can
12 be whatever you want to be in size or
13 scale, but the federal government, they
14 have employment levels and revenue levels
15 where you can outgrow. Having run a
16 minority-owned company, I have a problem
17 with that system, but we're not here to
18 debate that. But in our system, there's
19 no such thing as outgrowing it. You can
20 be too big and 5 billion, 10 billion, you
21 can still be certified as a minority or
22 woman-owned company.

23 COUNCILWOMAN BROWN: Very
24 helpful.

25 MR. EPPS: Let me just -- one

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2 of the things I think we need to make
3 sure is when we contract with a
4 minority-owned vendor at the prime level,
5 we need to make sure that they are doing
6 what they need to do with their tier 2's,
7 and I'm not convinced that we do all that
8 work very well. We need to do a better
9 job with that.

10 COUNCILWOMAN BROWN: A better
11 job of? Complete the sentence.

12 MR. EPPS: When the tier 1 is a
13 minority or woman-owned company, we need
14 to do a better job of making sure that
15 they at their tier 2 are contracting with
16 the same spirit.

17 COUNCILWOMAN BROWN: Okay. So
18 speak, if you can, to the new
19 relationship with The Enterprise Center.

20 MS. HARPER: I don't know that
21 there's a new relationship. I think
22 because I've come from there and because
23 I'm very familiar with the programs, but
24 I'm familiar with the programs for many
25 other non-profit agencies. So I wouldn't

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2 say it's a new relationship as much as I
3 would say that I just have a very clear
4 idea of the technical assistance and the
5 resources that are available throughout
6 all of the agencies and institutions in
7 the City, and we're really looking at how
8 to create an ecosystem that supports the
9 businesses that OEO serves from a
10 technical assistance and from a capacity
11 building perspective, which I don't know
12 that we've concentrated too much on as an
13 entity in the past, so...

14 MR. EPPS: Within Commerce, we
15 have a number of partners that we
16 facilitate to achieve our goals and
17 objectives, and there are a number of
18 them, and that's within the Office of
19 Business Services, our Neighborhood and
20 Corridor Development, and OEO. And one
21 of those that we will consider a tier 1
22 partner would be The Enterprise Center.
23 It's one of many.

24 COUNCILWOMAN BROWN: So let me
25 close where I started. Is it too

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2 premature right now to assess how well
3 the OEO officers are doing since you
4 haven't had a chance to meet with them
5 all yet?

6 MS. HARPER: I'm happy to
7 report out after my first meeting.

8 COUNCILWOMAN BROWN: Okay. All
9 right, then. Thank you for your
10 testimony.

11 Thank you, Madam Chair.

12 COUNCILWOMAN PARKER: The Chair
13 recognizes Councilman Domb. And,
14 Councilman, we know you have a
15 longstanding commitment on the schedule,
16 so thank you for your patience for
17 staying this long.

18 COUNCILMAN DOMB: Thank you,
19 Madam Chair.

20 And I unfortunately have to
21 leave, but I wanted to just -- I wanted
22 to first welcome everybody. Thank you
23 for being here. And I don't have a
24 question. I just have a thought. I
25 think it's part of my responsibility to

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2 come up with some crazy ideas, so I'm
3 going to throw it out there to everybody.

4 But I'm hearing all the
5 conversations and I want to give the
6 context of this is Cristo Rey, the high
7 school called Cristo Rey. Most of you
8 know about Cristo Rey. Cristo Rey is a
9 school at 5200 North Broad. They're
10 moving to 17th and Allegheny. I think
11 it's 360 students or so. All of the
12 children in that school are in poverty.
13 I think a family of four can't make more
14 than \$35,000 a year. And I think last
15 year they graduated 92 percent of their
16 kids, which is amazing. And here's the
17 key: Every student from 9th to 12th
18 grade works one day a week in a job.

19 So let me now dial it down.
20 That's a great system that's working
21 phenomenally. I think 100 percent of the
22 kids went on to college, by the way. Can
23 you imagine that? Unbelievable. We
24 should copy that in the public school
25 system. We should require the public

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2 schools to have these kids working one
3 day a week for free in a job from 9th to
4 12th grade.

5 Now let me take it down to the
6 Navy Yard. We should consider building a
7 Navy Yard High School for Technology,
8 where kids come to this high school, they
9 work one day a week in the jobs in the
10 Navy Yard and the Airport. You can train
11 them for both. They have one day a week
12 from 9th to 12th grade, and all the
13 sudden instead of us having to require
14 diversity, it will happen automatically,
15 because you'll have kids there that are
16 trained and they'll want those jobs.

17 So just a thought. I'll leave
18 it with you guys.

19 MR. EPPS: Councilman, you
20 would be happy to hear that the
21 subcommittee I chair also has community
22 engagement on it, and probably 80 percent
23 of that conversation was had in my office
24 about two weeks ago.

25 COUNCILMAN DOMB: I am happy to

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hear that, because I think that's the long-term solution. Because we have, what, 400,000 people in poverty in this city and we have, I think, a high school graduation rate of 62 percent in the public schools. We need to connect in general business with schools. And the Navy Yard, by the way, or the Airport could be the model of doing that if you would build a high school down there. It would be unbelievable.

MR. EPPS: Absolutely. And along the way we must raise the level of -- the competency of the people graduating from high school in their reading and math skills, and they will get a lot of that if they can see, touch, and feel at a much earlier age.

COUNCILMAN DOMB: You could have people in these companies actually be guest lecturers in the classes for these kids. It would be -- we would be a model.

I just want to say something

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2 about the Navy Yard. I'm a big fan of
3 the Navy Yard. In the 1990s, shuddered.
4 Today, booming. And I think ULI, was it
5 March or April, Urban Land Institute,
6 recognized the Navy Yard as the number
7 one adaptive reuse in the United States.
8 It's amazing we have it here.

9 MR. EPPS: I just saw
10 Councilman Taubenberger come in. We were
11 in Germany two months ago. He was one
12 place, I was another, and the first
13 question I got asked was, How is your
14 Navy Yard doing? So the model is, it's
15 not only recognized in the United States,
16 it's recognized around the globe.

17 COUNCILMAN DOMB: That's great.
18 Well, thank you. Thank you very much.

19 COUNCILWOMAN PARKER: Thank
20 you, Councilman Domb.

21 Let me acknowledge the presence
22 of Councilman Al Taubenberger. Thank you
23 for being here.

24 And the Chair recognizes
25 Councilman Oh.

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2 COUNCILMAN OH: Thank you very
3 much.

4 I'm sorry. I might have
5 misheard this. I just wanted to
6 double-check. It was in relation to
7 Councilwoman Blondell Reynolds Brown's
8 question. I thought her question was in
9 relation to minority or women-owned
10 businesses that are not certified as
11 minority-owned businesses, and I thought
12 your answer, which I might be completely
13 mistaken, was that they would be
14 certified. So am I confused? I might
15 have just missed something there.

16 MR. EPPS: What I thought I
17 heard her say was doing business with the
18 City, and the response was if you do
19 business with the City, you must be
20 certified. So if you need help in
21 getting certified, we can help you do
22 that in 30 days or less, but the
23 minute -- a criteria to do business with
24 the City as a minority or woman-owned is
25 you have to be certified.

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2 COUNCILMAN OH: So a business
3 that is minority-owned cannot do business
4 with the City unless they're certified?

5 MR. EPPS: That is -- we will
6 get them certified. That's correct.

7 COUNCILMAN OH: Okay. How long
8 has that been going on? For a long time,
9 I suppose?

10 MS. HARPER: I can't say, but
11 for a very long time.

12 MR. EPPS: We want to make sure
13 that they've got -- there's a process to
14 make sure that you are ready to do
15 business with the City, and the
16 certification process is a part of it.

17 MS. HARPER: And it's also to
18 ensure that the ownership of the business
19 is actually woman or minority-owned.

20 MR. EPPS: I'm being corrected.
21 They can do business with the City. It
22 just doesn't count for participation.

23 COUNCILMAN OH: Okay. That's
24 what I thought. Thank you very much. I
25 was confused. All right. Thank you.

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2 COUNCILWOMAN PARKER: Well,
3 Mr. Epps, just for the benefit, because
4 we are here and we get it, but there is
5 someone who is watching today or will be
6 watching this hearing at another time.
7 Go back for the record and state the
8 issue or the question at hand and then
9 give your response to it, if you will.

10 MR. EPPS: So we encourage
11 minority and women-owned businesses to be
12 certified so we can count those dollars
13 against the very thing that we are being
14 questioned about, but if you choose to as
15 a minority or woman-owned company do
16 business and you're so fortunate to get a
17 contract, that's fine, you can get that
18 contract, but it will not be counted as
19 part of the numbers in which we are
20 challenged to meet. So we go out of our
21 way to encourage those companies to
22 become certified.

23 COUNCILMAN OH: Thank you very
24 much. I'll just put that within context
25 of why I asked the question. Because

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2 once upon a time as a law office, I
3 answered an RFP from one of our City
4 entities, not an authority, and it didn't
5 say apply as a minority and I did not,
6 and I was selected as one of the
7 providers. And years later I went back
8 to ask why do I get so little work year
9 after year. They checked it out and they
10 said, Because you're a minority certified
11 business and you're limited to eight
12 cases a year, which I was surprised to
13 hear that. And so I'm not saying there's
14 a disadvantage. I'm just saying some
15 people choose not to apply and be
16 certified because they feel that they are
17 subject to limitations that are
18 disadvantageous for competitive
19 businesses. I certainly hope that's not
20 the case with the City, but certainly it
21 was my experience, and I've been aware of
22 that ever since.

23 Thank you.

24 MR. EPPS: We could go back and
25 forth. I think the issue is when we get

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2 asked what the dollar spending was in
3 percent or dollars, we're measuring it
4 against those that are certified. And so
5 we do not account for those that would
6 fall into probably that double minority
7 group and, that is, ones who have gotten
8 a contract and chosen not to be
9 certified.

10 COUNCILMAN OH: Thank you.

11 COUNCILWOMAN PARKER:

12 Councilman Johnson.

13 COUNCILMAN JOHNSON:

14 Ms. Harper, I just want to go back as I
15 wrap up my questions for this panel. So
16 projects above 50 million in the City
17 funding -- projects above 50 million with
18 City funding require an oversight
19 committee?

20 MS. HARPER: That have an EOP.

21 COUNCILMAN JOHNSON: That has
22 an EOP.

23 MS. HARPER: Yes.

24 COUNCILMAN JOHNSON: And what
25 happens to projects underneath that 50

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2 million, right, and the City funding?
3 Who tracks and how does that fit into
4 this in terms of having the EOP plan?
5 Because 50 million for some is okay.

6 MS. HARPER: Correct. Correct.
7 You know, I don't know the answer to that
8 question.

9 COUNCILMAN JOHNSON: Well, if
10 you can just look into it.

11 MR. EPPS: There's an EOP plan
12 for it. It just doesn't have an
13 oversight committee.

14 MS. HARPER: It doesn't have an
15 oversight, but you're asking who kind of
16 monitors that EOP. That is what I have
17 to find out, and I will let you know,
18 because I'm not sure who monitors EOPs
19 under the triggers, that fall under the
20 triggers that we talked about.

21 COUNCILMAN JOHNSON: So if you
22 can do me a favor, and I'm working with
23 you because I know you're just getting
24 started and transitioning from one
25 administration to another administration.

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I'm quite sure that this Administration has their own vision of how they want to take the City in terms of diversity and inclusion. If you can get back with me with that information. And also the comment and the statement that Madam Chair talked about, Parker, regarding the EOP programs required for zoning, we do zoning variances just about every day, and I'm quite sure when I go out throughout at least the 2nd Councilmanic District and I see development taking place and that's for the major ones that I have worked on with PIDC such as Lincoln Square and the Hyatt Hotel that's coming through, other projects, we're getting information that all development projects require EOP. And so I want to get some clarity on that, because from my understanding, Council President Clarke had put some legislation out some time ago requiring all development projects to have an EOP. And so we just want to have some clarity at least moving forward so

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2 we can make sure that we're pushing for
3 participation on all levels.

4 That's all I have, and I thank
5 you for testimony.

6 MS. HARPER: I will be happy to
7 provide.

8 MR. EPPS: So, Councilman
9 Johnson, this is after the fact, but one
10 of the ways we do get summary data is in
11 the annual audit. The annual audit will
12 tell all of us the level of compliance
13 against the awards from the previous
14 year. If I remember correctly, last
15 year's number was 90 or 91 percent. But
16 we still need to answer on a realtime
17 basis. That only tells us after the
18 fact.

19 MS. HARPER: On an ongoing
20 basis.

21 COUNCILMAN JOHNSON: I was
22 trying to wrap up, right, but I have one
23 more question, because we're going to
24 this now as we look at Rebuild. We just
25 had a procurement hearing sponsored by my

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2 colleague Councilwoman Sanchez, right?
3 Who is responsible for doing the big
4 picture enforcement? In other words,
5 they can say, Here's several billion
6 coming into Water, capital projects,
7 here's money coming from under the
8 Airport, here's money coming from Parks
9 and Rec, all capital projects,
10 development projects as a whole and say,
11 Here's how much we're accomplishing from
12 a diversity and inclusion perspective
13 from a dollar and figures amount across
14 all of our departments as a whole. Who
15 would be responsible?

16 MR. EPPS: If you take the
17 Airport out, directly we are.

18 COUNCILMAN JOHNSON: Okay. I
19 just wanted to get some clarity on that.

20 MR. EPPS: If you say the
21 Airport, it's we are.

22 COUNCILMAN JOHNSON: Thank you.

23 COUNCILWOMAN BROWN: Madam
24 Chair?

25 COUNCILWOMAN PARKER:

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2 Councilwoman Reynolds Brown.

3 COUNCILWOMAN BROWN: So let's
4 underscore that. Any and all efforts
5 around Rebuild, project management and
6 everything else in between, ultimately
7 those lines lead to the two of you?

8 MR. EPPS: Well --

9 COUNCILWOMAN BROWN: With
10 regards to what we care about, this
11 MBE/WBE access, awareness, information,
12 et cetera.

13 MR. EPPS: So Mr. Atkinson and
14 I and Ms. Harper are part of the
15 Administration's committee, but we have a
16 Rebuild office that will have the
17 day-to-day responsibility, but we will
18 also be a part of the affirmation and
19 insurance process.

20 COUNCILWOMAN BROWN: And you
21 may not be aware of the fact that there
22 is -- I don't think I'm premature -- that
23 City Council ultimately renders decisions
24 around how that Rebuild rollout is going
25 to happen in the councilmanic districts,

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2 not an external third-party committee
3 outside of government but members of
4 Council. Are you aware of that
5 sentiment?

6 MR. EPPS: I will not respond
7 to that because I'm not fully apprised of
8 its circumstance.

9 COUNCILWOMAN BROWN: Okay. All
10 right, then. Thank you.

11 Thank you, Madam Chair.

12 COUNCILWOMAN PARKER: Even
13 though he's not fully apprised of it, I
14 just wanted to thank you for
15 acknowledging that and putting that on
16 the record as a very gentle reminder,
17 Councilwoman Reynolds Brown.

18 Let me thank all three of you
19 so very much. Tough issues, but if you
20 can, please stick around just in case
21 issues regarding your respective roles
22 come back up. But we want to thank you
23 so very much for your patience.

24 The Clerk will please call the
25 second panel of witnesses to testify on

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2 the resolution.

3 THE CLERK: Chellie Cameron,
4 Folasade Olanipekun-Lewis, and Kathleen
5 Padilla.

6 (Witnesses approached witness
7 table.)

8 COUNCILWOMAN PARKER: I want to
9 say good afternoon to each of you and
10 thank each of you so very much for the
11 record.

12 Councilman Johnson, I want you
13 to notice that it was only a tad bit of
14 estrogen on the first panel, but this is
15 a powerful estrogen panel here, so I am
16 sure we're going to get some direct and
17 great responses.

18 But I really do want to thank
19 each of you for being here, and to ask
20 you to state your name and title for the
21 record and just proceed with your
22 testimony.

23 MS. CAMERON: Thank you, Madam
24 Chair. I'm Chellie Cameron, CEO of
25 Philadelphia International and Northeast

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2 Airports.

3 Today, as you have already
4 noted, I have two of my very highly
5 qualified female compadres to talk about
6 diversity with you today. Folasade
7 "Sade" Olanipekun-Lewis is our Chief
8 Administrative Officer and Kathy Padilla
9 is the Director of our Airport Diversity
10 Office. Kathy is going to deliver our
11 testimony today, but we are all here to
12 answer your questions. And I would like
13 to personally assure you that diversity
14 is a very important goal for me.

15 MS. PADILLA: Good afternoon,
16 members of the Committee on Commerce and
17 Economic Development.

18 COUNCILWOMAN PARKER: State
19 your name and title for the record.

20 MS. PADILLA: My name is
21 Kathleen Padilla and I'm the Director of
22 the Office of Business Diversity. I'm
23 pleased to be here today to testify
24 regarding Resolution No. 160042,
25 introduced by Councilman Johnson,

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2 authorizing hearings on economic
3 opportunity and diversity participation
4 at the Philadelphia International Airport
5 and at the Navy Yard.

6 The Airport is committed to
7 creating economic opportunity and
8 building diversity through our business
9 relationships. We administer several
10 programs designed to foster participation
11 through our business opportunities. We
12 oversee all aspects of the federal
13 Disadvantaged Business Enterprise and
14 Airport Concession Disadvantaged Business
15 Enterprise Programs. This includes
16 goal-setting, certification, and
17 monitoring. Along with these federal
18 programs, we work with the Office of
19 Economic Opportunity to administer the
20 City's program.

21 As part of our federal program
22 requirements, we're implementing a Small
23 Business Element, which applies
24 specifically to opportunities funded by
25 federal Airport Improvement Grants. We

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2 also represent the City on the statewide
3 oversight committee for USDOT-funded
4 projects, along with other recipients and
5 other sub-recipients.

6 The Airport's Business
7 Opportunity Forum is the premier business
8 diversity event in the region. We had
9 472 attendees this October, which is up
10 from 377 last year. A hundred and
11 forty-nine of these firms were new firms,
12 and 90 percent of our attendees rated the
13 Forum as excellent. The Forum's
14 networking breakfast fostered numerous
15 connections between primes and subs,
16 which we hope will lead to new
17 opportunities and new partnerships for
18 DBEs on our opportunities. We are always
19 open to feedback and always looking for
20 ways to improve our access to our
21 opportunities.

22 By way of goals and
23 achievements, we report under the DBE,
24 ACDBE, and OEO programs. For the DBE
25 program, our goal is 16.3 percent and our

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2 achievement this year is 18 percent. For
3 the ACDBE program, our goal is 16.45
4 percent and our achievement is 26.9
5 percent. In the storefront concessions
6 that you see in the terminals, our
7 achievement is currently 31.11 percent.
8 For our own local OEO program, our goal
9 is 30 percent and the achievement is
10 29.18 percent.

11 Thank you. I will be happy to
12 answer any questions the Committee may
13 have.

14 COUNCILWOMAN PARKER: Thank
15 you.

16 Councilman Johnson.

17 COUNCILMAN JOHNSON: Thank you,
18 Madam Chair.

19 First and foremost, I want to
20 thank all of you for being here. I want
21 to say welcome back, Sade, to your first
22 home here in the City of Philadelphia.

23 MS. OLANIPEKUN-LEWIS: Thank
24 you so much.

25 COUNCILMAN JOHNSON: As well as

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2 Ms. Padilla, thank you for participating
3 as well, and also CEO of the Philadelphia
4 International Airport, Chellie, happy
5 Veterans Day. I didn't get a chance to
6 see you last week, because I was a little
7 tied up, but good to see you again here.

8 MS. CAMERON: Thank you.

9 COUNCILMAN JOHNSON: Let's
10 start off by talking about, one, where
11 we're at in terms of the airport
12 expansion. It's always talked about
13 throughout the district, specifically the
14 8.1. Is the correct number \$8.1 billion
15 airport expansion, what it looks like in
16 terms of the rollout, where we're at
17 right now, where we're going in the
18 future, and then begin giving us an
19 overview of your strategic plan as it
20 relates to the City of Philadelphia goals
21 and how we're going to go about reaching
22 them.

23 MS. CAMERON: So the Capacity
24 Enhancement Program is the Airport's
25 larger capital plan for the future, and

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2 it was rolled out about five years ago,
3 in 2011. We received approval from the
4 federal government to proceed with this
5 program.

6 Just because a program is
7 approved by the federal government
8 doesn't necessarily mean that there is
9 funding available to pay for everything
10 within the program. The \$8.1 billion
11 number that you stated I think might have
12 been an estimate at the time. That
13 number changes as inflation is applied to
14 the program, and we haven't done a new
15 estimate to date, so I can't give you an
16 exact number.

17 Of that program, though, that
18 was approved by the federal government,
19 about 1.2 or 3 billion dollars has been
20 approved by the airlines that we are
21 permitted to move forward with on
22 projects. We have \$1.6 billion approved
23 in total for the Airport for capital
24 programs. The balance that isn't CEP,
25 Capacity Enhancement Program related, is

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2 for repair and rehab projects. So
3 replacing things like air handling units
4 in the terminals, rehabbing bathrooms,
5 those sorts of things.

6 Of the money that is already
7 approved for the Capacity Enhancement
8 Program, a lot of it is for design and
9 planning work. Another large piece of it
10 is for land acquisition and, furthermore,
11 another piece is for some large projects
12 such as the consolidated rental car
13 facility. We are actively working with
14 the rental car companies to move that
15 project forward. One of the other large
16 projects that is already approved is work
17 in Terminals B and C on the security
18 checkpoint and baggage handling systems.

19 And that leads me to the second
20 part of your question, which is where are
21 we going with this program, where is it
22 going next. When we looked at the
23 numbers, the activity levels at the
24 Airport over the last ten years, we
25 noticed two trends. The first is that in

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2 the last ten years, we've lost over 23
3 percent of our takeoffs and landings at
4 the Airport. In terms of passenger
5 levels, when we look at figures as of the
6 end of 2015, the passenger levels have
7 stayed relatively stable and, in fact,
8 are very near all-time highs for the
9 Airport. That speaks to two things that
10 are happening. The first is that the
11 airlines have fundamentally changed their
12 business model. They're using larger
13 aircraft and they're putting more people
14 on each of those planes. What that
15 results in is fewer operations, less
16 landings and takeoffs. When you have
17 fewer landings and takeoffs, it starts
18 to -- it results in fewer delays and
19 ultimately in less demand for our
20 airfield facilities.

21 One of the keystone projects of
22 our Capacity Enhancement Program was for
23 a new runway. That's what everybody
24 seemed to talk about when we launched the
25 program, but as we've looked at the

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decline in operations over the last ten years, that's really not what our number one priority is today. When we look at the passenger levels, however, and they're steady and they've stayed very steady over time, what we are doing is, we are actually taking an active look at what our terminals are like, so what is the passenger experience like in our terminals. Some of our terminals are in excess of 60 years old. They're small. They have low ceilings. They're cramped. So we are working with the airlines to try and define what comes next in terms of the Capacity Enhancement Program.

Now, that program was holistic. It included airfield work, terminal work, and land side work, like that consolidated rental car facility. As we looked at the operations and changed the priorities and really did a pivot on what was most needed, it was not the new runway now. That doesn't mean that it won't be needed at some point, but it's

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2 not the first priority today. What we
3 really need to do is to look at our
4 terminal facilities. So, again, we are
5 working with the airlines to define what
6 that is.

7 Under our Use and Lease
8 Agreement that you all approved, one of
9 the parts of that agreement says that the
10 airlines must approve the expenditure of
11 capital dollars. It's part of our
12 agreement with them. In return, they
13 cover our costs every year. That's a
14 great thing to have, for them to cover
15 your costs, but they do have approval
16 authority, not just consultation rights
17 but approval authority over all capital
18 projects. And, again, we've established
19 that partnership. We want to work
20 together with them to really make sure
21 that what we do next makes sense for the
22 Airport, for the City, and for them as
23 our partners.

24 COUNCILMAN JOHNSON: Okay. So,
25 Ms. Padilla, can you give us an overview

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2 of, one -- because I know there's federal
3 requirements and then the City also has
4 requirements. So tell me how do you work
5 to bring the two goals of both
6 administrations together. That's the
7 feds as well as the City. And then, two,
8 who is responsible for the enforcement,
9 making sure that we're on track and
10 reaching the goals, rather it be federal
11 or the City, as it relates to diversity
12 and inclusion?

13 MS. PADILLA: I'll take the
14 second question first, which is we are
15 responsible here and I am responsible for
16 much of that. And we do that through all
17 of the mechanisms that any mature
18 diversity program has, by monitoring, by
19 goal-setting. We have oversight from the
20 federal government and also from the OEO
21 and also from the PAUCP. So we have many
22 mechanisms to do this with. Is there
23 anything particular I can expand upon?

24 COUNCILMAN JOHNSON: What's
25 PC -- the last --

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2 MS. PADILLA: The PAUCP is the
3 Pennsylvania Unified Certification
4 Program. Every state has to have a UCP
5 for USDOT-funded work, and we're on the
6 oversight committee for the one in
7 Pennsylvania.

8 COUNCILMAN JOHNSON: So the
9 oversight team meets, what, once a month
10 to review --

11 MS. PADILLA: We meet at least
12 quarterly for the oversight committee,
13 but we also meet on an as-needed basis
14 when there are appeals for certification
15 denials.

16 COUNCILMAN JOHNSON: Okay. I'm
17 going to defer to Madam Chair.

18 COUNCILWOMAN PARKER:
19 Councilwoman Reynolds Brown.

20 COUNCILWOMAN BROWN: Yes.

21 Good afternoon, ladies.

22 (Good afternoon.)

23 COUNCILWOMAN BROWN: I did not
24 make myself clear in my last round of
25 questioning, and so let me attempt again.

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2 There are people who look like
3 me, my gender, who care not to be in the
4 MBE/WBE box because they have, the good
5 news, risen to a level of success where
6 they want to be treated as a prime. Rare
7 instances, but some do exist. So is
8 there any level of, for lack of a -- not
9 oversight, but keeping a reading on how
10 well they are doing in the big picture of
11 primes?

12 MS. PADILLA: I think it's good
13 to take a look at the two different
14 programs here. For the DBE program, the
15 federal program, you can graduate from
16 that program. It has business size and
17 personal net worth standards. On the
18 local program side, there are no business
19 size or personal net worth standards. So
20 you can graduate from the federal side
21 but not from the local side.

22 Regarding whether someone wants
23 to not get certified, they can
24 participate like any other business, and
25 we would not -- there's no way to monitor

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2 or know who they are if they're not in
3 the system.

4 COUNCILWOMAN BROWN: Okay.

5 COUNCILWOMAN PARKER:

6 Councilwoman Reynolds Brown, Councilman
7 Oh had a point of order and I thought she
8 was going to come back, because I just
9 wanted to make sure you heard
10 Councilwoman Reynolds Brown's question,
11 because I think you really clarified it
12 from the first go-around and, Councilman
13 Oh, you sort of correct me if you've
14 heard something else.

15 So Councilwoman Reynolds Brown
16 lays out that there are some firms that
17 make a clear decision that they do not
18 want to participate or to compete to get
19 business via MBE/WBE sort of programmatic
20 structures. They're doing so well that
21 they are now primes, and they're sort of
22 competing with the big guys on their own
23 merit based on their own --

24 COUNCILWOMAN BROWN: Work
25 product.

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2 COUNCILWOMAN PARKER: -- bottom
3 line. And what she is saying is, have
4 you sort of taken the time to sort of
5 watch or monitor the performance?

6 Councilwoman, did I --

7 COUNCILWOMAN BROWN: That's it
8 precisely, yes.

9 COUNCILWOMAN PARKER: Okay.
10 Have you monitored those that are sort of
11 competing at the level with traditional
12 primes without the actual certification
13 at the federal level or the local level?

14 MS. PADILLA: You can be a
15 prime, be certified, and be counted. But
16 if someone chooses not to, we would have
17 no idea who you are.

18 MS. CAMERON: And so we have no
19 tracking mechanisms for those firms at
20 this time.

21 COUNCILWOMAN PARKER: So,
22 therefore, that's the answer to her
23 question.

24 MS. CAMERON: That's correct.
25 We have no way to monitor that at this

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2 time. There's no way to count those
3 firms.

4 COUNCILWOMAN BROWN: Okay. So
5 that's helpful and potentially presents
6 either a new challenge or opportunity to
7 see how well those who have risen to a
8 level of success and are now competing
9 with the big guys, yet while they have
10 been successful and now want to compete
11 with the big guys are not able to get in
12 that circle, if you will, to your point,
13 because they have identified themselves as
14 such.

15 MS. CAMERON: Councilwoman, if
16 I could add one thing. Kathy noted that
17 we do -- there are firms that can
18 graduate from the federal program. Their
19 personal net worth may exceed the federal
20 guidelines and so they become graduates
21 and are no longer able to be counted
22 towards the federal goals, but they're
23 the kinds of firms that you are referring
24 to right now. They may be woman-owned or
25 minority-owned --

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2 COUNCILWOMAN BROWN: Yes, yes,
3 yes.

4 MS. CAMERON: -- but still
5 doing business.

6 There are a couple -- one firm
7 in particular recently graduated from the
8 airport concession program and is no
9 longer allowed to be counted for the
10 federal --- meeting the federal goal, but
11 they're still in business and still doing
12 work at the Airport. We can find out
13 that company's story and send it to you,
14 if you're interested.

15 COUNCILWOMAN BROWN: So the
16 best-case scenario is that all of these
17 MBE/WBEs do so exceedingly well -- and
18 that's going to be long after I leave
19 City Council and we won't need an office
20 of OEO, but for now, of course, the
21 challenge continues.

22 In the last testimony, one of
23 the professionals stated that \$50 million
24 is the trigger for an oversight
25 committee. Does that also apply to the

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2 Airport?

3 MS. CAMERON: Whatever the City
4 requirements are for contracts that use
5 City dollars, yes.

6 COUNCILWOMAN BROWN: The same
7 applies for you?

8 MS. CAMERON: Yeah. We have
9 the same rules as everybody else.

10 COUNCILWOMAN BROWN: Okay. So
11 the other revelation was in instances
12 where there are federal dollars, the
13 City's say is limited because they are
14 federal dollars when it comes to MBE/WBE
15 efforts; is that accurate?

16 MS. PADILLA: There are
17 separate requirements and a separate
18 program under the USDOT-funded dollars,
19 and we have to follow the rules that they
20 prescribe.

21 MS. CAMERON: So, for example,
22 the federal -- for contracts that contain
23 federal funding, usually construction
24 projects or ACDBE projects and contracts,
25 we have to go through a federally

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2 mandated process to set those goals and
3 then to monitor and include and count
4 that participation every year.

5 COUNCILWOMAN BROWN: Therefore,
6 am I also hearing that the federal
7 guidelines and stipulations supersede
8 what we might want at this level?

9 MS. CAMERON: For those
10 particular contracts.

11 COUNCILWOMAN BROWN: For those
12 particular contracts.

13 When negotiating with airlines,
14 like American Airlines, what is the reach
15 of influence when it comes to -- and they
16 want to do business here. And I'm using
17 American Airlines because we know what
18 the merger -- the challenges and the
19 extended discussions the merger
20 presented. So what is the reach with
21 regards to the City and our interest in
22 MBE/WBE efforts?

23 MS. CAMERON: So with American
24 Airlines when they perform a construction
25 project on our behalf, on the City's

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2 behalf, and they have done that a couple
3 of times; for example, the Terminal F
4 project that just completed, it was a
5 \$161 million project. American Airlines
6 completed that project on our behalf
7 through a PIDC paid agreement. When we
8 execute those sorts of agreements with
9 American in this case to use City dollars
10 to make improvements to our facilities on
11 our behalf, we are very careful to make
12 sure that we include appropriate goals.
13 I'm happy to tell you on that project and
14 on the Terminal A-West project that was
15 completed over a decade ago that U.S.
16 Airways at the time completed for us,
17 they exceeded the goals that the City put
18 on those contracts. They are very good
19 partners of the City --

20 COUNCILWOMAN BROWN: All right,
21 then.

22 MS. CAMERON: -- in that
23 regard.

24 COUNCILWOMAN BROWN: Thank you.
25 That's an encouraging outcome. Thank you

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2 very much for your testimony.

3 MS. CAMERON: Absolutely.

4 COUNCILWOMAN PARKER: The Chair
5 recognizes Councilman Oh.

6 COUNCILMAN OH: Thank you very
7 much.

8 So I just more than have a
9 question, have got just a perspective to
10 throw out there.

11 On the question of the minority
12 participation in that I understand
13 tracking minority or women-owned or
14 persons with disability-owned businesses,
15 they're certified and they are tracked,
16 and then for prime contractors since
17 they're primes, they didn't go through a
18 certification process, they are not being
19 tracked. However, for example, in
20 Atlanta and other cities, once a business
21 has been certified, they're certified for
22 a three-year period of time and then they
23 have to be recertified, and that's
24 because I think it is legislative. And
25 in Philadelphia, we've operated under

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2 executive orders, and there are some
3 issues that arise with the legalities of
4 how we do things, so it would seem to me
5 that it is probably a requirement that we
6 track both minority certified and prime
7 contractors so that we are able to
8 provide, for example, under the law the
9 surveys that are required in order to
10 enact programs that address disparity,
11 historic discrimination, things like
12 that.

13 So if, for example, there are
14 businesses that apply to be prime
15 contractors and they are, for example,
16 all minority and women-owned, that would
17 have to be provided, I think, in an
18 annual survey as to why the City has
19 implemented a minority business program.
20 That's kind of how I understand it at
21 this point in time. The reason I'll say
22 that is because I actually drafted
23 legislation and am holding the
24 legislation, although I have kind of
25 heard it in terms of certain criteria,

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2 which I don't know is legal, because it's
3 a very finite space legally to provide
4 opportunities and not tread upon reverse
5 discrimination.

6 And so one of the issues that I
7 think we are talking about is that in the
8 world of prime contractors, there are
9 certain minority, female-owned businesses
10 that are simply applying for the large
11 pot of work. They may bring on certified
12 businesses, minority, woman-owned,
13 persons with disability, and there's some
14 tracking mechanism for how they're doing
15 what they're getting, and they do not
16 want to graduate from the certified
17 program. They're not interested in being
18 certified or receiving that portion of
19 set-aside work, if you will, because they
20 are prime contractors.

21 MS. CAMERON: If I could just
22 offer some clarification. First, I want
23 to make sure that it's clear that we do
24 know who our prime contractors are.

25 COUNCILMAN OH: Right.

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2 MS. CAMERON: It's just if they
3 don't identify themselves, if they're not
4 certified, they don't carry a
5 certification or identify themselves as a
6 woman or minority-owned business, then
7 they are not counted.

8 It is absolutely possible for
9 the Airport and for the City to have a
10 minority or woman-owned firm be a prime
11 contractor. That happens, and that
12 participation can be counted. So they
13 can be a sub or they can be a prime. You
14 know, I understood the distinction to be
15 made as to whether or not with those
16 firms in particular that don't want to
17 pursue the certification or don't want to
18 have it counted, we just -- we really
19 don't have a mechanism to count that.

20 COUNCILMAN OH: I do
21 understand.

22 MS. CAMERON: I hope that
23 helps.

24 COUNCILMAN OH: Yes. So if
25 they voluntarily identify some

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2 characteristics, then you'll have it. If
3 they don't, then you won't have it. It's
4 kind of up to them.

5 MS. CAMERON: Correct.

6 COUNCILMAN OH: So if they do
7 want to identify themselves, or do you
8 ask? They may say, We don't want to tell
9 you or --

10 MS. PADILLA: Well, we would be
11 making a presumption. If they're not
12 certified, we don't know that they've met
13 the standards to be considered a minority
14 or woman-owned business. And lots of
15 people come to get certified that you
16 might think on the outside are minority
17 and women-owned, but aren't when you take
18 a closer look.

19 COUNCILMAN OH: All right.
20 Thank you. That answers my question.
21 Thank you.

22 MS. CAMERON: Sure.

23 COUNCILWOMAN PARKER:
24 Councilman Johnson.

25 COUNCILMAN JOHNSON: Thank you.

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2 I want to go back to our
3 relationships with the federal government
4 and the requirements that the feds have
5 versus the City. And I think if I heard
6 correctly Mr. Harold Epps, is the goals
7 for the federal requirements higher or
8 lower than the City of Philadelphia?

9 MS. PADILLA: They would
10 generally be lower when it comes for
11 USDOT-funded projects, and that's for a
12 number of reasons. They require us to
13 use their methodology, which is slightly
14 different, and they also have their
15 programs set up as a small business
16 program. So there are limits on how
17 large the firms can participate can be.
18 So, yes.

19 Our number of about 16.4
20 percent, if you want to compare apples to
21 apples, PennDOT's number in that area is
22 7.8 percent. When you look at SEPTA that
23 combines both its local and federal
24 program, they're at 16 percent. If you
25 look at the Delaware River Port

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2 Authority, which combines federal and
3 local -- again, so it should be higher --
4 they're at 10 percent. So we're doing at
5 least twice the federal level of
6 participation than our sister agencies.

7 COUNCILMAN JOHNSON: And in
8 terms of what's the percentage of
9 contracting under the Division of
10 Aviation that falls under the federal DBE
11 program versus the Office of Equal
12 Opportunity, when you talk about there's
13 only certain contracts that we can
14 enforce on the City side versus on the
15 federal side?

16 MS. PADILLA: It varies from
17 year to year depending on what kind of
18 contracting we get and funding we get
19 from the federal government and from the
20 local. Probably right now I'm going to
21 guess it's about a third of our dollars
22 that are in the contracting as far as
23 that, and all of the ACDBE dollars are
24 considered federal.

25 COUNCILMAN JOHNSON: Okay. And

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2 when we talk about building capacity for
3 diversity and inclusion, does the
4 bundling strategy play a role on how we
5 go about on the building trades sides of
6 contracts?

7 MS. PADILLA: That is one of
8 the approaches you can take to try and
9 increase diversity, de-bundling, and we
10 are actually looking at trying to set up
11 a more formal process to that with our
12 Small Business Element that we're setting
13 up next year.

14 COUNCILMAN JOHNSON: And to
15 build on it now -- and I know the work
16 that the Airport does, because I try to
17 be involved as a Councilperson. Talk
18 more about the bonding workshops that you
19 have offered with The Enterprise Center,
20 how effective have they been, what's the
21 level of participation of people who
22 actually come out in the workshops and
23 actually sign up.

24 MS. CAMERON: So we --

25 COUNCILMAN JOHNSON: Because

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2 one of the key questions we always get
3 is, Well, we can't find nobody to do the
4 work because they can't handle the
5 capacity. And so I do know we have a
6 model that's put forward in terms of
7 helping the smaller guys be able to
8 compete and we'll say, Well, we'll show
9 you how to go through the bonding process
10 with us. How effective has it been?

11 MS. CAMERON: It was very
12 effective. We did one program a couple
13 of years ago, and actually I think it's
14 where I met Iola when she was still with
15 The Enterprise Center. We partnered with
16 The Enterprise Center and a federal
17 agency to actually put firms who signed
18 up through a very rigorous process. When
19 they came out of that program, if they
20 wanted, they could pursue and obtain a
21 federal certification for an MBE or WBE
22 firm, and then we also paired them with
23 financial institutions that agreed to
24 participate as part of the program and
25 they -- if they completed all of the

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2 requirements successfully, they could
3 actually come out with a bond that they
4 could then use to bid on their next
5 contract.

6 I don't -- it's been a couple
7 of years. I don't have those numbers in
8 front of me, Councilman, but that one
9 program was incredibly successful. We've
10 done additional education sessions just
11 to talk about the kinds of things you
12 need to do to get ready to get a bond,
13 but that program in particular was very
14 successful. We even were able to get
15 some federal dollars to fund it. And we
16 are actively pursuing whether or not we
17 can get that again.

18 COUNCILMAN JOHNSON: Can we
19 have those numbers for the members of the
20 Committee at the appropriate time,
21 please?

22 MS. CAMERON: Sure.

23 MS. PADILLA: We also do a
24 number of business capacity workshops,
25 usually about one a month, and they do a

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2 number of different subjects and we
3 partner with a lot of different agencies,
4 including the Chambers, Eastern Minority
5 Supplier Development Council, Department
6 of Labor, SEPTA, PennDOT, DRPA,
7 Philadelphia Port Authority, and they've
8 been on Focus Strategy for Winning
9 Construction Contracts, How to Do
10 Business with the City and the PHL, How
11 to Get Certified, Workforce Diversity
12 with OSHA, Anatomy of a Request for
13 Proposal, Accessing Our Opportunities in
14 the Digital Age, and Doing Business with
15 the Regional Transit Authority. So we
16 have some other ones that are in the
17 planning stage. We're going to be doing
18 one with PIDC in December focused
19 specifically on getting funding for our
20 concessions owners, and we're going to be
21 doing one with the new Commission for
22 Women on doing business with the City in
23 February.

24 COUNCILMAN JOHNSON: Okay.
25 Councilwoman, Madam Chair.

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2 COUNCILWOMAN PARKER:

3 Councilwoman Reynolds Brown.

4 COUNCILWOMAN BROWN: We would
5 be pleased to be made aware of those
6 opportunities so that we can share that
7 with the small business owners that
8 contact our office on a regular basis
9 wondering how they can penetrate and have
10 access to government in that way. So if
11 you could just make it a standard
12 operating procedure and keep us posted,
13 that would be very much appreciated.

14 MS. CAMERON: Absolutely. We
15 would love any help that you could give
16 us in advertising those sessions. We
17 love to have new participants in
18 particular.

19 COUNCILWOMAN BROWN: Okay.
20 Councilman Johnson spoke to the issue of
21 de-bundling. Philosophically why is that
22 important -- let me not editorialize.
23 Give me your position on de-bundling and
24 why you do it.

25 MS. PADILLA: It's important

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2 because then you provide opportunities
3 where firms that are not as large can
4 participate as primes and get that
5 experience so then they can grow to be
6 primes on larger projects.

7 COUNCILWOMAN BROWN: And where
8 are you in making that real for
9 companies, in the de-bundling process?

10 MS. PADILLA: As I mentioned,
11 we're looking forward to having a more
12 formal program with that with our Small
13 Business Element, but the areas where we
14 see that happening are particularly on
15 our on-call contracts where there's a lot
16 of opportunity to have specific smaller
17 pieces of work broken out, but we need to
18 take a holistic view of all of our
19 contracts with our engineering staff to
20 try and identify things that can be
21 broken out, because a lot of our projects
22 are very large and it's hard to find the
23 places where you can.

24 COUNCILWOMAN BROWN: And so
25 what's your timeline for implementation

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2 in achieving what you just articulated?

3 MS. PADILLA: We're looking to
4 try and have something started in January
5 or February, and we'll refine it as we
6 progress.

7 COUNCILWOMAN BROWN: Okay.

8 MS. CAMERON: I would just want
9 to note one other thing. As we talk
10 about the rehab and repair projects that
11 are ongoing at the Airport, one of the
12 things that I mentioned was bathroom
13 rehabilitation. One of the ways that
14 we've approached those projects is to do
15 it in phases. So we can't take down
16 every bathroom in the Airport all at
17 once. It's impractical. We wouldn't be
18 able to operate the Airport. But by
19 taking that project, all of those
20 restrooms that need to be renovated and
21 breaking it apart into phases, we are
22 able to have smaller pieces of work that
23 then theoretically should be available
24 more readily to smaller firms to be able
25 to bid on.

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2 COUNCILWOMAN BROWN: Okay. So
3 in addition to de-bundling, what other
4 challenging areas or areas of challenge
5 is the Airport facing that we have not
6 covered in our questions that we should
7 be aware of?

8 MS. PADILLA: I think it is
9 capacity. There's always issues with
10 getting people getting funding, but we
11 are trying to address those.

12 MS. CAMERON: It's really --
13 when we say "capacity," it's capacity in
14 the region of firms that are truly
15 qualified to do the work that we have in
16 front of us. So it's making sure that
17 there are firms that don't just do things
18 like provide supplies for construction
19 contracts, but firms that are
20 minority-owned, women-owned that are in
21 this region, in this city that are able
22 to be pulled in as participants on those
23 contracts.

24 MS. PADILLA: One of the things
25 we did as far as outreach for our last

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2 session of the Business Opportunity Forum
3 that was different is, we started doing
4 our outreach much earlier. We kept
5 contacts out much more frequently.

6 COUNCILWOMAN BROWN: You
7 started doing what earlier?

8 MS. PADILLA: We did our
9 contact much earlier, the invitations to
10 these firms. We kept the contact up much
11 more frequently. We let them know which
12 primes are going to be there so they were
13 enticed to come to the event, but we also
14 did a really large search in the region
15 for all of the firms that are DBEs from
16 all of the different directories, and we
17 targeted those by our projected work
18 that's coming up at the Airport. Because
19 when we project the work out, we do that
20 also broken by the NAICS codes. Well,
21 the NAICS codes are also what you're
22 certified to operate under by these
23 different programs. So we tried to
24 specifically reach out to firms that can
25 provide the services and goods that we're

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2 going to be needing as opposed to just
3 shotgun sort of outreach.

4 COUNCILWOMAN BROWN: Okay.

5 MS. PADILLA: We're hopeful
6 that that will increase our participation
7 reach significantly.

8 MS. CAMERON: I just want to
9 note one other thing about the Business
10 Opportunity Forum. The name of the firm
11 is escaping me, but one of the primes
12 stopped me at the event and said, You
13 know, we've been coming to this event for
14 the last three or four years and we want
15 to let you know that it's very valuable
16 to us too as a prime contractor. He said
17 that of the five subs, minority and
18 women-owned sub-consultants on his
19 contract, he met four of them at our
20 Business Opportunity Forum. He was
21 actually introduced to them and met them
22 and pursued relationships from that
23 forum. So we see that as a real success
24 in being able to -- for some firms who
25 just want to get started and want to pair

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2 up with the prime contractor, that's a
3 great way to get started, so that
4 hopefully they'll be in the coming years
5 able to compete on a level playing field
6 with those same primes.

7 COUNCILWOMAN BROWN: I'd like
8 to credit the Airport for continuing that
9 effort that was started by Councilman
10 Johnson and I four or five years ago,
11 which came out of meeting with small
12 business people who were frustrated that
13 the City, we were not doing a good job in
14 making the connect. And I might add,
15 they're not at the table yet, but PIDC
16 and my office have been doing that
17 similar experience for almost ten years,
18 and it does yield relationships that move
19 businesses towards gaining business
20 opportunities.

21 MS. OLANIPEKUN-LEWIS:
22 Councilwoman, I want to remind you, you
23 know, you were a staunch supporter from
24 the capacity standpoint, and in the four
25 years I was working at City Council,

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2 particularly on the technical side, you
3 always talked about how do you bring
4 firms to the table so they can get
5 opportunity, and if you recall, refresh
6 your recollection a little bit, is on
7 the -- for the bond lawyers and the
8 bankers, you were always struggling to
9 see how the small firms can get involved
10 on these transactions, and so we would
11 pair them up with the majority firms so
12 they developed the technical capacity so
13 that at some point they could lead a
14 transaction on their own instead of
15 having to pair up. And that's kind of
16 what we're doing here at the Airport.
17 You recall?

18 COUNCILWOMAN BROWN: I do now.
19 Thank you.

20 COUNCILMAN JOHNSON: I want to
21 drop the mic on that last part. Because
22 at the end --

23 COUNCILWOMAN PARKER:
24 Councilman Johnson.

25 COUNCILMAN JOHNSON: Because at

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the end of the day, that's what it's all about. It's about progress, you know, partnering up primes with subs. And I'm not big on the excuse that, Well, we can't find nobody that can do it. There was a guy named Maynard Jackson in Atlanta that said, Well, if you want to do business in my office, then you're going to figure it out or we're not moving forward. And that's not to really -- it's about accountability, these taxpayer dollars at the end of the day, and the more we move forward and build as a city, it should reflect what the City looks like as a whole.

I do have a question regarding workforce on the building trade side and on the professional service side, but specifically how do you go about doing the enforcement, making sure when we're doing all these capital projects on the ground when you're visiting the sites, that the individuals who receive these contracts to do the construction projects

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2 are diverse and inclusive? And
3 especially if it's federally mandated in
4 conjunction with the City, where's the
5 enforcement component that makes sure
6 that when they're doing not the large
7 runway but the smaller runways or any
8 type of capital project from an actual
9 building trade standpoint, that that
10 process is diverse and inclusive on the
11 work site?

12 MS. PADILLA: Well,
13 specifically on the federal projects, we
14 do our own monitoring, and we monitor
15 prompt payments. We make sure that the
16 job sites are posted by who is supposed
17 to be working there, and we do on-site
18 monitoring where we go and review all of
19 the contracts and review all of the
20 payments and review everything about that
21 contract for that diversity
22 participation.

23 COUNCILMAN JOHNSON: So who is
24 the person that goes -- so part of your
25 team --

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2 MS. PADILLA: I go to the
3 website -- I go to the work site.

4 COUNCILMAN JOHNSON: You go to
5 the work site and check on them?

6 MS. PADILLA: Yes.

7 COUNCILMAN JOHNSON: Good.

8 Okay. Can we also -- I may have numbers
9 from last year, but if you can give me
10 your latest update just for us just to
11 get an idea moving forward, that will be
12 helpful. That's good.

13 Okay. That's all, Madam Chair.

14 COUNCILWOMAN PARKER: Thank you
15 all so very much for your testimony. Let
16 me just quickly ask on any of your
17 projects or any of the work being done
18 there, do you ever use, particularly from
19 the City's perspective, a third-party
20 monitor on any projects there? Are there
21 any third-party monitors that the Airport
22 has engaged on any of its projects?

23 MS. CAMERON: I'm not aware of
24 any third-party monitors right now. We
25 do have a professional services contract

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2 at the Airport that helps us with the
3 federal DBE program, and I think that's
4 one of the things that they could do, but
5 we haven't really used them to date.

6 COUNCILWOMAN PARKER: Okay.
7 Councilman Taubenberger.

8 COUNCILMAN TAUBENBERGER: Madam
9 Chair, thank you very much.

10 Just one quick question on -- I
11 believe it came from this panel. There
12 was a project that was administrated by
13 American Airlines in Terminal F.

14 MS. CAMERON: Correct.

15 COUNCILMAN TAUBENBERGER: Was
16 that a federal project or was that a --
17 what you would consider a federal
18 project?

19 MS. CAMERON: That was not a
20 federal project, no.

21 COUNCILMAN TAUBENBERGER: City
22 project?

23 MS. CAMERON: Correct.

24 COUNCILMAN TAUBENBERGER: Okay.

25 Thank you.

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2 MS. OLANIPEKUN-LEWIS:

3 Councilman Kenyatta, you said you wanted
4 an update. I wasn't clear what the
5 update was you wanted. I'm sorry.

6 COUNCILMAN JOHNSON: Yes. So
7 on the capital project side, right,
8 specifically around construction and
9 building trades, I want to get an idea of
10 what that participation looks like from a
11 diversity and inclusion standpoint. So I
12 know there's pavement projects going on
13 out there. I know we've done zoning for
14 additional parcels of land in the future
15 that will be developed, but in terms of
16 all the capital projects they have gone
17 through that are building trade related,
18 I just want to get an idea where we're at
19 in terms of inclusivity and diversity,
20 please.

21 COUNCILWOMAN PARKER: Thank you
22 all for your testimony.

23 The Clerk will please call the
24 third panel of witnesses to testify on
25 the resolution.

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2 THE CLERK: John Grady, Prema
3 Gupta, Brian Cohen, and Michael Hill.

4 (Witnesses approached witness
5 table.)

6 COUNCILWOMAN PARKER: And as
7 you're being seated, let me just state
8 good afternoon for the record. Please
9 state your name for the record and then
10 proceed with your testimony.

11 MR. GRADY: Good afternoon.
12 John Grady, President of Philadelphia
13 Industrial Development Corporation, PIDC.

14 MS. GUPTA: Prema Katari Gupta,
15 Senior Vice President at PIDC for the
16 Navy Yard.

17 MR. GATTUSO: John Gattuso,
18 Senior Vice President and Regional
19 Director for Liberty Property Trust.

20 MR. GRADY: Good afternoon,
21 Madam Chair, members of the Committee.
22 My name is John Grady, as I said. I'm
23 the President of the Philadelphia
24 Industrial Development --

25 COUNCILWOMAN PARKER: I'm sorry

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2 to interrupt you, but we just had one
3 other person who we listed as being a
4 part of this panel. We wanted him to
5 state his name for the record.

6 MR. WILSON: Madam Chair, I'm
7 filling in for Michael Hill. Bill Wilson
8 with Synterra.

9 COUNCILWOMAN PARKER: Thank
10 you.

11 Please proceed.

12 MR. GRADY: I appreciate the
13 opportunity to offer testimony today on
14 Resolution 160042, particularly as it
15 relates to PIDC's ongoing work to create
16 economic opportunity at the Navy Yard.
17 As you heard, with me here today is Prema
18 Katari Gupta, our Senior Vice President
19 for Navy Yard planning and development,
20 and representatives from our development
21 partner, Liberty/Synterra.

22 Some quick background, and as
23 many of you already know, PIDC is a
24 private non-profit corporation. We were
25 created in 1958 as a partnership between

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2 the City of Philadelphia and the Greater
3 Philadelphia Chamber of Commerce. We're
4 fortunate to have Councilman Johnson and
5 Councilwoman Blackwell as members of our
6 Executive Committee and our Board of
7 Directors. Our mission is to spur
8 investment to support business growth.
9 We invest both public resources and
10 private resources in small business
11 growth, community-based development, and
12 real estate developments around the City
13 that create jobs, revitalize
14 neighborhoods, and drive growth to every
15 corner of our city. Promoting diversity
16 and growth and access to economic
17 opportunity in our own organization
18 through our business lending, development
19 finance, real estate, procurement, and
20 all of our lending activity is a priority
21 for us at PIDC. We think it's entirely
22 consistent and important to our mission
23 around economic growth and particularly
24 so in our work at the Navy Yard.

25 Some of the things that we've

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2 done to promote diversity and inclusion
3 in our work around the City include
4 things like expanding our small business
5 lending throughout the City. We've
6 doubled the amount of small business
7 loans we've made over the last three
8 years. We've reduced the average loan
9 size to reach smaller businesses and
10 borrowers that have difficulty accessing
11 traditional credit, and we have made
12 loans in 91 percent of the City's zip
13 codes.

14 We've also borrowed more than
15 \$30 million ourselves of private capital
16 to fund new working capital and contract
17 receivable lines of credit to support
18 businesses in the City most in need of
19 credit as they grow their business and
20 build wealth in those businesses. Those
21 loans have been particularly focused
22 around a network of almost 30 now small,
23 minority, and women-owned contractors who
24 are acting as both subcontractors and
25 prime contractors on work throughout the

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2 City.

3 We've increased the percentage
4 of the loans that we're providing to
5 minority and women-owned businesses.
6 Last year 36 percent of our loans went to
7 minority-owned businesses and 20 percent
8 additional went to women-owned
9 businesses. So over 56 percent of our
10 loans last year -- we made about 85 small
11 business loans -- went to minority or
12 women-owned businesses.

13 We're also developing and
14 expanding access to technical assistance.
15 You heard earlier particularly about the
16 great work being done at The Enterprise
17 Center. Last year we hosted 23 workshops
18 across the year that had more than 400
19 business owners attend so that they could
20 grow the skills that they need to access
21 opportunity in our growing economy. More
22 than 50 percent of the participants in
23 our workshops have been minority business
24 owners. An additional 30 percent are
25 women.

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2 We also participate with the
3 City's Office of Economic Opportunity and
4 others to promote access to our resources
5 as a lender, as an investor in
6 development projects, and in procurement
7 and employment opportunities throughout
8 the City.

9 In our work with OEO -- and all
10 of our procurement gets reported to OEO
11 and is included in OEO's submission to
12 City Council every year. In our work
13 with OEO around diversity in our own
14 contracting opportunities at PIDC in our
15 central office, last year 36 percent of
16 our available contracting opportunities
17 went to minority and women-owned
18 businesses.

19 We are here today to talk
20 specifically about the Navy Yard, where
21 our role is to manage the initial
22 property acquisition from the Navy back
23 in the late '90s and early 2000's; to
24 lead the planning, property management,
25 and infrastructure development that's

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2 necessary to manage a modern urban
3 employment campus and to attract private
4 investment; and, third, we recruit
5 partners to invest in job growth and
6 development around the property. In all
7 of our activities, we're very focused on
8 increasing diversity, inclusion, and
9 access to economic opportunity for as
10 broad a spectrum of participants as
11 possible.

12 Our efforts at the Navy Yard
13 have included selecting Liberty Property
14 Trust and Synterra Partners as our
15 primary commercial and industrial
16 development partner at the Navy Yard
17 through a competitive process in the
18 early 2000's. That selection was made in
19 part because the partnership of Liberty
20 and Synterra includes meaningful
21 participation by a minority-owned
22 business in its ownership and its
23 management. We also establish economic
24 opportunity goals for the design,
25 construction, and operation of every

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2 project that they develop. Liberty and
3 Synterra will talk more about their
4 partnership, their investment at the Navy
5 Yard, and their successful record in
6 promoting diversity and access to
7 opportunity in the new commercial and
8 industrial development occurring there.

9 We've continued to partner with
10 Liberty/Synterra and Councilman Johnson's
11 office to host regular procurement fairs
12 for vendors and contractors to connect to
13 business opportunities, the most recent
14 of which was just held a few weeks ago.

15 As Councilwoman Blondell
16 Reynolds Brown mentioned, we've hosted an
17 annual MED Week event with the City OEO
18 office with Councilwoman and Councilman
19 Johnson to highlight employment and
20 business growth opportunities at the Navy
21 Yard. That's been a particularly
22 successful opportunity to reach new
23 audiences of businesses, and the success
24 of that activity builds more success each
25 year. Companies want to get invited to

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2 that session each week, and the
3 attendance continues to grow as a result.

4 We also have supported
5 Councilman Johnson's office over the last
6 few years in hosting a job fair for Navy
7 Yard employers where permanent employment
8 opportunities can -- we can begin the
9 process of making permanent opportunities
10 available to people, particularly those
11 located in close proximity to the Navy
12 Yard.

13 And then, lastly, as we work
14 closely with OEO, we establish goals to
15 expand diversity in our contracting for
16 property operations and infrastructure
17 development. That's our core function at
18 the Navy Yard. We invest in roads. We
19 clear sites. We maintain buildings. As
20 a result of those efforts, 41 percent of
21 our available purchasing to support
22 property operations last year went to
23 minority and women-owned companies.

24 In addition, from time to time
25 we take on large infrastructure

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2 development projects, water and sewer
3 renewal projects, road development
4 projects either on our own or in
5 partnership with local or state
6 government. Our last infrastructure
7 program, which was monitored by OEO,
8 achieved 30 percent participation from
9 minority and women-owned companies
10 combined.

11 We are proud of these numbers
12 and the collaborative efforts with
13 Councilmembers, OEO, Liberty/Synterra,
14 and others to achieve them. However, we
15 always are trying to improve our efforts
16 to promote and achieve greater
17 participation in the growing economic
18 activity that we see every day at the
19 Navy Yard and around the City.

20 We appreciate the support and
21 spotlight that you are shining on this
22 need to support small, minority, and
23 women-owned businesses particularly, and
24 we thank you for the opportunity to
25 testify.

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2 I'm going to ask John Gattuso
3 from Liberty Property Trust to provide
4 some comments on Liberty/Synterra's
5 activity and then I think we're all
6 available to answer questions.

7 MR. GATTUSO: Well, thank you,
8 John.

9 And, Madam Chair and members of
10 the Committee, I thank for your time and
11 allowing for us to be here this afternoon
12 to testify. I will offer some comments
13 and I'll offer them on behalf of both
14 Liberty and Synterra. Mr. Wilson from
15 Synterra is here as well with me to
16 answer questions after my testimony.

17 Again, my name is John Gattuso
18 and I'm the Senior Vice President and
19 Regional Director for Liberty Property
20 Trust. I head Liberty's Urban
21 Development Group, which is responsible
22 for the company's activities in our urban
23 markets across the country.

24 I'd also like to note that Bill
25 Hankowsky, our Chairman, President, and

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2 CEO, sends his apologies to the
3 Committee, as he is currently out of the
4 country and otherwise he would have been
5 here today with me to present on behalf
6 of Liberty.

7 I'm sure many of you on the
8 Committee have heard of Liberty, but may
9 not know exactly who we are and what we
10 do. Therefore, I appreciate the
11 opportunity to share a little more about
12 our story and the work which Liberty
13 Property Trust, along with our joint
14 venture partner, Synterra Partners, are
15 doing at the Navy Yard.

16 To begin, Liberty Property
17 Trust is a \$9 billion New York Stock
18 Exchange listed real estate investment
19 trust, or REIT. And while we are
20 headquartered here in the Philadelphia
21 region and while our Urban Group is based
22 here in Center City Philadelphia, most of
23 what we do, we do outside of the
24 Philadelphia region.

25 Currently, we operate or have

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2 under development over 100 million square
3 feet of primarily industrial real estate
4 in 23 markets across the United States
5 and Great Britain.

6 In Philadelphia, Liberty
7 Property Trust has a proud and extensive
8 history of developing the highest quality
9 projects that enhance our city's economic
10 base. These include One and Two Liberty
11 Place developed by our predecessor
12 company Rouse and Associates, Comcast
13 Center, the new Comcast Technology
14 Center, the TJX warehouse in Northeast
15 Philadelphia, the PNC Bank Operations
16 Center at the Airport and, of course, the
17 Navy Yard.

18 The redevelopment of the Navy
19 Yard, which has been skillfully led by
20 PIDC, is widely considered to be among
21 the most successful conversions of a
22 former military base in the United
23 States. A 1,200 acre redevelopment, it
24 is currently home to 12,000 employees and
25 more than 150 private companies.

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Liberty and Synterra are involved in that portion of the Navy Yard redevelopment, focusing on the development of new commercial office and industrial buildings, which we lease to third-party companies. There have been over \$1 billion in development projects at the Navy Yard, and we are proud that our partnership with Synterra is responsible for approximately one-third of that total.

COUNCILMAN JOHNSON: Excuse me. Can you say that number again, the first number.

MR. GATTUSO: One billion.

COUNCILMAN JOHNSON: One billion in the Navy Yard?

MR. GATTUSO: Yes.

COUNCILMAN JOHNSON: I just want to hear that for the record.

MR. GATTUSO: At the Navy Yard, as in all of our development work, Liberty strives to develop buildings which enhance the lives of the people who

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2 work in them, while at the same time
3 enhancing the communities in which they
4 are situated.

5 This commitment to improving
6 the communities in which we do business
7 has been a part of our company culture
8 since our founding in 1972 by the late
9 Willard G. Rouse, one of Philadelphia's
10 great civic leaders.

11 We have a deep love for the
12 City of Philadelphia and are committed to
13 working with this Council, this
14 Administration, and all of the citizens
15 of the City to ensure it reaches its full
16 potential as one of the great cities of
17 the world.

18 Our employees, from the
19 executive level down, are actively
20 involved on non-profit boards, including
21 the United Way, the Fairmount Park
22 Conservancy, Valley Youth House, which
23 serves homeless Philadelphia youth,
24 Project HOME, Leadership Philadelphia,
25 the African American Museum, and the

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2 Charter High School for Architecture and
3 Design and numerous others.

4 Each year Liberty has its
5 annual Bill Rouse Day of Caring, a day of
6 service where Liberty employees have
7 renovated community centers and
8 non-profit facilities throughout the
9 City, such as at FDR Park, the Smith
10 Memorial Playground, and the Marian
11 Anderson Recreation Center in South
12 Philadelphia.

13 While we are proud of our
14 community and civic service, we also
15 believe it is our responsibility to offer
16 economic opportunities as part of our
17 everyday business.

18 We are committed to a diverse
19 workforce and to ensuring that the
20 vendors we do business with match the
21 diversity of the people in the City. We
22 do this not only because it is the right
23 thing to do, but because it makes good
24 business sense.

25 As one of the largest investors

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in the City of Philadelphia where we have
invested over \$2 billion over the last 15
years, we feel responsibility to help
build a vibrant and diverse workforce in
a safe, strong, and prosperous community.

In 2002, Liberty partnered with
Synterra Partners, founded by Bill
Wilson, to respond to an RFP from PIDC
seeking a developer for a portion of the
Navy Yard. In August of that year, we
were pleased to be selected by PIDC to
undertake this important development.

In response to PIDC's charge to
include a substantive economic
opportunity component, our unique
partnership made a collective commitment
to inclusion at each level of our effort,
including ownership, development, and the
ongoing operations of the real estate.
This commitment was, and we believe still
is, amongst the most comprehensive
inclusion strategies ever undertaken in
the City.

During Liberty and Synterra's

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early efforts at the Navy Yard, we executed on the strategy with a certain degree of success, but we also gained an appreciation of the many challenges associated with this effort. We came to realize that to be truly successful in providing the maximum economic opportunity for minority, female, veteran, and disabled-owned businesses, as well as achieving a construction period and a building operations workforce that is representative of Philadelphia, we would require a robust outreach within our targeted communities. We also needed the ability to more accurately and efficiently track our performance.

Toward this end, we engaged the Urban Affairs Coalition and with the assistance of Sharmain Matlock-Turner and Carlos Jones, both of whom I believe are here today, we created a comprehensive Navy Yard inclusion strategy.

This inclusion strategy

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2 provides goals, processes, and
3 procedures, as well as reporting and
4 oversight guidelines for Liberty/Synterra
5 as well as our vendors to follow in
6 connection with the partnership's
7 development projects and operations.

8 At the end of 2015, we
9 reanalyzed this inclusion strategy with
10 Phil Butler and Michael Bowman from
11 Rittenhouse Strategies to further put in
12 place procedures and engaged with
13 Rittenhouse for additional oversight and
14 reporting. As a result of these efforts,
15 we are pleased to say that we believe we
16 have one of the most comprehensive and
17 successful inclusion strategies of any
18 real estate developer in Philadelphia.

19 This is not to claim perfection
20 or that there's not more in fact that we
21 can do, but this enhanced focus is
22 providing a much more consistent and
23 successful set of outcomes across the
24 board.

25 During this process, we have

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learned a great deal, particularly from our small business vendors. We have learned how to be more entrepreneurial in our thinking. We have learned more about the challenges that small businesses face when competing for work and what role we can play in providing solutions and assistance. We learned that if we want to create legitimate opportunities, there cannot be a one-size-fit-all approach with regard to our RFP process. We have learned how to unbundle larger procurement opportunities, which was spoken about by the previous panel, so that minority and female firms can better align their resources and build capacity in order to be in a better position to respond and be successful.

This process also better enabled us to introduce smaller minority firms to majority firms to create successful joint ventures.

To date, we are pleased to say that we have created a biannual vendors

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2 outreach meeting where we host MBE and
3 WBEs to discuss upcoming procurement
4 opportunities for professional services,
5 construction, and operations. Our thanks
6 and appreciation to Councilman Johnson,
7 who spoke at our recent event at the Navy
8 Yard, showing his support for this
9 effort, which is very well received.

10 We have created a database of
11 245 MBE, WBE, and DBE companies with whom
12 we have met to understand their
13 capabilities and to determine appropriate
14 level of contract opportunities for them.
15 And we have established enhanced
16 diversity and inclusion goals and
17 objectives for our work at the Navy Yard.

18 These include in the areas of
19 contracting, by which I mean our
20 contracts with minority and female-owned
21 businesses, we established a goal of 18
22 to 28 percent and have achieved to date
23 an actual percentage of 22.52 percent.

24 With regard to workforce,
25 meaning on-site construction labor, we

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2 had a goal of 15 to 25 percent and to
3 date have accomplished a percentage of
4 23.19 percent.

5 In operations, we established a
6 goal of 25 to 35 percent, and our actual
7 today is 28.4 percent.

8 And, finally, in the area of
9 professional services, which includes
10 engineering, architecture, law,
11 environmental services, and project
12 management, we have established a goal of
13 15 to 20 percent, and today we're at
14 14.11 percent, clearly an area that still
15 needs a lot of focus and effort, but one
16 in which I think we're starting to see
17 some good movement but which requires a
18 lot of creativity and effort on the parts
19 of ourselves and also our service
20 providers.

21 Over the last 12 months, we
22 have awarded over \$10.5 million to 48
23 disadvantaged companies in connection
24 with our work at the Navy Yard and over
25 17.2 million to 44 Philadelphia-based

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2 companies with regard to that work.

3 Over the last 12 months, we
4 have created over 17,500 hours of work
5 for minority men and women and over
6 22,000 hours of work for Philadelphia
7 residents in the construction of our
8 buildings at the Navy Yard.

9 Our Liberty Philadelphia
10 office, which is comprised of 20 percent
11 minority, 40 percent female, and 50
12 percent Philadelphia residents, also
13 participated in Philadelphia Youth
14 Network's internship program with three
15 interns and partnered with Cristo Rey
16 High School where we sponsored four high
17 school interns each year. As a result of
18 these efforts, we were nominated for
19 Company of the Year by the Eastern
20 Minority Supplier Network in 2016.

21 While we're proud of all these
22 accomplishments, we realize there's still
23 much work to do. We continue to seek
24 feedback to understand how to better
25 create opportunities for unbundling.

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2 This is very important.

3 We are continuing to encourage
4 and work with the trades to maximize
5 their ongoing outreach efforts within the
6 minority community and to women, and have
7 made it clear to our many contractors to
8 the extent they want our continued
9 business, that best efforts is an
10 expectation of what they will achieve
11 rather than just an easy way out, which
12 allows them to say "we tried." That's
13 very important, and we've put a major
14 emphasis on it.

15 Ultimately, we believe it is
16 critical for the City's, the region's,
17 and our own success that we collectively
18 find a way to greatly enhance capacity
19 within the minority, women, veteran, and
20 disabled-owned business community, as
21 well as to maximize diversity in the
22 workforce. This means taking a long-term
23 commitment to nurture and grow
24 sustainable, highly capable disadvantaged
25 firms, firms that can successfully

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2 compete in the open market, that are
3 financially stable, that can achieve
4 scale, and ultimately deliver enhanced
5 capability and competitiveness to our
6 local marketplace, as well as enhanced
7 opportunity to the citizens of this
8 community.

9 We acknowledge again that much
10 work in this area remains to be done.
11 Please be assured that Liberty is
12 committed to be a part of the solution.
13 Working in partnership with the Urban
14 Affairs Coalition, Rittenhouse
15 Strategies, and our other trusted
16 partners, we will work to continue to
17 make progress with these efforts.

18 I thank you again for your time
19 today and look forward to any feedback
20 and questions you may have.

21 COUNCILWOMAN PARKER: Thank you
22 all so very much for your testimony.

23 Let me welcome back
24 Councilwoman Jannie Blackwell. And let
25 me just also state for the record we

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2 appreciated having your testimony, John,
3 but for Liberty, it's Liberty and it's
4 your body of work, but what you just gave
5 us was definitely precedent-setting. So
6 please make sure before you leave today
7 that we as a Committee have a copy of
8 that testimony so that we can sort of get
9 it on the record, because as disciplined
10 as I am in trying to record those numbers
11 that you were reading during your
12 testimony, we can't. So as a matter of
13 accuracy, we want to make sure that we do
14 that.

15 And the Chair recognizes
16 Councilman Johnson.

17 COUNCILMAN JOHNSON: Thank you,
18 Madam Chair.

19 And thank all of you for being
20 here, John, Prema, and John and Mr.
21 Synterra. How you doing, Mike?

22 So I just want to start from
23 the basics with John, if you can help me
24 out, John, by -- and members of the
25 Committee who may not know the structure

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2 of the relationships between the City of
3 Philadelphia and PIDC and its role with
4 the Philadelphia Navy Yard. And most
5 people probably may remember or may not,
6 but prior to my time coming to City
7 Council but just always growing up in
8 South Philadelphia and coming down the
9 stadium area as a kid and coming to
10 Veterans Stadium and coming to what we
11 call The Lakes, which is officially FDR
12 Park, and catching the 17 into the Navy
13 Yard at one time was going to be shut
14 down. Today, close to 12,000 -- is it
15 12,000 jobs? Close to 12,000 jobs and
16 it's also one of the economic assets here
17 in the City of Philadelphia and something
18 that we should be proud of as a city.

19 But I want you to just give us
20 an overview on what that arrangement
21 looks like and then begin to give me an
22 overview on PIDC's role separate from
23 Liberty Property Trust but PIDC's role
24 and commitment to diversity/inclusion.
25 You talked about some numbers, but

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2 elaborate on it. And I also see that
3 you're talking about the Office of Equal
4 Opportunity. That would be Ms. Harper in
5 the back. What does that arrangement
6 look like to make sure that the
7 development, the projects, rather it's on
8 the building trade side or professional
9 services, that one billion investment on
10 one end that was just mentioned from
11 Liberty Property Trust, people are
12 participating from a diversity and
13 inclusion standpoint. And I mentioned
14 this in our meeting in my office. Even
15 separate from Liberty Property Trust,
16 there's other development projects that
17 do take place. I think they only deal
18 with new construction, but there's other
19 projects as well where I would think that
20 PIDC has an aggressive strategy plan in
21 place to say, Hey, listen, as we build in
22 this Navy Yard, we want to make sure it's
23 diverse and inclusive as a partnership
24 with the City of Philadelphia as a
25 quasi-governmental public agency.

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2 MR. GRADY: Sure. I'll try to
3 cover all that. If I start with just
4 kind of again as PIDC as an organization,
5 private non-profit, we act on behalf of
6 and in partnership with the City in
7 economic development activities around
8 the City. Those are primarily focused
9 around small business lending, technical
10 assistance for small businesses,
11 community investment projects. So you
12 all see us in your districts and parts of
13 the City in neighborhood retail centers,
14 community health facilities, those kinds
15 of developments, and then larger economic
16 development projects like, as you
17 mentioned, stadium project or hotel
18 projects in town or a project like the
19 Navy Yard.

20 We're organized as a
21 partnership where about half of our
22 governance is appointed by the business
23 community, so half of our Board of
24 Directors, and the other half is
25 appointed by the City. The Mayor and his

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2 cabinet sit at the Executive Committee,
3 and the Council President appoints two
4 members of that Committee and two members
5 of the Board, Councilman Johnson and
6 Councilwoman Blackwell, who both serve in
7 those roles now. So I really think of us
8 as a partner to the City in taking on
9 these kinds of initiatives.

10 We tend to focus our activity
11 around transactional work. So we're
12 investing money, we're lending money,
13 we're structuring projects where it's
14 more difficult for the City to enter into
15 those kinds of negotiations or
16 transactions directly. And that's, I
17 think, been our role historically since
18 the late 1950s in the City.

19 At the Navy Yard, we work on
20 behalf of the City and we work
21 specifically on behalf of the
22 Philadelphia Authority for Industrial
23 Development, PAID. PAID is a public
24 authority, and PIDC manages all of its
25 activities. And at the Navy Yard when

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2 the original base closure announcement
3 was made in the early 1990s -- 1991 was
4 when the first closure announcement was
5 made and then there were successive
6 announcements in 1993 and 1995 -- the
7 City designated PIDC and PAID to be the
8 City's representatives in negotiating the
9 acquisition of that property from the
10 federal government and the transition of
11 it to civilian use. We, on behalf of
12 PAID, acquired about 1,000 acres of
13 property at the Navy Yard in 2000 and
14 2001 and really started our work there
15 investing in infrastructure, building
16 roads, building utilities, demolishing
17 obsolete buildings that weren't going to
18 be able to be reused for modern-day use,
19 and then we also began the process of
20 reaching out to market the property and
21 identify users who were interested in
22 investing.

23 And I think that continues to
24 be our primary role today. We're there
25 to manage the public spaces, the roads

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2 and utilities, to make sure that there's
3 an infrastructure that can be supportive
4 of private investment.

5 Unlike in the rest of the City,
6 the streets aren't owned and operated by
7 the City. So when it snows, we hire
8 contractors to plow the streets. When a
9 pothole has to be fixed, we manage the
10 repair of that work. We maintain the
11 parks and open spaces around the property
12 on behalf of the tenants and businesses
13 that use them.

14 So we kind of provide that
15 central infrastructure planning and
16 development function. We also continue
17 to provide a central role to make sure
18 that we have a message about the Navy
19 Yard and about the City that this is a
20 place that's available for investment and
21 a place to grow your business.

22 As you mentioned, when the
23 military closed the base in the '90s, the
24 employment there went down to about 2,000
25 was the low, and the Navy continues to

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2 have about 2,000 or 2,500 employees
3 onsite that are Navy employees in
4 Navy-owned buildings and Navy-owned
5 facilities.

6 In addition to those employees,
7 we now have a total of about 13,000
8 people that come to work every day at the
9 Navy Yard, and that's growing about
10 roughly 1,000 people a year. Some years
11 it's more; some years it's less. We're
12 seeing that kind of growth from the
13 roster of companies that are there.

14 So we have about 160 or 165
15 companies that employ people at the Navy
16 Yard, a company like Urban Outfitters,
17 who has over 3,000 employees at the Navy
18 Yard now. They added 250 employees just
19 in their existing operations down there
20 over the last year.

21 So it's a mix of new companies
22 coming and investing and growing and
23 existing businesses that are continuing
24 to grow their footprint and their
25 employment here in the City.

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2 In terms of our role around
3 engagement with economic opportunity, we
4 participate and cooperate completely with
5 the Commerce Department and OEO. So in
6 our own procurement in our central
7 operations downtown, we work closely with
8 OEO on procurement opportunities, and as
9 I said, we report our goals and our
10 success in those goals as part of the
11 report submitted every year by OEO.

12 We believe strongly that our
13 role is to promote diversity. We love
14 when we can particularly do that here in
15 the City of Philadelphia and target
16 purchasing to businesses that are located
17 and growing here in the City.

18 At the Navy Yard, as I said
19 with some of the specifics in my
20 testimony, our role in procurement is
21 largely around operation and maintenance
22 of the property. I think of a firm like
23 Four Seasons Landscaping, which is a
24 woman-owned landscape business. They
25 hold the prime contract for us for the

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2 maintenance of the majority of our open
3 space at the Navy Yard. I think of a
4 firm like KS Engineers, which is a firm
5 that came to us through the MED Week
6 presentation probably ten years ago.
7 They're one of the first companies to
8 come to us. They do a lot of work in
9 helping us to make sure that our civil
10 engineering in the parks and open spaces
11 and the roads and our maintenance of
12 older buildings is appropriate.

13 So we direct our spending
14 largely to operation and maintenance of
15 the property, and then from to time, we
16 will take on a large infrastructure
17 project. We'll build new roads. We'll
18 build new utility systems. PennDOT will
19 be building a new road next year across
20 the main entrance of the property. So we
21 will work with them to make sure that
22 there's appropriate goals in place and an
23 OEO program to attract the kind of
24 participation that we think is important
25 for our infrastructure.

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The last piece you come -- the Navy Yard is a very diverse place in terms of the number of businesses. I mentioned 165 businesses. Liberty and Synterra control the development rights for about 150 acres at the Navy Yard. When we acquired property from the military, we acquired about 1,000 acres. Large portions of that have been conveyed to the Commonwealth for the port expansion project, to the Commonwealth to support the Aker Shipyard when that was originally developed, 120 acres to support that project. So we are managing now an inventory of about 300 or 400 acres of land that remains in our control. About half of that has been developed to date, part of it in partnership with Liberty/Synterra and their new buildings, and we have worked with other users and developers. Urban Outfitters I mentioned has acquired a number of buildings from us where they pay fair market value for the building,

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2 they invest the money in the
3 redevelopment of the buildings, we don't
4 provide any subsidy, we don't provide any
5 incentives. They do that purely at an
6 arm's length fair market value.

7 We have smaller companies that
8 have purchased properties over the years,
9 redeveloped those properties and put them
10 into productive use. And, again,
11 typically when we're bringing some
12 incentive or subsidy to a transaction is
13 when we use that leverage to make sure
14 there's an appropriate Economic
15 Opportunity Plan in place. And I would
16 say, again, largely, particularly with
17 the discussion earlier, we try to do that
18 whether it's legally required or not,
19 because we just think it's good practice.
20 And, again, I think the --

21 COUNCILMAN JOHNSON: Can you
22 elaborate how. Give us specific
23 examples. Like this is -- since y'all do
24 it from the perspective, rather it's
25 legally required or not, give us an

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2 overview like this is what we do.

3 Separate from your requirement, this is
4 how we go about making sure that there's
5 diversity and inclusion as it relates to
6 the projects that we work on.

7 MR. GRADY: I think the key for
8 us in that is if there is a transaction
9 where we might be leasing or conveying a
10 property outside of our Liberty/Synterra
11 relationship, we want to start from the
12 beginning by making folks aware of what
13 our inventory of firms are that have been
14 successful at the Navy Yard in supplying
15 developers and building managers. We
16 want to talk to them very early on about
17 how to engage the community, whether it's
18 on the labor side or it's on the
19 professional services side or on the
20 construction firm side.

21 I think one of the nice things
22 our work around the City with the
23 Contractor Line of Credit Program has now
24 put us in direct contact, daily contact,
25 with about 30 minority and women-owned

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2 contractors, big and small, firms that we
3 lend \$50,000 to or that we lend \$2
4 million to. That's a great resource for
5 us to be able to make those relationships
6 that we have available to them, because
7 they may not as smaller firms, they may
8 not have access to those kinds of
9 relationships.

10 So I think it starts with
11 awareness. It starts with promoting
12 opportunity. It starts with providing
13 information and resources so that people
14 can make the decisions that we think are
15 the best decisions in the long run.

16 COUNCILMAN JOHNSON: Okay. I'm
17 going to defer.

18 COUNCILWOMAN PARKER:
19 Councilwoman Reynolds Brown.

20 COUNCILWOMAN BROWN: Yes. Good
21 afternoon, everyone. Thank you for this
22 comprehensive testimony. I did listen
23 with interest, Mr. Gattuso, and not
24 having it right away, speak again, if you
25 would, to the three challenges that you

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2 believe currently face -- PIDC is
3 currently facing and -- period. Let's
4 start there, the three challenges. One
5 of them, you spoke about de-bundling.
6 Why don't you elaborate on that.

7 MR. GATTUSO: Well, I think the
8 challenges that we identified and I spoke
9 to were the need to work with the
10 building trades to really have them
11 continue them and to push with their
12 outreach into the minority community and
13 also to win it, because I think if we
14 look at whether it's at the Navy Yard or
15 Comcast Center, other places we're
16 tracking performance, we clearly see the
17 benefits of making a determined effort at
18 the trade level to get as much -- as many
19 apprentices -- as many minority and
20 female members into the apprenticeship
21 program. I mean, these are things which
22 we think are ultimately good not only for
23 the City in general but then, selfishly,
24 they're very good for our industry,
25 because we do suffer from a labor

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2 shortage in certain regards. So we think
3 that's one area of definite focus.

4 I also mentioned that -- I'll
5 go right to my comments. I think in the
6 area of, for instance, professional
7 services, this is an area which is a
8 challenge, and I think we have to be very
9 creative in how we tackle the issue of
10 getting greater diversity with our
11 professional services. I would give you
12 two examples of creativity. One is, for
13 instance, on our Comcast Center project,
14 we actually -- and it's an approach that
15 we will deploy at the Navy Yard. In the
16 area of project management, we actually
17 went to Robert Bright and Talson
18 Associates, who was a very capable
19 consultant of ours who is doing audit
20 work on that project, and worked with him
21 to -- so he opened up a whole new line of
22 business, which was project management.
23 So he's not a sub. He's now a prime
24 contractor with a \$6 and a half million
25 contract providing world-class project

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2 management on our second Comcast Tower.
3 That's the kind of approach where you
4 really -- you're going directly to
5 people, you're working very closely with
6 them to give them both the motivation and
7 the support to go into a new line of
8 business, for instance.

9 We worked with Manny Kelly of
10 Kelly/Maiello, who has been doing a
11 magnificent job both basically as a
12 production architect on many major
13 projects in the City but, for instance,
14 he may not be an architect that would
15 typically get a design contract; in other
16 words, be the lead designer. He would
17 always be the support. And what we did
18 with Emanuel was to say, We have a
19 project actually outside the City and
20 it's not one that has a real urgent
21 timeframe. We would like you to be the
22 lead designer on that project. It gives
23 him experience. It gives us experience
24 with him, so that when an opportunity
25 pops ups which tends to have some urgency

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2 at the Navy Yard, we have developed both
3 capacity and familiarity how to work with
4 him. So those are just two examples.

5 The other big approach was the
6 idea of de-bundling or unbundling I guess
7 is the more appropriate word.

8 COUNCILWOMAN BROWN: Yes.

9 MR. GATTUSO: And this has been
10 mentioned several times this evening in
11 terms of people's testimony, and this is
12 very --

13 COUNCILWOMAN BROWN: It's also
14 mentioned ad nauseam during hearings
15 across government. So we really are at a
16 place where we need to partner with
17 leadership to be intentional about how we
18 fix that, because that opens up the field
19 of opportunity for MBE/WBES.

20 MR. GATTUSO: No question. And
21 I don't mean to be, you know, flippant,
22 but all of this stuff has to be extremely
23 intentional. I mean, if it's not really
24 intentional -- some of this is tough
25 work, some of this is difficult work,

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2 right? And taking contracts and figuring
3 out how to unbundle them to maximize the
4 number of opportunities you can create
5 takes a great close coordination between
6 ownership and our general contractors.
7 It takes a good knowledge of who is out
8 there and what their capabilities are,
9 because you don't want to unbundle it in
10 a way that doesn't match up with what the
11 capability is out there. So you really
12 need to know who your supplier and your
13 subcontractor network is. But we have
14 found this to be a very successful
15 approach.

16 The worst thing for us, the
17 worst thing for the individual companies
18 that we're talking about, the
19 minority-owned and female-owned companies
20 and, frankly, for the whole concept of
21 trying to enhance economic participation,
22 is to push people to a point where they
23 fail or put them in a position where they
24 don't -- let me say it more positively.
25 We have to put people in a position where

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they can succeed and grow, and the unbundling allows us to more closely marry what a minority or female or disabled firm might be able to do both in scale and capability with what we need. And this is really, I think, a very important strategy that we are implementing. We have been implementing it now for the last several years and it's one which I think going forward is going to be very critical to the success of this issue.

COUNCILWOMAN BROWN:

Councilmembers are eager and looking with interest to see how we get to a better place when it comes to this word that we hear all the time around unbundling.

MR. GRADY: Just a comment on that. And I think particularly when you're thinking about construction, unbundling construction trades and subcontracts, I think one of the challenges -- and we see this a little bit in our work on behalf of PAID even at

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2 the Navy Yard next to Liberty's work --
3 is, public procurement regulations create
4 a significant impediment to that. And
5 obviously you guys have heard about that
6 a lot, and I think one of the things
7 that's really impressive when you have a
8 private partner who is so deeply
9 committed to this concept is, they have a
10 lot more flexibility in how they procure
11 contracts. And so Liberty Property and
12 Synterra can decide, for instance,
13 whether they want to waive a performance
14 bond, where under public bidding you're
15 required to have that performance bond.
16 That's going to limit the number of
17 people that can bid on a certain size
18 project, right?

19 Liberty and Synterra can work
20 with a contractor to identify smaller bid
21 packages where different trades might be
22 subdivided into different contracts, and
23 that might create a capacity opportunity
24 for a set of minority or women-owned
25 companies.

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2 Under public procurement, it's
3 going to be very difficult to do a lot of
4 that, and I think that's one of the
5 issues maybe as you think about the
6 City's role in this as a purchaser,
7 right, which is different than the role
8 in terms of encouraging it in the private
9 economy, but I think that's a significant
10 restriction that when you hear about the
11 efforts of someone like Liberty and
12 Synterra, very different than I would
13 assume even -- I don't know the Airport's
14 requirements, but I would assume as a
15 public authority, they are bound by
16 different sets of public requirements
17 about how they can do that kind of
18 unbundling.

19 COUNCILWOMAN BROWN: Okay.

20 MR. WILSON: If I may just add
21 to that.

22 COUNCILWOMAN BROWN: Good
23 afternoon.

24 MR. WILSON: It really starts
25 back at the design stage, because if

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2 there's a commitment to try and break it
3 down, it's better formed on the design
4 stage so that the bid packages can allow
5 for that. Because if it happens at the
6 tail end, you're having to reconstruct
7 oftentimes the bid, the drawings. So it's
8 really -- and that's one of the things we
9 like about our relationship with Liberty.
10 They understand the value proposition of
11 everyone having a sip in the water, being
12 able to drink at the well, that sort
13 of --

14 COUNCILWOMAN BROWN: Well,
15 that's why I raised the question about
16 where is the Chamber in this. Because we
17 know that the joint venture partnership
18 between Liberty Property Trust and
19 Synterra is unprecedented. It works and
20 it's novel. Why have we not been able to
21 duplicate or replicate that model when it
22 works and it works and it works and it's
23 a win-win for everybody? It's a
24 rhetorical statement. That's why I
25 raised the question about the Chamber.

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2 If we can get more believers like the
3 leadership at Liberty Property Trust to
4 assist, be an equal partner in many ways,
5 with companies like Synterra, this
6 discussion becomes less and less a pain
7 to our ears.

8 My homework tells me that PIDC
9 receives about a million dollars from
10 Commerce, either Commerce or the Office
11 of Housing and Community Development. I
12 looked at the budget just a little. What
13 does that million dollars buy?

14 MR. GRADY: I think you're
15 probably referring to the CDBG
16 allocation?

17 COUNCILWOMAN BROWN: Yes.

18 MR. GRADY: So PIDC I think
19 receives about \$600,000 a year in
20 revolved CDBG dollars that are part of
21 the loan portfolio. That supports our
22 cost to have our small business lending
23 operation and our community investment
24 program. So the 85 or so small
25 businesses that we have five or six

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2 people out in the market who are finding
3 those businesses, working with those
4 businesses to submit applications, the
5 underwriting team, we have four or five
6 people underwriting business loans and
7 project loans in our community investment
8 portfolios, those funds help bear the
9 cost of that program.

10 Those kinds of loans are not
11 self-sufficient. So when we make a
12 loan -- a contract line of credit to
13 someone at two-and-three-quarter percent
14 interest and our cost of that funds is
15 two percent, we're not going to make
16 enough money on the loan to cover all the
17 costs that go with it. So the CDBG
18 investment supports small business
19 lending, technical assistance, and some
20 of our community investment program.

21 COUNCILWOMAN BROWN: And so
22 those companies have to be aware of it to
23 ask for it or you make a leadership
24 decision that these companies are worthy
25 of the use of these dollars?

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2 MR. GRADY: So the \$600,000 of
3 CDBG supports PIDC's costs and our cost
4 to hire employees and have them in-house.
5 We have a separate allocation that we use
6 to actually lend dollars. Those are
7 typically -- they typically tend to be
8 small community development projects. I
9 talked earlier about the restrictions
10 around public resources. It's very hard
11 to lend Community Development Block Grant
12 money to a small business because of all
13 the federal requirements that are going
14 to get passed through the City to that
15 recipient. And so we tend to bundle that
16 money. We tend to support technical
17 assistance with it, we support our costs,
18 and then we support certain projects
19 where we know that they're going to have
20 to meet those requirements for other
21 reasons and so it's not an extra burden
22 to invest those resources.

23 COUNCILWOMAN BROWN: Thank you.
24 Point of information amongst
25 colleagues. There's a high school in the

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2 City that actually trains young people in
3 the trades. Help me out. Which is it?

4 MR. GRADY: Youth Build?

5 COUNCILMAN JOHNSON: Youth
6 Build.

7 COUNCILWOMAN BROWN: Youth
8 Build. So when we talk about the
9 challenges that we face with the building
10 trades, does it not make sense for Youth
11 Build to be a part of a scenario, a
12 proposal, and a leverage point for the
13 building trades when it comes to creating
14 a pipeline of opportunity for young
15 people?

16 MR. GRADY: The bigger that
17 pipeline is at the front end, the more
18 likely you're going to have success on
19 the back end.

20 MR. GATTUSO: And,
21 Councilwoman, I would just follow up on
22 that statement, which is very true. You
23 see that with regard to the trades, but
24 to put the challenge in terms of
25 professional services into perspective, I

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2 think this year there are 101,000
3 registered architects in the United
4 States. Less than 2 percent are African
5 American of that number. And so this
6 speaks to the fact that we have a large
7 portion of our population that's not
8 drawn to that profession or may not even
9 know about it or not be aspired to even
10 consider it. This is why the work with,
11 for instance, CHAD is so important,
12 because there is a whole industry here
13 that we're not getting our people turned
14 on to, right? And I think, frankly, we
15 can be -- we, all of us, Synterra,
16 Liberty -- can hopefully help inspire
17 people to look at those related
18 professional fields of design and
19 engineering, right? And that ultimately
20 by having a greater participation rate
21 will -- some of this problem will start
22 to self-correct. Not all of it, but some
23 of it will. But it's to that level of
24 challenge that we have, right?

25 COUNCILWOMAN BROWN: Yes. And

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2 it's quite discouraging to hear that, and
3 not to be solved in this hearing, but it
4 speaks deeper to STEM programs and
5 relationships with schools of engineering
6 like Penn State or Drexel where you can
7 sort of capture the imagination of these
8 young people earlier so you can hold
9 their hand and walk them through programs
10 that lead to real jobs in companies like
11 your own.

12 COUNCILWOMAN PARKER:

13 Councilwoman Reynolds Brown, any more
14 comment?

15 COUNCILWOMAN BROWN: I think
16 that's it. Thank you.

17 COUNCILWOMAN PARKER: I'll go
18 to Councilman Taubenberger. And we want
19 to thank you all. I just want to note
20 for the record that we have two more
21 panels to get through.

22 Councilman Taubenberger.

23 COUNCILMAN TAUBENBERGER: I
24 have but one question. It's to
25 Mr. Grady.

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2 Mr. Grady, you had said that
3 the procurement process is at the heart
4 of some of this, public versus private.
5 You did give an example of performance
6 bond where we need it on the government
7 side but on the private side it might not
8 be necessary. What others could you
9 mention or are there others that are
10 really impediments that possibly we could
11 take a closer look at in changing or we
12 know how difficult it is?

13 MR. GRADY: Two come to mind
14 around construction procurement
15 specifically. So that's what we're
16 talking about. And I heard some
17 conversation earlier in the panels about
18 best value procurement as opposed to low
19 bid procurement, right? And so really
20 being able to define what your
21 decision-making points are around the
22 award of a contract.

23 We face some of that in our
24 procurement on behalf of PAID. When
25 we're acquiring construction services,

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2 we're bound by the law to take the lowest
3 responsive bidder. And we can't
4 really -- as long as someone meets
5 certain goals, we can't say someone
6 provides a better value. And so I think
7 value pricing and value procurement is an
8 area where there's opportunities.

9 And then any kind of
10 restrictions around how the design and
11 construction packages are put together
12 and how they're bid out for public
13 procurement. As Bill Wilson mentioned,
14 you know, in the private sector, there's
15 a lot of work now around design-build
16 construction. There's a lot of work
17 around the procurement of those
18 contractor services in the design
19 process, and that allows for a lot more
20 participation. Again, things that can be
21 done in the private sector that are much
22 more highly regulated in the public
23 sector.

24 MR. GATTUSO: Councilman, if I
25 may, just to follow up on John's comment.

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One example, because oftentimes we have lightly capitalized companies who are -- minority and female-owned companies who are in this space. One of the things that we've done in certain cases is provided for a two-week payment period, which means that those companies have a shorter float or smaller amount to float that they have to finance, which may sound to majority companies to be inconsequential, but for those firms it's actually quite a roadblock. It's a huge issue. It's something which we are spending some time on on our various projects. John and I have talked about it. This ties into also financing, which PIDC may be able to provide, to help those firms be sufficiently capitalized to be successful.

MR. GRADY: This Committee I think is familiar with our Contract Line of Credit Program. You've heard some testimony in the past about that. I mean, that was created specifically

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2 because government is a slow pay. And I
3 can't tell you the number of small,
4 minority, women-owned contractors we've
5 worked with who have to step back from
6 public procurement because the margins
7 that they can earn are less than what
8 they can earn in private industry just
9 solely on the issue of cost of capital.

10 If you think about if it's
11 going to take 30 or 60 days for someone
12 to get paid and they're going to put that
13 on their credit card, a lot of firms
14 will, at 19 percent interest, that's
15 eating up capital that could get
16 reinvested back into the business. And I
17 think that's an excellent suggestion and
18 something we work very specifically with
19 a lot of different departments in the
20 City around, helping to build the greater
21 participation by providing that kind of
22 liquidity to the contractors.

23 COUNCILMAN TAUBENBERGER: Thank
24 you very much.

25 Madam Chair, thank you.

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2 COUNCILWOMAN PARKER: Sure.

3 Councilman Johnson.

4 COUNCILMAN JOHNSON: Thank you,

5 Madam Chair. Just a couple questions

6 before we get on to the next panel.

7 John, you mentioned that 36

8 percent of loans through PIDC went to

9 minority and women-owned businesses last

10 year and 20 percent went to -- 36 percent

11 went to MBEs, 20 percent went to WBEs.

12 And just for the record for members of

13 Council, just provide us those numbers

14 specifically, and these are the

15 companies -- so we can break down on --

16 MR. GRADY: Oh, sure. Provide

17 you with a list of --

18 COUNCILMAN JOHNSON: African

19 American, women. And these are success

20 stories if these are the numbers that

21 we're hitting, but we want to have an

22 actual snapshot of the picture of who is

23 actually receiving --

24 MR. GRADY: Oh, absolutely.

25 Yeah, we'll submit that to the Chair.

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2 COUNCILMAN JOHNSON: That would
3 be helpful.

4 And then also my staff had
5 brought it to my attention early on that
6 early on, the Mayor kicked off his
7 Administration signing Executive Order
8 No. 3-12 that states that the Office of
9 Economic Opportunity may enter into
10 cooperative agreements with quasi-public
11 agencies to help them establish M/W/DSBE
12 programs. So give me an idea of the work
13 that you're going to be working on with
14 Ms. Harper to make sure that we are
15 advancing Mayor Jim Kenney's goal of
16 diversity and inclusion here in the City
17 of Philadelphia.

18 MR. GRADY: Sure.

19 COUNCILMAN JOHNSON: And then
20 last, for Liberty Property Trust, if you
21 can give me an idea and an overview --
22 and you also are leaving out some
23 information that was mentioned at the
24 table when we discussed some of the
25 issues regarding having your oversight

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2 committees looking at different projects
3 that you're developing on that
4 specifically deals with diversity and
5 inclusion. So you brought Urban Affairs
6 Coalition to the table. You brought
7 Michael Bowman to the table. You brought
8 Rittenhouse to the table. I want to know
9 specifically -- you talked about a
10 strategic plan that's either being put
11 together or you're working on, but I
12 would like to still see the numbers
13 officially saying here's what we have
14 accomplished, here's our strategic plan,
15 what we're going to be doing moving
16 forward.

17 So that's just a three-point
18 question, one for Liberty and the first
19 two for you, John.

20 MR. GRADY: Sure. And we will
21 submit a list of all of our loans from
22 last year to the Chair so that you have
23 that.

24 COUNCILMAN JOHNSON: And you
25 and Ms. Harper and the Mayor's executive

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2 administration, like how does that play a
3 role into PIDC and the Mayor's Executive
4 Order?

5 MR. GRADY: As I mentioned in
6 my testimony, I think, we've been
7 long-time partners with OEO, and that I
8 think comes through in a couple of ways.
9 One is, we work very closely with the
10 entire team there and in Commerce on
11 helping to develop resources to support
12 minority and small businesses, minority
13 and women-owned businesses. Contract
14 Line of Credit is a perfect example of a
15 program that we developed, we went out
16 and raised capital for in the private
17 market. And as I said, we've provided
18 capital to probably 30 businesses last
19 year, millions of dollars in liquidity to
20 those businesses so that they can
21 continue to grow their wealth.

22 The second area I think with
23 OEO is -- and, again, you heard a little
24 bit in the previous panels -- making sure
25 we promote opportunity as much as we can.

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2 And I think OEO has done a great job of
3 convening groups, whether it's the
4 Airport, whether it's with contractors,
5 whether it's during MED Week when there's
6 a particular focus, but being a part of
7 that regular promotion and discussion
8 about where there are opportunities for
9 businesses in the City.

10 And then, lastly, we will
11 continue to work directly with OEO and
12 their team to set goals for every
13 contract that we enter into around
14 construction at the Navy Yard around our
15 public-sector obligations there and
16 continuing to work with them in our own
17 procurement methods at PIDC.

18 COUNCILMAN JOHNSON: So like
19 beyond the Navy Yard -- I don't know.
20 Most folks may or may not know. On most
21 of the major development projects here in
22 the City of Philadelphia, PIDC plays a
23 role at the end of the day. Most of the
24 commercial development or industrial,
25 y'all are at the table. And so just

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2 making sure we continue. Like I know we
3 just did Penn Innovation Center, right?
4 So I'm working with Penn looking at their
5 numbers, making sure as they go through
6 the development and finishing up that
7 project and as they look across the
8 street, diverse, it's inclusive, and
9 making sure that everybody has a chance
10 to participate. But y'all play a major
11 role in extending the capital that will
12 allow other individuals to say, You know
13 what, this is going to be a good
14 investment if PIDC can match what those
15 public dollars that are provided.

16 MR. GRADY: And I think a big
17 part of that going forward is, as a
18 number of folks have mentioned, the more
19 we build success and the deeper that pool
20 of firms are that are in the market that
21 are doing the work and they're showing
22 that they can do the work, the more
23 people are going to do this and the
24 marketplace will continue to adopt more
25 of these practices. We have to be

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2 vigilant. We have to set goals. We have
3 to work with them. But we also have to
4 continue to develop the resources on the
5 back end to make sure we can fill those
6 opportunities.

7 COUNCILMAN JOHNSON: That's all
8 I have. Thank you.

9 COUNCILWOMAN PARKER: Were you
10 about to respond, sir?

11 MR. GATTUSO: Thank you, Madam
12 Chair.

13 Councilman, I do have --
14 anticipating your question, we did bring
15 the information for you, and we'll submit
16 it.

17 COUNCILMAN JOHNSON: Can
18 somebody give members of the Committee --
19 thank you very much.

20 COUNCILWOMAN PARKER: Thank
21 you. Listen, we want to thank you all
22 and really to say to Panels 4 and 5,
23 thank you too for your patience. I mean,
24 we've been watching the clock and
25 thinking about your testimony, extremely

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2 valuable, but if there are no more
3 questions, we'll conclude with this panel
4 and we'll ask the Clerk to please call up
5 the next panel.

6 THE CLERK: A. Bruce Crawley,
7 Anthony Fullard, Hanford Jones.

8 COUNCILWOMAN PARKER: We have
9 one more panel after this. And when you
10 get to the table, we'll just ask you to
11 state your name and firm for the record.

12 (Witnesses approached witness
13 table.)

14 MR. CRAWLEY: Good afternoon.
15 I'll begin with a brief testimony.
16 Anthony Fullard is with me. He's
17 available for comment on what we're
18 presenting, and then we'll hear from
19 Hanford.

20 First of all, with the
21 projected new business opportunities that
22 are expected to result from the upcoming
23 expansions of the Philadelphia Navy Yard
24 and the Philadelphia International
25 Airport, we wanted an opportunity to

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2 present testimony on the critically
3 important issue of RFP contract
4 unbundling as it relates to government
5 supplier diversity programs.

6 We'll begin by establishing an
7 updated demographic and business
8 ownership profile for our city. It's
9 important to recognize that according to
10 the Census Bureau, African Americans,
11 Hispanics, and Asians do constitute about
12 64 percent of the City's population, that
13 non-Hispanic whites comprise 36.9
14 percent, and that all females are
15 estimated at 52.7.

16 We should also know that the
17 City's nearly 105,000 firms, about 27,000
18 of which have actual employees, 26,292
19 are owned by African Americans, 11,659
20 are owned by Hispanics, 11,531 are owned
21 by Asians, and 40,090 are female owned.
22 And in the City's construction industry,
23 which takes a special focus during these
24 times, there are 7,610
25 construction-related firms, 19.8 percent

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2 of which are owned by African Americans,
3 14.1 percent by Hispanics, 6.4 percent by
4 Asians, and 7.3 percent by females.

5 On the basis of overall gross
6 receipt comparisons, however, businesses
7 owned by females generate \$4.6 billion
8 annually. Those owned by Asians generate
9 2.7 billion. Those owned by African
10 Americans generate 1.2 billion, Hispanic
11 firms about 706 million, and firms owned
12 by white males generate \$33 billion in
13 public and private-sector receipts,
14 according to the Census Bureau.

15 At the outset, we also want to
16 define unbundling as the separation of
17 the components of large contracts to make
18 them, and contract opportunities as a
19 whole, more suitable for small and
20 minority business participation as prime
21 contractors.

22 Among many in the minority
23 business community, it has long been
24 believed that those who have had the
25 responsibility to structure the content

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2 and size of government RFP packages have
3 been made fully aware of the capacity of
4 potential minority participants prior to
5 establishing the bid criteria and minimum
6 sizes for their projects. Minority
7 business owners realize that those same
8 RFP designers know full well that African
9 American, Hispanic, Asian, and some
10 female firms have been historically
11 smaller than most mainstream businesses
12 due to an ongoing pattern of denied
13 access to contract participation and to
14 financing vehicles.

15 With that full knowledge of the
16 minority business landscape, project
17 owners and construction managers have
18 designed bid packages whose sizes have in
19 many cases been intentionally established
20 to be beyond the staffing, bonding, and
21 financing capacity of minority firms.

22 As they become aware, for
23 example, that the vast majority of
24 minority firms in the market might
25 reasonably be able to bid as a prime

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2 contractor on a \$10 million RFP package,
3 they arbitrarily establish the minimum
4 size of their project at \$20 million.
5 Such a practice here and in other
6 jurisdictions across the country enables
7 City officials and construction managers
8 to shrug their shoulders in false
9 disappointment when the volume of
10 minority bidders is extremely low or
11 non-existent. They feign surprise when
12 few, if any, minority firms participate
13 in the bid process.

14 If you have listened closely,
15 you too may have heard them express their
16 confusion about what could possibly be
17 done to generate interest on the part of
18 minority bidders. If this is beginning
19 to sound conspiratorial, it's because it
20 appears to be very much the case.

21 This is certainly not a new
22 issue for Philadelphia's minority
23 contracting programs, but it does clearly
24 represent an item of unfinished business.
25 Our track record for not taking timely

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2 action on this issue to the City's own
3 economic detriment is troubling and
4 counterproductive.

5 Why is unbundling so important
6 for the City of Philadelphia and for
7 potential small, minority, and female
8 contractors? There are numerous reasons.
9 Among them are: Number one, prime
10 contractor's share and control of an
11 overall project and its revenues are, by
12 definition, significantly larger than the
13 subcontractor's share.

14 Number two, with greater
15 revenue potential than for subs, the
16 prime contractor is better positioned to
17 accumulate an operating surplus, which
18 facilitates growth of the firm, expansion
19 of its facilities, greater levels of job
20 creation, and more competitive salaries
21 for the firm's employees.

22 Number three, at the same time,
23 the subcontractor has no legal standing
24 with the client. Who wants to be the
25 subcontractor? And generally has little

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2 access, if any, to key client

3 decision-makers.

4 Subcontractors are subject to

5 the prime's business protocol and

6 philosophy regardless of their own

7 expertise or experience.

8 And, five, subcontractors are

9 also vulnerable to the prime contractor's

10 payment practices no matter how slow or

11 irresponsible.

12 In theory, for these and other

13 reasons, the conversion of minority and

14 female subcontractors to prime contractor

15 status has been a top priority for the

16 City's minority business agenda over

17 several decades.

18 In attempting to address this

19 issue, while we are leading

20 Philadelphia's African American Chamber

21 of Commerce, Anthony Fullard and I

22 persuaded the City's procurement officers

23 to unbundle what had been a series of

24 demolition construction projects that had

25 been set at 100-unit minimum packages and

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2 to convert them to 10-unit packages to
3 better accommodate the capacity of small,
4 black, Hispanic, Asian, and female
5 contractors who had graduated from our
6 Emerging Contractors Program and who were
7 interested in bidding as primes.

8 That unbundling led to 13 of
9 our graduate minority contractors being
10 able to bid successfully as primes for
11 the very first time. They successfully
12 completed 76 demolition properties,
13 representing 2.3 million in contract
14 revenues, and employing 65 predominantly
15 minority workers. Five of the graduates
16 moved on to participate in the City's
17 mainstream procurement bid program,
18 aggregating an additional 5.9 million in
19 contracts. Inexplicably, however, in
20 2004, the City discontinued the unbundled
21 demolition contract bid packages, forcing
22 our graduates to return to subcontractor
23 status or to close their businesses. We
24 did, however, prove emphatically that
25 unbundling as a means to create prime

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2 minority contractors and to generate new
3 jobs and economic opportunity really does
4 work.

5 Other jurisdictions also
6 clearly understand just how important
7 unbundling initiatives can be for their
8 own business communities. Indeed, in a
9 2007 survey of minority and non-minority
10 owned firms by the Santa Clara Valley
11 Transportation Authority, both
12 minorities, 42.9 percent, and female
13 firms at 40.4 percent responded that the
14 sizes of RFP-related projects were
15 generally too large and that those sizes
16 represented a clear disincentive to their
17 bids. By contrast, only 19.4 percent of
18 male non-minority firms said that
19 existing project sizes constituted an
20 impediment for them.

21 Interestingly, the Cleveland
22 Airport System in 2013 said it would,
23 wherever feasible, unbundle projects or
24 separate large contracts which it
25 considered suitable for small business

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2 participation. The airport committed to
3 conduct contract reviews on each
4 FAA-assisted contract to determine
5 whether portions could be unbundled. It
6 also pledged to encourage its prime
7 contractors to unbundle their own
8 subcontracts.

9 Similar actions have been taken
10 by the New York State Assembly and by the
11 City of Houston, Texas and have also been
12 supported by American Express Open as
13 part of its 2011 Victory on Procurement
14 Survey. In the executive summary for
15 that report, AmEx said the post-Great
16 Recession bundling of contracts may be
17 providing fewer prime contracting
18 opportunities to small businesses and
19 that if such trends continue, they,
20 quote, "could spell trouble for
21 government small business contracting
22 goals and programs."

23 Closer to home, in his 2007
24 audit of Philadelphia's Minority Business
25 Economic Council, City Controller Alan

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Butkovitz strongly recommended the adoption of a municipal policy to ensure that the City's departments will begin to make special efforts to unbundle contracts and to increase minority and female bidders as prime contractors in Philadelphia.

In addition, in a survey of MBEC-certified businesses that accompanied the report, 45.1 percent of respondents reported that the failure to unbundle contracts represented the single most significant impediment to their ability to win a Philadelphia contract.

Unbundling in these survey responses outranked all other impediments, including insufficient financing vehicles, inadequate access to bonding and insurance, and even the excessive granting of prime contractor waivers by MBEC.

All of these discussions notwithstanding, there has not been significant progress in addressing the

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2 unbundling issue for Philadelphia's
3 minority contracts to date. This should
4 be alarming to us with the Navy Yard and
5 Airport contracts on the horizon.

6 According to the OEO's 2016
7 Disparity Report, for example, while
8 white females participated as primes in
9 165 City contract opportunities, black
10 male-owned firms participated in just
11 115, Hispanic males were included as
12 primes in only 31 contracts, and Asian
13 males in 23.

14 Curiously, as well as white
15 female firms have done as prime
16 contractor participants, the phenomenon
17 seems not to have been extended to firms
18 headed by black, Hispanic, and Asian
19 females who have participated in just 25,
20 6, and 7 prime contracts, respectively,
21 over Fiscal Year 2015.

22 These issues aside, there is
23 another overarching reason for us to
24 focus on the effective utilization of
25 unbundling in Philadelphia's small and

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2 minority business efforts. Following the
3 termination of the City's minority
4 business certification program, in 2010,
5 the percentage and number of out-of-City,
6 out-of-region, national minority firms in
7 the new OEO registry increased
8 immediately and dramatically from an
9 average of 337 such national firms over
10 the three years from 2008 to 2010 to 580
11 national, out-of-City, out-of-region
12 firms in 2011, the year immediately
13 following the certification program's
14 termination. I trust that you are as
15 concerned as we are that such firms are
16 counted at an astounding 863 in 2016.
17 That's up from 377 in 2008, '09, and '10.

18 While all of this has been
19 going on, the percentage of
20 Philadelphia-based firms in the OEO
21 registry has declined, shamefully, from
22 40.6 percent in 2008 to 33 percent in
23 2016. Now fully 66 percent of minority
24 and female businesses in that registry
25 are not in fact Philadelphia businesses.

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2 Perhaps that also explains why the City's
3 regional but not Philadelphia minority
4 contracts grew from 39.7 million in 2014
5 to 50 million in 2015.

6 This is clearly not the
7 direction we should want to choose to
8 attract more City-based minority and
9 female contractors to the municipal
10 procurement process.

11 With systematic commitment to
12 bundling and more reasonable contract
13 sizes, perhaps local minority firms will
14 finally be able to compete with
15 businesses based in New Jersey, Maryland,
16 New York, Virginia, California, Florida,
17 Texas, and North Carolina, all of whom
18 are listed in the OEO database registry.

19 We should be able to do better
20 than this. We should support our own
21 local minority and female businesses,
22 because as they grow to prime contractor
23 status, they can become even more
24 effective at generating economic benefits
25 and jobs for Philadelphia rather than for

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2 San Francisco.

3 These kinds of circumstances
4 certainly play no small role in
5 Philadelphia's perennial ranking as the
6 most poverty stricken large city in
7 America.

8 Unbundling, it seems, is an
9 important step in improving
10 Philadelphia's economic reality and its
11 global business development brand.

12 Thank you very much.

13 COUNCILWOMAN PARKER: Thank
14 you, Mr. Crawley, for your testimony.
15 Hanford, thank you and, Anthony, for
16 being here.

17 One, let me just state for the
18 record I want to thank Councilman Johnson
19 for agreeing to chair the hearing in my
20 absence. I'm only out of here because of
21 a driveway and retaining wall meeting
22 with L&I. Only a driveway and retaining
23 wall issue could get me to leave out of
24 this hearing. But I needed to state for
25 the record before I left that this

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language, the concept of unbundling, the concept of making opportunities smaller so that members of the minority, disadvantaged, and women communities who are business owners can have access, is a pretty new language for some folks to start speaking. And I just needed to say for the record that when I started as an intern in this building, Bruce Crawley was talking about the unbundling of contracts. So, Bruce, I didn't mean to have people questioning if he was here and he was talking about the unbundling of contracts when she was an intern and now she's a member. I just say that because I want folks to know the level of consistency associated with your advocacy.

So as we move forward to talk about this issue and we talk about Rebuild and we talk about the PLA, I think back to Neighborhood Transportation Initiative when for the first time those sort of ten parcel demolition projects

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2 that you just referred to, we saw that
3 taking place in the Logan community in
4 the 9th Councilman District. So we'll be
5 calling on you. You've been our
6 authority and our expect.

7 I did want to recognize the
8 presence of Councilman Green who is with
9 us.

10 And, Councilman Johnson, thank
11 you so very much.

12 COUNCILMAN JOHNSON: Thank you,
13 Madam Chair.

14 MR. CRAWLEY: Thank you,
15 Councilwoman.

16 COUNCILMAN JOHNSON: Will the
17 Clerk please call the next panelists.

18 Oh, questions. Hanford first
19 and then questions.

20 COUNCILWOMAN BROWN: That
21 works.

22 MR. JONES: Thank you,
23 Councilman Johnson and all other
24 honorable co-sponsors of this bill,
25 inclusive of Green, Brown, Bass,

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2 Greenlee, Oh, Jones, President Clarke,
3 Taubenberger, Domb, Parker, Gym,
4 Ms. Sanchez, Blackwell, Henson [sic],
5 Squilla, and O'Neill.

6 Remember, I think I heard the
7 most important thing today and, that is,
8 how are these things written. This City
9 Council has an ordinance that requires
10 republican Councilpeople, because the
11 reality of without that extra written
12 effort, you wouldn't have no republicans.
13 Numerically they're not there to win.
14 It's the same thing in the black business
15 community.

16 When the Miami Metro-Dade
17 County had the influx of folks from Cuba
18 in the '70s and '80s, UMTA at that time,
19 now it's the Federal Transit
20 Administration, allowed and it's still
21 allowable for a recipient of federal
22 funds to create bid language
23 representative to achieve what they're
24 trying to achieve at their recipient
25 level. Metropolitan-Dade County Florida

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2 was allowed to use black goals on
3 federally assisted contracts, because the
4 numbers of minority Cubans coming in with
5 the existing minority Hispanics ran black
6 business people down here into a genocide
7 of life and annual gross receipts. So
8 that program worked for four, five years.
9 Got sued, and the lawyers didn't want to
10 fight it like they could have or what.

11 I'm suggesting here the same
12 thing. And I'm off text. We should have
13 an economic emergency contract
14 opportunity bid schedules, because
15 without it, how am I going to bid against
16 Tony DePaul or Haines and Kibblehouse?
17 They got all the aggregate materials to
18 make asphalt concrete. I can't bid
19 against them and win. Oh, yeah, I can
20 bid against them, but not win, because I
21 don't have no aggregate pits for the
22 making of concrete or asphalt. I can't
23 win.

24 So that's how you're going to
25 make or relate black contractors in

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2 particular and other black business
3 owners and minorities and women prime
4 contractors. Use the term "emergency
5 economic opportunities," because outside
6 of that -- I've been here since the '90s.
7 As the numbers of black business people
8 as prime contractors is nothing to laugh
9 at. And it can be achieved.

10 The Marriott Hotel on Market
11 Street, we wrote -- I was at MBEC at the
12 time -- in there that you had to have an
13 equity MBE partner. Mr. Wilson, who just
14 left, was that partner. We had the same
15 requirement at the Airport Marriott. It
16 wasn't achieved and the contract was
17 still awarded. There have been three or
18 four other contracts where we had equity
19 requirements of ownership. The Airport
20 PHL Master Concessionaire had MarketPlace
21 and a black guy right down the street at
22 the Reading Terminal, Redwood Advisory.
23 After 20-some years, they had a falling
24 out. This honorable Council and past
25 Mayor allowed MarketPlace to keep the

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2 contract without having a black or
3 minority or woman equity partner. All of
4 Redwood Advisory's workers were put into
5 MarketPlace's administrative team and
6 that was it. The black goal that was
7 achieved 20 years prior was ignored, and
8 MarketPlace was allowed to keep working
9 without his equity ownership partner.

10 When Katrina went down,
11 President Bush changed the rules,
12 negating the prevailing wage rates, and a
13 whole bunch of people coming in there
14 cleaning up Katrina aftereffects without
15 making good minimum wage rates.

16 So I'm suggesting what you've
17 heard earlier, change the bid language
18 with the stroke of your pens. This City
19 did have a black goal of bids. This very
20 City Council had a goal to bid -- had a
21 black goal out for bid. It was bid
22 twice. It wasn't successful. I guess I
23 didn't do my job well enough to get
24 out-of-state firms or local firms with
25 big bonding ability. Most of them would

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2 have been graduated SBA 8(a) firms to
3 come in and bid. However, I did bring a
4 black architect from California when we
5 were doing Terminal A over here to
6 compete. He did a part of LAX. But if
7 you got 20 design contracts and I've got
8 10 and I'm on the selection committee,
9 who is going to get higher points? The
10 man with 10 or the person with 20?

11 So our selection criteria scale
12 has to be adjusted to accommodate the
13 fact that -- hell, 40 years ago when that
14 formula had 20 contracts, we may not have
15 been able to have a business.

16 So I've only been in business
17 ten years and got ten contracts. There
18 should be some weight evaluation in favor
19 of led-black or minority or woman firm
20 when they're competing against a larger
21 firm.

22 And, finally, the
23 pre-qualification. Councilwoman Brown
24 made a great effort requiring people to
25 have women on their Boards. We hear all

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2 that great stuff from Mr. Gattuso, and I
3 was waiting for one of y'all to ask how
4 many blacks were on their Board.

5 I think it's something that we
6 must really look at and, that is, when
7 people pre-qualify in the City, there
8 needs to be questions on the
9 pre-qualification form making them
10 identify five or ten of their largest
11 private projects and the blacks and
12 minorities that worked on those projects.
13 If they can't show you none, they
14 shouldn't do business with the City.
15 It's that simple. Just like you got
16 republicans, it's written into the law
17 they got to win, we should write into our
18 specs we got to win.

19 COUNCILMAN JOHNSON: Thank you.
20 Thank you, Mr. Hanford.
21 Councilwoman Blondell Reynolds
22 Brown.

23 COUNCILWOMAN BROWN: Well,
24 you've certainly given us some more
25 homework to do, and that's a good thing.

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2 Bruce Crawley, I want to thank
3 you for drilling down why de-bundling --
4 and now having heard Councilwoman Parker
5 say that as an intern, there was
6 conversations about this, for me I'm at a
7 place now and I've already had a
8 conversation with my staff, this is a
9 must-do item for us if we are serious
10 about opening up opportunity for
11 MBE/WBEs. And we've heard from the
12 Commerce Department and their beginning
13 efforts to look at this. We've heard
14 from PIDC. So we're smart enough to
15 figure it out. And when I learned here
16 today that it starts with procurement and
17 on the design, at the design stage, we've
18 also been given cues as to where we need
19 to look to make de-bundling a must-do,
20 mandatory. It's clear to me that that's
21 the next place where we need to go.

22 That's it for me.

23 MR. CRAWLEY: I just think that
24 when you hear people say good-faith
25 effort, they think and we've allowed them

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2 to think that that begins when they're
3 looking for people against the
4 requirements of the RFP. No. It starts
5 before that, because by the time the RFP
6 is structured, they probably -- and I
7 don't want to be too cynical, but
8 sometimes people have been accused of
9 already having recipients for the bid
10 package in mind when they write the RFP.
11 And that happens sometimes.

12 COUNCILWOMAN BROWN: Yes, it
13 does.

14 MR. CRAWLEY: But the real
15 sinister part of it is knowing what the
16 availability in the marketplace is. If
17 you say you're going to have a 10
18 percent, a 15, a 20 percent goal for
19 women, African Americans, Hispanics, and
20 Asians, but you have not explored what
21 the availability of those skill sets and
22 those professional skill sets are in your
23 marketplace among those minority
24 communities, then you haven't done your
25 homework, and that is not a good-faith

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2 effort.

3 You're putting -- I've heard
4 large contractors say, We'll agree to
5 anything. There's no enforcement.
6 There's no compliance. And we know
7 precisely whether you can find, number
8 one, the availability of firms that can
9 do this work, and once you find the
10 firms, do those firms have the capacity,
11 do they have the staffing, do they have
12 access to financing and bonding, can they
13 do the work. And if they know that they
14 can't, they know they are a good-faith
15 effort waiting to happen.

16 So we need to put pressure on
17 people to understand that the design of
18 those RFP packages is where the real
19 marginalization takes place before all
20 this other stuff happens.

21 MR. JONES: May I say one
22 thing? MBEC when Curt Jones was the
23 Director and I had just come from
24 Baltimore, Maryland running the Maryland
25 Minority Contractors Association, we got

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2 memorandum of understandings with GSA to
3 make an 8(a) contract award on
4 Wissahickon at that veterans place. Mr.
5 Al Brown from Alpha Office did all the
6 furniture in there under the 8(a)
7 program, not a city (unintelligible), but
8 because of the proactiveness of
9 Mr. Jones's office, we were able to do
10 the same thing with the Federal Bureau of
11 Prisons for the prison -- the federal
12 detention center on Arch Street. The
13 Temple Group was the construction
14 management firm through the same way we
15 got the GSA furniture award for Alpha
16 Office under the 8(a) program. Maybe we
17 may want to take some federal projects
18 and go to that federal agency and say,
19 Hey, let us be allowed to do 8(a)
20 set-aside work straight up on that
21 contract in our city.

22 There are ways to write in
23 there. And I hate to say it since Roots
24 is on right now, somebody wrote we were
25 slaves and somebody unwrote that we

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2 weren't anymore. That simple. It took
3 300 years of tears and blood and sweat to
4 have that simple hand, simple pen free
5 us. Please take that same power and free
6 us again.

7 COUNCILMAN JOHNSON: Thank you,
8 Mr. Hanford Jones.

9 Councilman Green.

10 COUNCILMAN GREEN: Thank you,
11 Chairman Johnson.

12 I want to thank the panel for
13 their commentary and for their years of
14 work in the vineyard regarding this
15 issue.

16 We talked about unbundling, and
17 when we talked about the Rebuild and the
18 capital programs in the City of
19 Philadelphia, I made an analogy in
20 reference to the cake. I won't go back
21 through the whole analogy I made about
22 how the cake gets done, but that's really
23 the main issue, is that when we're going
24 through a change in the procurement
25 process here in the City of Philadelphia

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2 and we have a bifurcated procurement
3 system, my concern is, especially in the
4 professional services side, is that we
5 don't have the advocacy in the room when
6 the decision is being made, when the
7 concept of drafting an RFP is being done
8 and having the advocacy at that level.
9 When it comes to Council, the decision is
10 already made. The question is when the
11 thought is being put together about how a
12 project is going to be done, that's where
13 advocacy needs to occur, and that's
14 something that I've been advocating for
15 and talked about it in detail during our
16 procurement hearings.

17 But the question I have for the
18 panel is that when we talk about
19 unbundling, you talked about what you've
20 seen in other jurisdictions, and often
21 what I've seen when we have these
22 discussions is that because time is of
23 the essence and we don't have time to
24 break things down in a smaller level
25 because we've got to get through this

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2 project, because everyday dollars are
3 being lost, and I'm curious from your
4 experience and maybe talking about some
5 of the research that was done in other
6 jurisdictions, what's been the way of
7 pushing back when those say -- when
8 people say, Well, we got this major
9 initiative and we've got to get this
10 initiative done, and if we don't get it
11 done now, then we're going to lose the
12 opportunity. And so as a result because
13 of the time pressure, people say, Well,
14 we can't unbundle, we can't do this, we
15 can't do that, and as a result, we get
16 put in the same place over and over and
17 over again. From the stadium projects to
18 the Convention Center expansion, it's
19 always, We've got to get it done now, and
20 it becomes these one-off type
21 initiatives.

22 So I'm curious from your
23 observations in other jurisdictions what
24 steps have been taken? I mean, I have
25 some thoughts, as I said in the previous

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2 hearing, that we need to have a Maynard
3 moment in the City of Philadelphia, but
4 I'm curious for the thoughts of the
5 panel.

6 MR. CRAWLEY: I think that if
7 you begin these processes by accepting
8 responsibility, that each of the
9 contracts that get let by the City have
10 to have fiscal credibility for the
11 purposes of the people who have balance
12 sheets and income statements and who are
13 trying to do a project in a
14 cost-effective way for the City and for
15 themselves. That's one thing. But if
16 you're a City government, you also have
17 an economic development mission, and the
18 people who are doing business with you
19 have to understand that if the economic
20 development perspective is not properly
21 vetted and done, then it doesn't matter.
22 You can't allow them to say to you, Well,
23 we've got to get this done or else we're
24 going to lose \$5,000. If we don't get
25 this done, we may lose 500 jobs. We may

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2 send those jobs to California. We may
3 send those jobs to North Carolina.

4 Let's make sure that the
5 economic development agenda for each of
6 the contracts let through City
7 government, through State government -- I
8 hate to mention names, but I remember
9 clearly, to give you a bigger example of
10 how this can work against us, years ago
11 when Ed Rendell was Governor, he moved to
12 bundle a lot of state contracts, because
13 he said that if he bundled those
14 contracts and moved those contracts up to
15 larger bidders, then the state would save
16 money in its budget on its fiscal budget
17 on a year in/year out basis. They might
18 save \$250,000, \$300,000 a year. But they
19 closed down in the process a number of
20 state-based corporations and businesses
21 that normally got those contracts,
22 because those contracts then went to San
23 Diego, they went to North Carolina, South
24 Carolina, because they were trying to
25 save \$150,000 and were oblivious to the

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2 economic impact of that cost saving.
3 Net-net at the end of the day, the
4 economic development value is probably
5 more than that simple fiscal value that
6 was saved by that move. And that was a
7 big problem, and I think the state is
8 still trying to come to grips with that
9 having been done.

10 We don't want to do that in
11 Philadelphia, and that's the logic that
12 you should probably use when you're
13 talking to people who try to prioritize
14 the short-term driver of "every day I'm
15 losing \$5,000." That can't be the issue.

16 COUNCILMAN GREEN: And just a
17 follow-up. So in some of the
18 jurisdictions you talked about in your
19 testimony, were they willing to not move
20 forward with a project if certain goals
21 were not accomplished? Because I
22 think -- because I started my career as a
23 banker. Sometimes you can decide to do a
24 loan and decide not to do a loan. So you
25 can decide to do a project or not do a

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2 project. And sometimes when you take
3 certain actions, that sends a message to
4 certain industries that things are
5 different than they've been done in the
6 past.

7 So I'm curious in your
8 conversation and research of other
9 jurisdictions, have there been major
10 initiatives where they decided that
11 because the initial response from certain
12 communities was not inclusive, we're
13 deciding we're going to put this on hold
14 to maybe give you some opportunity to
15 rethink how you want to move forward this
16 initiative?

17 MR. CRAWLEY: Councilman, I
18 started my career as a banker too, and
19 they used to -- we used to talk in the
20 commercial lending area of the bank that
21 they there were two ways to look at every
22 loan package. You can look at it to turn
23 it down and you can look at it to find
24 ways to approve it, every single loan
25 that comes through.

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2 I was in commercial credit as a
3 junior credit officer doing analysis.
4 You remember those days.

5 COUNCILMAN GREEN: I remember.
6 I remember.

7 MR. CRAWLEY: Commercial credit
8 analysis. You look and you remember all
9 the things that they taught you in credit
10 training, and you analyzed it according
11 to that, and then you took it to your
12 senior officer and said, If I were you, I
13 wouldn't make this loan. They say,
14 That's nice, young man, but we're going
15 to make this deal because that's a friend
16 of the bank. And that's how loans get
17 made. That's how business is done. And
18 we're not talking about doing anything
19 that's irresponsible, but we've got to
20 realize that people are trying not to
21 make a contract sometimes when they ought
22 to be encouraged to make a contract when
23 there's not as much risk as they want you
24 to believe there is in having done this
25 the appropriate way. So be cognizant of

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2 that.

3 MR. JONES: You guys had asked
4 about BRT. There was an MBE person at
5 the BRT maybe three years ago. I don't
6 know if she's still there. She was at
7 MBEC. She went to the Airport, and then
8 they gave her a post at BRT. That was a
9 good -- I've been out several years now.
10 I can't believe it's that long. So it
11 was maybe almost ten years ago now that
12 BRT did have an MBE person.

13 And, finally, Dietz and Watson
14 and Tutor Perini, check their EOP plans.
15 They said the heck with y'all, we ain't
16 going to have no MBE participation at the
17 design level. Those are two projects
18 going on right this second. Dietz and
19 Watson just trying to get their employee
20 parking lot finished, they disregarded
21 A&E, and it was in the bill passed by
22 this very Council in the EOP plan, along
23 with Tutor Perini in the project -- which
24 way am I sitting? Right down the hall
25 there on Market Street. Both of those

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2 two projects did not have an EEO
3 component to include blacks and
4 minorities in the design portion. This
5 is our family way, we're going to do it
6 this way, and the Council let it go.

7 COUNCILMAN JOHNSON: Thank you.
8 Councilwoman Blondell Reynolds
9 Brown.

10 COUNCILWOMAN BROWN: Thank you
11 for at least mentioning the interest and
12 the progress we've made around women on
13 Boards, but just as a matter of
14 information, you should know that there
15 was a developer that came before this
16 body wanting to build a new hotel in my
17 comrade's district here, wherein now in
18 those documents is the question, And what
19 is the compensation of your Board. And
20 you should know in that particular
21 interest, in that particular matter,
22 there were no women and no people of
23 color. So where do you think that bill
24 went? It stayed in committee. It went
25 nowhere.

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2 So I cite that as an example
3 that we are sensitive to that. We pay
4 attention to that. And it is a new day
5 when it comes to women being in places of
6 responsibility and leadership. So that's
7 one instance where that new law made a
8 difference, and Councilman Kenyatta
9 Johnson had absolutely no problem at all
10 with it remaining in committee.

11 Thank you.

12 COUNCILMAN JOHNSON: Thank you.

13 Mr. Fullard, you have a
14 comment?

15 MR. FULLARD: Yeah. I'm
16 just -- this has been an old, old, old
17 conversation for many years, and for it
18 to just hit the floor again, I thank our
19 leadership for that. But unbundling
20 again has been an old word. I think
21 that -- let me just start by saying that,
22 you know, by looking in the audience
23 behind me, there was a time that when you
24 would have hearings that was specifically
25 to help to enhance the opportunity for

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2 minority firms in this city, it will be
3 jam packed in here. You would have
4 minority firms that would want to hear
5 what was happening for them, where you
6 could look behind me and see what's
7 happening for them. There's a lot of
8 firms that are disenchanted --

9 COUNCILMAN JOHNSON:
10 Disenfranchised.

11 MR. FULLARD: -- discouraged
12 about the process, and this is why a lot
13 of them don't even come down here, they
14 don't show up. They don't want to be
15 involved into the whole certification
16 process. Because I think I heard someone
17 say that if you wanted to be certified at
18 OEO, it takes about 30 days. That's
19 untrue. And then they don't see what the
20 advantage is for them to be certified,
21 because it definitely does not drive
22 business their way.

23 So I think that you need to
24 look in your audience and where are all
25 of your minority businesses at on this

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2 topic.

3 Secondly is that as Bruce has
4 said and to your point, Councilman Green,
5 is that we did an unbundling project when
6 we were doing the NTI program, and we had
7 to work with the City. It was something
8 that they did not want to do. It was
9 something that we uncovered of what they
10 were doing, and it was shutting -- it was
11 systematically shutting minority firms
12 out throughout the whole City. And so we
13 had to work with at that time Hill
14 International, who was the construction
15 management firm and who was the City's
16 rep, and we had to sit down with them and
17 we had to show them how they could
18 unbundle those demolition packages to a
19 smaller package so that the City can
20 still economically benefit because you
21 would have more people bidding on those
22 contracts, and also what it also
23 entailed, it helped to bring the unit
24 cost of each of those projects down to a
25 lesser unit price.

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2 And so we captured all of that
3 data and we showed the City how they
4 could benefit from it, but we didn't stop
5 there. We also showed, to Bruce's point
6 again of when you get more firms involved
7 into these projects like that, we also
8 track how many employees worked, how
9 successful each of the firms were,
10 because we also was administering at that
11 time, we did a loan pool. And so we also
12 measured how successful those firms were
13 and how they systematically grew as a
14 firm. So the City entailed benefit as a
15 whole. They had a firm that was growing,
16 they had a firm that was employing local
17 people, and they had people that was
18 paying taxes. And we shared their same
19 financing -- well, that's where it came
20 from, the financing model, because PIDC
21 at that time was one of the participants.
22 They didn't run the program. They was a
23 participant in the program with
24 another -- I think we had another nine
25 banks with us at the same time.

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2 But the point to the
3 unbundling, it worked. It helped to grow
4 local firms. It helped to employ local
5 people that lived in the City, but it
6 also helped to increase the City's tax
7 base.

8 And so, you know, the direction
9 that you are headed is a very good
10 direction, but it is long overdue and it
11 needs to be done immediately. But it
12 also needs to be tracked and it also
13 needs to make sure that it has an
14 enforcement arm behind it. Because if
15 you don't have a tracking mechanism and
16 if you don't have the enforcement, then
17 you're really wasting your time.

18 COUNCILMAN JOHNSON: Thank you.

19 So I want to go back to just
20 one or two things before we call up the
21 last panel. One, I want to thank
22 Mr. Crawley for that very, very thorough,
23 thorough and informative testimony,
24 specifically on the issue of de-bundling
25 contracts. And I didn't have a chance to

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2 read the testimony prior to today and I
3 thought it was going to be geared towards
4 strictly diversity and inclusion, but
5 this is a very, very specific, as
6 Councilwoman Blondell Reynolds Brown
7 likes to say, laser-focused issue,
8 separate from everything else, very, very
9 specific. And it's been a part of
10 this -- it's been a topic in this Council
11 Chambers over the last several months for
12 a variety of different reasons based upon
13 some things we have done here, which will
14 result in a \$500 million bond that will
15 be floated to do some construction
16 projects throughout the City of
17 Philadelphia. So I'm quite sure that
18 this won't be the last time you'll hear
19 this conversation. This won't be the
20 last time that we will be looking at how
21 do we specifically address it.

22 MR. CRAWLEY: Councilman, let
23 me also make sure we all understand that
24 the concept of unbundling relates to
25 professional services too.

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2 COUNCILMAN JOHNSON: We know.

3 We're clear. We're very clear.

4 MR. CRAWLEY: Not just a
5 construction term.

6 COUNCILMAN JOHNSON: We are
7 very clear.

8 MR. CRAWLEY: There are a lot
9 of professional service providers who get
10 bundled out of bids.

11 COUNCILMAN JOHNSON: Yes. Very
12 clear on that. And I always try to tell
13 people, I got friends who are lawyers
14 too, I got friends who are architects. I
15 got friends who can do the bond work
16 separate from guys who want to do
17 construction or be a plumber or be an
18 electrician. So we're going to take all
19 the information in consideration, as well
20 as the comments and the testimony from
21 Mr. Fullard as well as Mr. Hanford Jones.
22 We've been receiving e-mails on a
23 day-to-day basis. I do read the e-mails
24 as it relates to the specific things that
25 we need to pay attention to. And so

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2 going on my second term in Council and
3 through my lifetime of being a
4 Councilperson, this will be a part of my
5 specific agenda. I can't speak for what
6 happened in the past, but I know what my
7 heart and passion is focused on, and also
8 working in partnership with my colleagues
9 and specifically Councilwoman Blondell
10 Reynolds Brown, who has been in the
11 vineyard working on this issue.

12 But I also want to make sure
13 that we're doing an enforcement piece.
14 When you talk about when a corporation or
15 developer says, We're not going to move
16 forward, okay, if you come to me and say
17 we got a time -- because I've been there
18 before. I mean, I don't want to put
19 people on the spot, but I can name the
20 projects in the 2nd Councilmanic District
21 where we had the same approach. Oh, if
22 we don't get this zoning ordinance
23 through, we can't -- okay. Where's the
24 plan first on the EOP side, and then we
25 work -- because at the end of the day,

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2 it's a public benefit and a benefit to
3 everybody. And there's so much
4 construction going on right now in the
5 City of Philadelphia, it's like a
6 no-brainer to make sure everybody has a
7 chance to participate.

8 So we thank all of you for
9 being here. We're going to call up our
10 next panel for the end of the day.

11 (Thank you.)

12 COUNCILMAN JOHNSON: You're
13 welcome.

14 THE CLERK: Darrell Choates,
15 Wayne Rockman, and Della Clarke.

16 (Witness approached witness
17 table.)

18 COUNCILMAN JOHNSON: Please
19 state your name for the record.

20 MR. ROCKMAN: My name is Wayne
21 Rockman. I'm representing Darrell
22 Choates. My comments is going to be
23 brief, because I believe Bruce Crawley
24 did a fantastic job. I represent, as you
25 can say, chasing down contracts for

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2 Schultz Construction. And just to give
3 you a brief background, I'm not going to
4 hold you too long, but I've been in
5 street politics since '75 here in
6 Philadelphia and I've helped put a lot of
7 people in and take a lot of people out.

8 I moved to Atlanta and I
9 started working with President Carter and
10 Clinton and Gore campaign down there, and
11 I helped with a lot of development in
12 Carter in the Southeast section, probably
13 all over then. Then I got more involved
14 in the process of contracts, and they
15 called me the Philly connection.
16 Everybody came from Philly came down
17 there when the world Olympics was
18 happening. So I was there when Maynard
19 and all of them were saying 50 percent if
20 you're going to operate here in Atlanta.
21 I was there at the table, me my little
22 self. So I helped a lot of Philly people
23 get involved in a lot of contracts, even
24 water ice. We had water ice stands all
25 over the Olympics. We had painting

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2 contracts. So it wasn't a real serious
3 thing because Council was on board, the
4 Mayor was on board, and it was a feeling
5 of togetherness down there.

6 It's a little bit more complex
7 in Philadelphia, coming back here working
8 with Schultz Construction and coming out
9 of politics for a minute and getting
10 involved. I found that there were a lot
11 of information that wasn't presented to
12 us in a very good fashion, especially
13 when it come to Airport meetings. We
14 went down to a lot of Airport meetings
15 and the primes was all in there, and we
16 and the little people, we're in the back
17 and we're waiting on to get called,
18 because we were previously told that if
19 you come down here, we're going to line
20 you up with primes once we discuss and
21 the decision on how we're going to lay
22 this thing out down here, you going to be
23 inclusive of this. But we would never --
24 there was no follow-up program.

25 Also, there wasn't any -- the

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2 contracts was so conflicting, it all
3 pointed up to prime. We didn't see
4 ourselves actually fitting in there. We
5 looked at the contracts. We said, Well,
6 you know, how do we get in here?

7 So they said, Well, we're going
8 to have meetings set up for smaller
9 companies. That never happened. Every
10 time we had a meeting down at the
11 Airport, it was always prime people, and
12 they sit up front and they got all -- you
13 know, I mean, the information was open to
14 everybody. We had a lot of food. We ate
15 a lot down there, but there was no
16 follow-up. There was no open process, as
17 Bruce was saying, for us to be involved.

18 The other thing is, PIDC, I
19 like what they did at the Airport. I'm
20 asking them with Jerry Mann Vietnam vet
21 era, but their gang, we went to them
22 because we had other projects around the
23 City if we needed funding, and we went
24 through the process at Enterprise. The
25 bonding and all that, we had everything.

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2 They refused to give us money. So for
3 whatever reason, I don't know. You know,
4 we kept asking them, Well, when is this
5 going to happen? When is this going to
6 happen? They sent us to a bank. The
7 bank never approved us.

8 So it's kind of bewildered, you
9 know. You come back to a town that you
10 really love. I mean, really, you really
11 love Philadelphia. I came back here
12 really to start working with Kenny
13 Gamble. That's why I came back, because
14 I had enough of everything here for a
15 minute. So Kenny said, Come on back,
16 man, we're going to build this
17 neighborhood up.

18 I said, Okay. So I came back.
19 So now I'm getting involved in this other
20 ventures of construction. So now I'm
21 hitting the brick walls, you know. And
22 it was just a round robin with PIDC. I
23 mean, I like what they did with the Navy
24 base. I was stationed down there when I
25 came home. I was in and out of the Navy

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2 base. I like they went down there and
3 broke it all down. But they had a woman
4 there named Marla Hamilton. She spinned
5 this around like a top every time we went
6 to talk with her. We're going to help
7 you. We're going to assist you.

8 So there should be some
9 follow-up with them as well, how do you
10 assist, what track record do you have
11 assisting minority contractors.

12 And that's basically -- I'm not
13 going to hold you guys up. You guys been
14 here all day, man.

15 COUNCILMAN JOHNSON: Thank you,
16 Wayne.

17 MR. ROCKMAN: That's it.

18 COUNCILMAN JOHNSON: The
19 hearing on the resolution will now recess
20 to the call of the Chair. This concludes
21 the business of the Committee on Economic
22 Development and Commerce.

23 Thank you very much, and thank
24 everybody for their participation. Take
25 care.

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2 (Committee on Commerce and
3 Economic Development concluded at 4:45
4 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
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