

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 160622)

RESOLUTION

Initiating action to establish a neighborhood improvement district consisting of a parcel located at the northeast corner of 15th Street and Chestnut Street, commonly known as 1441 Chestnut Street, to be known as the Headquarter Hotel Neighborhood Improvement District, designating Philadelphia Authority for Industrial Development to serve as Neighborhood Improvement District Management Association under the Community and Economic Improvement Act; and authorizing and directing the Committee on Rules and the Clerk of Council to take all actions that are required by the Community and Economic Improvement Act, as amended, prior to adoption of an ordinance that would formally establish the Headquarter Hotel Neighborhood Improvement District.

WHEREAS, The Council of the City of Philadelphia is authorized by the Community and Economic Improvement Act, Act of December 21, 1998, P.L. 1307, No. 174 (53 P.S. §18101 *et seq.*), as amended, including by Act of May 24, 2016, No. 32 and the Act of May 24, 2016, No. 28 and as the same may be further amended, restated, or supplemented from time to time (as so amended, the “Act”), to establish, by ordinance, neighborhood improvement districts and to designate certain entities to administer programs and services within such districts in order “to promote and enhance more attractive and safer commercial, industrial, residential and mixed-use neighborhoods; economic growth; increased employment opportunities; and improved commercial, industrial, business districts and business climates”; and

WHEREAS, The purpose of this resolution is to initiate action to create a neighborhood improvement district in a portion of the central business district of the City, to be known as the “Headquarter Hotel Neighborhood Improvement District” and to ensure that all actions required by the Act to establish such a district are taken prior to enactment of an ordinance formally establishing the Headquarter Hotel Neighborhood Improvement District (the “District”); and

WHEREAS, The District is coterminous with a Tax Increment Financing District (the “TIF District”) created pursuant to Bill 130686 passed by Council on December 12, 2013

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and signed by the Mayor on December 18, 2013 (the “TIF Ordinance”), in accordance with the Tax Increment Financing Act, Act of July 11, 1990, P.L. 465, No. 113, as amended and as may be further amended from time to time (the “TIF Act”); and

WHEREAS, Before an ordinance establishing a neighborhood improvement district is adopted, the Act requires that a public hearing be held on the preliminary plan for the District and notice of the hearing and the preliminary plan be mailed to all property owners and lessees of property owners, located in the proposed district; and

WHEREAS, Special financing assessments are proposed to be (i) imposed on all property within the District by the Neighborhood Improvement District Management Association (the “NIDMA”) to pay when due, the principal of and interest on debt obligations issued pursuant to the TIF Ordinance and expenses related to administration of the District and (ii) collected to the extent tax increments generated within the District under the TIF Act and the TIF Ordinance are insufficient therefor; and

WHEREAS, Philadelphia Authority For Industrial Development, a public instrumentality of the Commonwealth and a body corporate and politic organized and established by the City under the Pennsylvania Economic Development Financing Law, which was approved August 23, 1967, P.L. § 251 *et seq.*, 73 P.S. § 371 *et seq.*, as amended and supplemented or any successor entity authorized to serve as NIDMA under the Act and approved by City Council of the City, and appointed to serve as administrator of the related TIF District pursuant to the TIF project plan, will serve as the NIDMA for the District; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That Council hereby initiates action to establish a neighborhood improvement district consisting of a parcel located at the northeast corner of 15th Street and Chestnut Street commonly known as 1441 Chestnut Street. Such district is to be known as the “Headquarter Hotel Neighborhood Improvement District”. Council hereby approves as the preliminary plan for the District the preliminary plan attached as Exhibit “A”, and Council adopts as the City’s report concerning the District, the report included as part of the preliminary plan.

RESOLVED FURTHER, That the Committee on Rules is hereby authorized and directed to take all actions required by the Act prior to enactment of an ordinance formally establishing the District, including the holding of any and all public hearings required by the Act. The Clerk of Council shall arrange for all mailings and publication of all notices required by the Act, as directed by the Chair of the Committee on Rules.

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EXHIBIT A

NID Plan

PLAN FOR THE HEADQUARTER HOTEL NEIGHBORHOOD IMPROVEMENT DISTRICT AND REPORT OF THE CITY OF PHILADELPHIA CONCERNING THE DISTRICT

1. The name of the district is the Headquarter Hotel Neighborhood Improvement District (the "NID District"). A map of the NID District is included as Exhibit A-1 and a copy of the map shall be kept on file with the Chief Clerk of Council to be made available for inspection by the public during regular hours.

2. The service area of the NID District shall consist of approximately one-half acre, bounded by, and including, portions of 15th Street to the west, Ranstead Street to the north, the western-most wall of the Ritz Carlton hotel to the east and Chestnut Street to the south. The NID District is coterminous with the Headquarter Hotel Tax Increment Financing District (the "TIF District") created in accordance with the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended (the "Tax Increment Financing Act") and pursuant to Bill 130686 passed by Council on December 12, 2013 and signed by the Mayor on December 18, 2013 (the "TIF Ordinance").

3. The property in the NID District to be assessed is 1441 Chestnut Street.

4. The proposed improvements include the construction of an approximately 780,000 square foot 755-room hotel including associated retail, meeting space, and parking permitted under the Community and Economic Improvement Act, Act of December 21, 1998, P.L. 1307, No. 174 (53 P.S. § 18101 *et seq.*), as heretofore amended, including by the Act of May 24, 2016, No. 32 and the Act of May 24, 2016, No. 28 and as the same may be further amended, restated or supplemented from time to time (the "Community and Economic Improvement Act"), subject to the limitations described in below. In addition to the ability to pay for or finance the improvements described above directly, the NID District is being created to provide for the ability to impose special financing assessments to cover shortfalls in debt service on indebtedness issued under the Tax Increment Financing Act that finances improvements consistent with the Project described above (such indebtedness is hereinafter referred to as "TIF Indebtedness") or administrative expenses related to the TIF Indebtedness and NID administration, subject to the limitations described below. The Philadelphia Authority for Industrial Development ("PAID"), which serves as the administrator of the TIF District, will serve as the Neighborhood Improvement District Management Association and will have the power to (i) calculate, impose and collect the special financing assessments, (ii) impose and enforce municipal liens, as agent for the City and on its behalf, and (iii) pledge the special financing assessments to secure any TIF Indebtedness or other indebtedness used to finance or refinance the improvements constituting a portion of the Project.

5. The owner of the property comprising the NID District has requested that the City impose special financing assessments on the property in connection with the financing

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of the Project in order to achieve the highest and best use of the property. The property will receive a special benefit from the development of the Project to be financed in part by the TIF Indebtedness. The special benefit of the improvements to be financed by the TIF Indebtedness will be equal to or greater than the cost of the special financing assessments levied on the property. The special financing assessments are set and payable in a manner consistent with the estimate of the annual debt service on the TIF Indebtedness to be issued to finance the Project and the administrative expenses related to the repayment of the TIF Indebtedness.

6. The proposed budget for each fiscal year of the NID District is set forth as Exhibit A-2.

7. The special financing assessments will be levied before the TIF Indebtedness is incurred. The total of the special financing assessments levied on the NID District is equal to the principal and interest on the TIF Indebtedness and the NIDMA's administrative expenses related to the TIF Indebtedness and administration of the NID District. The principal portion of the special financing assessment represents the outstanding principal amount of the TIF Indebtedness and may be paid over the term of the TIF Indebtedness as the annual installments of the special financing assessments. Such annual installments are expected to be paid over the term of the TIF Indebtedness in annual installments set in the amount necessary to pay the annual debt service on the TIF Indebtedness and the administrative expenses related to the repayment of the TIF Indebtedness and administration of the NID District. If the actual expenses of the NID District are less than currently estimated, the amount of special financing assessments will be reduced to equal the actual costs of funding a portion of the Project, including the costs and expenses related to issuance and repayment of the TIF Indebtedness.

A credit will be provided to the annual installment each year for TIF revenues available to pay debt service. The credit will include the portion of the incremental real property taxes, sales taxes and Business Income and Receipts Taxes paid to the City and the Philadelphia School District that are pledged under the TIF Ordinance to the repayment of debt service. The net amount of the annual installment that may be collected (that is, the annual installment less the credit for a portion of the pledged tax increments) will be the annual payment of the special financing assessments.

8. The estimated time for implementation and completion of all proposed improvements is the later of 20 years from the date the Ordinance establishing the NID District becomes law or the retirement date of TIF Indebtedness to finance or refinance a portion of the costs of improvements to the NID District and which are expected to be supported in whole or in part by special financing assessments within the NID District. The NID District shall not terminate while any indebtedness supported in whole or in part by special financing assessments remains outstanding.

9. The administrative body that will govern the NID District is PAID, public instrumentality of the Commonwealth and a body corporate and politic organized and established by the City under the Pennsylvania Economic Development Financing Law, which was approved August 23, 1967, P.L. § 251 *et seq.*, 73 P.S. § 371 *et seq.*, as amended and supplemented.

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10. A copy of the TIF Ordinance is attached hereto as Exhibit A-3 and made a part hereof.

11. The specific duties and responsibilities of the City of Philadelphia (the "City") and PAID with respect to the NID District are as follows:

- a. The City will be responsible for maintaining the same level of municipal programs and services within the NID District after its designation as a neighborhood improvement district as before its designation, including, for any public streets that are within the boundaries of the NID District, maintenance and care for such streets. The City will also be responsible for imposing and enforcing liens on properties for non-payment of property assessment fees as set forth in the Community and Economic Improvement Act, provided that the City may engage with PAID or other governmental or private entities to assist in the fulfillment of its duties and responsibilities to impose and enforce such liens on the City's behalf.
- b. PAID shall fulfill all the duties and responsibilities of a Neighborhood Improvement District Management Association as set forth in the Community and Economic Improvement Act. PAID may contract with governmental or private entities to assist in the fulfillment of its duties and responsibilities. In its capacity as the NIDMA, PAID shall annually submit an audit report of all income and expenditures to the Department of Community and Economic Development, to the City Commerce Department, to City Council and to the trustee for the holders of the TIF Indebtedness within 120 days after the end of each fiscal year, and submit a report, including financial and programmatic information and a summary of audit findings, to the City Commerce Department, to City Council, to the trustee for the holders of the TIF Indebtedness, and to all assessed property owners located in the NID District (as required by 53 P.S. §18109).

12. A written agreement shall be signed by the City and PAID containing the following provisions:

- a. The respective duties of the City and PAID with respect to the NID District;
- b. The City's agreement to maintain within the NID District the same level of municipal programs and services that were provided in the NID District before its establishment;
- c. PAID's agreement to be responsible for the calculation, assessment and collection of all assessment fees levied within the NID District and the City's agreement to file and enforce any necessary liens for nonpayment of property assessment fees as set forth in the Community and Economic Improvement Act, provided that the City may engage with PAID or other governmental or private entities to assist in the fulfillment of its duties and responsibilities to impose and enforce such liens on the City's behalf.
- d. A sunset provision under which the agreement will terminate upon the later of 20 years from the date the Ordinance establishing the NID District

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becomes law of the retirement date of TIF Indebtedness.

e. Other provisions as agreed upon by the City and PAID.

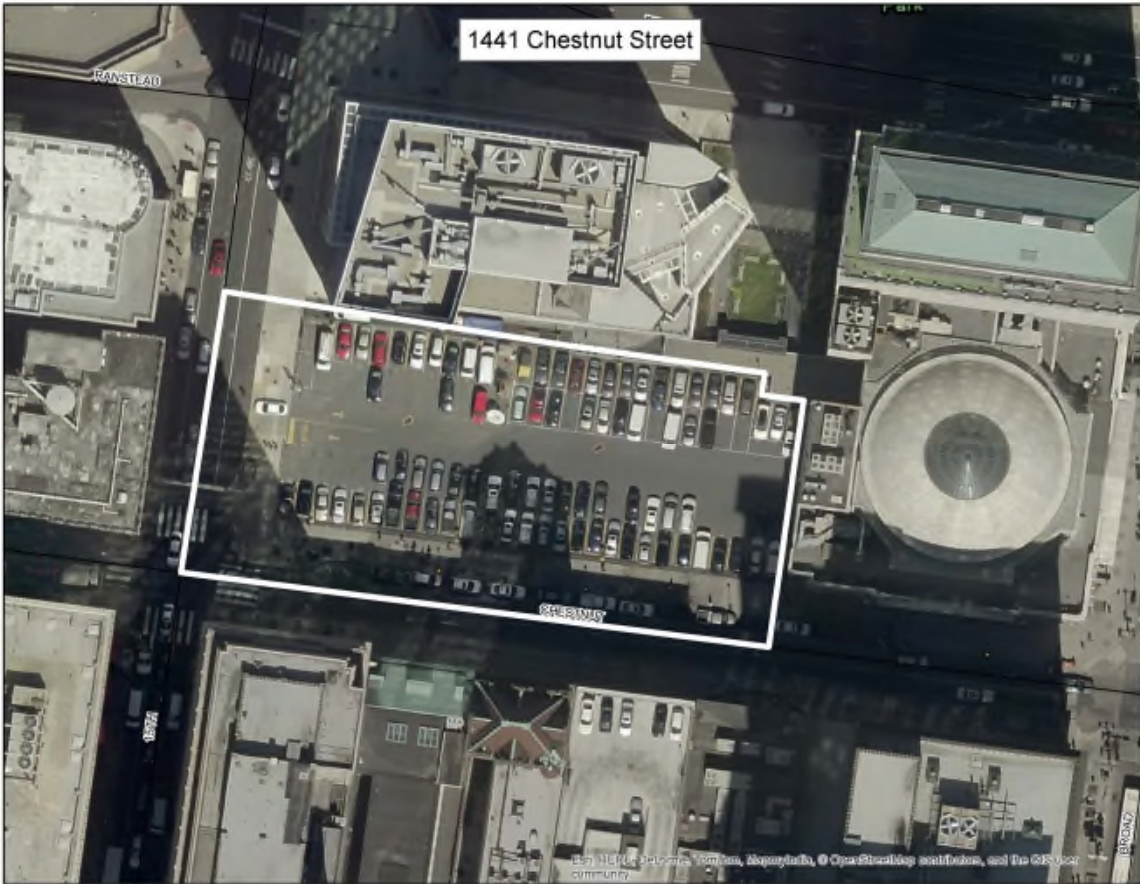
13. The negative vote of at least one-third of affected property owners within the NID District or affected property owners within the NID District whose property valuation, as assessed for taxable purposes, amounts to one-third of the total property valuation of the affected property owners within the NID District shall be required to defeat the establishment of the proposed NID District by filing objections with the Chief Clerk of City Council within 45 days of presentation of the final plan.

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EXHIBIT A-1

MAP OF NID DISTRICT



City of Philadelphia

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EXHIBIT A-2

CAPITAL BUDGET

Sources

TIF Loan Proceeds \$33,000,000

Expenses

Improvements and related costs \$33,000,000

ESTIMATED ANNUAL OPERATING BUDGET

Revenues	Annually Years 1 - 2	Annually Years 3 - 15	Annually Years 17 - 20
Reserved TIF Loan Proceeds	\$3,280,000		
Incremental Tax Revenues or NID special assessment fees	_____	<u>\$4,330,000</u>	<u>\$30,000</u>
Total Revenues	<u>\$3,280,000</u>	<u>\$4,330,000</u>	<u>\$30,000</u>
Expenses			
Administrative Fees ¹	\$30,000	\$30,000	\$30,000
Estimated Debt Service	<u>\$3,250,000*</u>	<u>\$4,300,000*</u>	_____
Total Expenses	<u>\$3,280,000</u>	<u>\$4,330,000</u>	<u>\$30,000</u>

*Based on a rate of 9.75%, the highest allowable under the TIF Plan. Years one and two are interest only. Years three through 15 are self-amortizing.

¹ The administrative fees may include, but are not limited to, personnel and administration, programs and services, maintenance and operation, and capital expenditures. These figures, and all figures displayed in this budget, are estimates for informational purposes and are not intended as minimums or maximums and are subject to inflationary growth.

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EXHIBIT A-3

CERTIFIED COPY OF TIF ORDINANCE

City of Philadelphia



(Bill No. 130686)

AN ORDINANCE

Creating the Headquarter Hotel Tax Increment Financing District, being the area generally bounded by South Penn Square on the north, Broad Street on the east, 15th Street on the west, and Chestnut Street on the south and approving the project plan of the Philadelphia Authority for Industrial Development ("PAID") for the redevelopment of the Headquarter Hotel Tax Increment Financing District and making certain findings and declarations, all in accordance with the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other offices of the City to execute documents and do all things necessary to carry out the intent of this Ordinance.

WHEREAS, In accordance with the provisions of the Urban Redevelopment Law, being the Act of May 24, 1945, P.L. 991, as amended and supplemented, and the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, the City Planning Commission of the City of Philadelphia ("Commission") has certified the Center City Redevelopment Area as a redevelopment area, and the Commission has completed a detailed redevelopment area plan for the Center City Philadelphia Redevelopment Area; and

WHEREAS, In conformity with this redevelopment area plan, the Philadelphia Authority for Industrial Development ("PAID") has prepared a detailed project plan for the redevelopment of a portion of the Center City Redevelopment Area designated as the Headquarter Hotel Tax Increment Financing District ("District"), which project plan has been prepared by PAID and submitted by PAID for approval by the City Council pursuant to the Tax Increment Financing Act; and

WHEREAS, The Commission has submitted to the City Council its report and recommendations respecting the redevelopment of the District, the determination of blight, and has certified that the said project plan conforms to the comprehensive plan for the City as a whole; and

WHEREAS, The project plan prescribes certain land uses and requires, among other things, changes in zoning, streets, alleys, public ways, street patterns, the location and relocation of public utilities and other public facilities, and other public actions; and

WHEREAS, No person shall, on the ground of race, color, creed, sex, sexual orientation, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination in the undertakings and carrying out of the project plan; and

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WHEREAS, City Council desires to take appropriate action with respect to the project plan pursuant to the Tax Increment Financing Act; and

WHEREAS, Pursuant to the Tax Increment Financing Act, creation of a tax increment financing district authorizes the use of certain positive tax increments to finance improvements, including costs incidental thereto, within the District; now, therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. City Council hereby creates the Headquarter Hotel Tax Increment Financing District ("District"), as provided herein, pursuant to the Tax Increment Financing Act. The District consists of:

ALL THAT CERTAIN lot or piece of ground together with the improvements thereon erected, situate in the 8th Ward of the City of Philadelphia and described in accordance with an Exhibit Plan prepared by Stantec Consulting Services Inc. dated May 23, 2013 and as amended.

BEGINNING at the point of intersection of the centerline of South 15th Street (68 feet wide, On City Plan) with the centerline of Chestnut Street (60 feet wide, On City Plan); thence from said point of beginning extending the following six (6) courses and distances:

1. North 11 degrees 21 minutes 00 seconds East, along the said centerline of South 15th Street, 125.000 feet to a point;
2. Thence extending South 78 degrees 59 minutes 00 seconds East, along the southerly side of former Ranstead Street (12 feet wide, Stricken and Vacated from City Plan) 252.000 feet to a point;
3. Thence extending South 11 degrees 21 minutes 00 seconds West, 10.000 feet to a point;
4. Thence extending South 78 degrees 59 minutes 00 seconds East, 20.083 feet to a point;
5. Thence extending South 11 degrees 21 minutes 00 seconds West, through a wall, 115.000 feet to a point on the centerline of said Chestnut Street;
6. Thence extending North 78 degrees 59 minutes 00 seconds West, along the centerline of said Chestnut Street, 272.083 feet to the first mentioned point and place of beginning.

BEING the proposed approximate Project Boundary for 1441 Chestnut Street.

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SECTION 2. The project plan included herein as Exhibit "A" and on file with the Chief Clerk, including the detailed redevelopment area plan, the maps, studies, as well as all other documents and supporting data which form part of the project plan submitted by the Philadelphia Authority for Industrial Development ("PAID") for the District, having been reviewed and considered, is approved.

SECTION 3. City Council finds and declares that the project plan for the District, having been duly reviewed and considered, is approved, and that:

(a) The project plan conforms to the City Comprehensive plan for the development of the locality as a whole;

(b) The District is a contiguous geographic area within a certified redevelopment area created pursuant to the Urban Redevelopment Law;

(c) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the District;

(d) The aggregate value of equalized taxable property of the District, plus all existing tax increment districts, does not exceed ten percent (10%) of the total value of equalized taxable property within the City of Philadelphia;

(e) The area comprising the District as a whole has not been subject to adequate growth and development through investment by private enterprise and would not reasonably be anticipated to be adequately developed or further developed without the adoption of the project plan;

(f) The relocation plan contained in the project plan does not call for displacement of any lawfully possessed individuals, families and businesses as a result of this project. Accordingly, City Council finds that the project plan contains a feasible method for the compensation of individuals, families and small businesses and for their relocation, if any, to decent, safe and sanitary dwelling accommodations within their means, without undue hardship to such individuals, families and businesses;

(g) The project plan affords maximum opportunity, consistent with the sound needs of the community as a whole, for the redevelopment of the District by private enterprise;

(h) The District is a blighted area containing characteristics of blight as described in the Urban Redevelopment Law and the Tax Increment Financing Act and the project to be undertaken is necessary to prevent, arrest and eliminate such conditions of blight;

(i) Changes in zoning, streets, alleys, public ways, street patterns, location and relocation of sewer and water mains and other public facilities and

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utilities shown in the project plan are reasonable and necessary under the circumstances; and

(j) The project plan meets all of the conditions and requirements imposed by law and the pertinent regulations with respect thereto, for the purpose of prohibiting discrimination with regard to race, color, creed, sex, sexual orientation, or national origin.

SECTION 4. City Council finds and declares that the project plan is in conformity with the Center City Redevelopment Area Plan.

SECTION 5. City Council hereby creates the District as of January 01, 2014, which District shall exist for a period of twenty (20) years from and after such date.

SECTION 6. The Director of Finance and other officers of the City are hereby authorized to execute all documents and do all things necessary to carry out the intent of this Ordinance.

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Exhibit A Headquarter Hotel Tax Increment Financing District

Project Plan

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Executive Summary

Headquarter Hotel Tax Increment Financing District

The Philadelphia Authority for Industrial Development (PAID) hereby submits this Project Plan to create the Headquarter Hotel Tax Increment Financing District ("District") in accordance with the Commonwealth of Pennsylvania Tax Increment Financing Act as amended (P.L. 465, approved July 11, 1990 and amended December 16, 1992, 53 P.S. 6930.1 et seq.). The objective of the District is to provide for the construction of a headquarter anchor hotel located at 1441 Chestnut Street and eliminate blight on a centrally located parcel.

The District shall consist of approximately one half acre, bounded generally by Ranstead Street on the north, the western-most wall of the Ritz Carlton hotel to the east, Chestnut Street on the south, and 15th Street on the west. The District is currently operated as a surface parking lot.

Chestlen Development, L.P. or its designee, a single purpose entity controlled by Brook Lenfest ("Developer"), will construct an approximately 780,000 square foot 700-room hotel including a 240-room W Hotel and a 460-room Element by Westin ("Project"). The Project will also include 41,000 square feet of meeting and banquet space, 8,600 square feet of restaurant and bar space and 185 below-grade parking garage. Construction is expected to commence on January 1, 2014 with projected completion by January 1, 2017. The TIF creation date is January 1, 2014.

Total Project Costs are estimated at \$280.4 million, of which \$33.0 million will be secured by incremental tax revenues authorized herein. Incremental increases in Real Estate, City Sales, and Business Income Receipts taxes shall be pledged for repayment of the TIF Note(s) up to a 20-year term. All other taxes will inure to the benefit of the City and the School District at their respective rates.

The Project is expected to create approximately 1,800 construction jobs and 450 permanent full-time equivalent permanent jobs. Market value of the District after improvements is estimated to be \$95.8 million, yielding an incremental increase in property value of \$89.5 million over the current valuation of \$6.3 million. Incremental tax revenue from the Project is estimated at \$9.6 million in the first full year of operations and \$220.6 million over twenty years based on analysis of property, use and occupancy, business income receipts, wage, city sales, parking, hotel, and liquor taxes. Projections show that approximately \$35.1 million will accrue to the City, \$13.9 million will accrue to the School District, \$80.0 million will accrue to the Pennsylvania Convention Center Authority, \$15.4 million in additional Sales taxes will benefit the School District and/or the City's Pension Obligations, and \$76.4 million in tax increments will be used to fund costs of the Project as authorized herein.

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Part I, Proposed Improvements

The District consists of approximately a half an acre, bounded generally by Ranstead Street on the north, the western-most wall of the Ritz Carlton hotel to the east, Chestnut Street on the south, and 15th Street on the west, also known as 1441 Chestnut Street.

Chestlen Development, L.P. or its designee, a single purpose entity controlled by Brook Lenfest ("Developer"), will construct an approximately 780,000 square foot 700-room hotel including a 240-room W Hotel and a 460-room Element by Westin ("Project"). The Project will also include 41,000 square feet of meeting and banquet space, 8,600 square feet of restaurant and bar space and 185 below-grade parking garage. Construction is expected to commence on January 1, 2014 with projected completion by January 1, 2017. The TIF creation date is January 1, 2014.

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are privately funded. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the Developer's TIF Note.

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Part II, Economic Analysis

(A) Fiscal Effect on the Municipal Tax Base:

Development of the Project will produce significant positive net benefits to the City and School District of Philadelphia. The tax impact analysis is based on assumptions and methodology described below and is not intended as a maximum or minimum figure. The analysis includes the direct impact of the property, use and occupancy, business income receipts, wage, city sales, hotel, parking, and liquor taxes.

Cost Benefit Analysis:

The cost benefit analysis indicates whether the Project provides a net benefit to the City and School District based on the assumption that the existing uses remain unchanged over the 20-year period if the Project is not completed. Under current conditions, the City can expect to receive \$9.3 million and the School District can expect to receive \$1.5 million over twenty years. If the Project is completed, the City is estimated to collect \$35.1 million, the School District is estimated to collect approximately \$13.9 million, the Pennsylvania Convention Center Authority is estimated to collect \$80.0 million, and additional Sales taxes for the benefit of the School District and/or the City's pension obligations is expected to total \$15.4 million over twenty years even after subtracting TIF funds. Thus, the Project represents a **net gain** of \$25.8 million to the City and \$12.3 million to the School District over the next twenty years.

Tax Revenues:

Tax revenues from the Project are estimated at \$9.6 million in the first full year of operations and approximately \$220.6 million over twenty years. Of the taxes generated by the Project over 20 years, approximately \$35.1 million will accrue to the City, \$13.9 million will accrue to the School District, \$80.0 million will accrue to the Pennsylvania Convention Center Authority, \$15.4 million in additional sales taxes will benefit the School District and/or City's pension obligations, and \$76.4 million will accrue to the Tax Increment Fund to amortize the TIF Note(s). Tax increments will be derived from Real Estate, City Sales, and Business Income Receipts Taxes as authorized herein (see Part IV). Tax projections are based on the following estimates.

- *Real Estate Tax.* Real estate (property) taxes assume a base market value for real estate tax assessment purposes on January 1, 2014 as the date of the District's creation of \$6.3 million based on current valuation and projects a conservative market value of \$95.8 million for tax purposes after taking into account comparable property values. Incremental Real Estate taxes will be pledged for repayment of the TIF Loan (see Part IV).
- *Use & Occupancy Tax.* Use and occupancy taxes will be generated on the restaurant, meeting space, retail and parking revenue. If the Project is completed, the School

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District is estimated to collect \$1.8 million in Use & Occupancy taxes over twenty years. Nearly all of it is an increase over currently projected revenues. Incremental Use & Occupancy taxes will benefit the School District and will not be pledged for repayment of the TIF Loan.

- *City Sales Tax:* The District currently contains approximately 110 parking spaces on an existing surface parking lot for which no sales tax is generated. If the project is completed, it is estimated that the hotel and retail space will generate \$30.7 million in taxes over twenty years on total gross sales based on projected room and retail sales revenue. Incremental City Sales taxes associated with 1% in City Sales taxes will be pledged for repayment of the TIF Loan (see Part IV) and the remaining 1% in City Sales taxes will inure to the benefit of the School District and/or the City's pension obligations pursuant to Commonwealth authorization.
- *Business Income Receipts Tax:* Base business income taxes are calculated on gross revenues for the surface parking lot. Business income receipts tax projections are based on gross revenues and net income as projected by the Developer and will be pledged for repayment of the TIF Loan (see Part IV).
- *Wage Tax:* There are an estimated six full-time equivalent employees currently within the District, with an average annual salary of approximately \$19,500. Wage tax projections assume the Project will employ approximately 450 persons on a full time equivalent basis with an average estimated annual salary of \$40,000 and annual increases of 2.5%. Wage tax calculations for permanent, full-time equivalent employees assume that 65% of employees reside in the City. Wage taxes are calculated for the construction phase assuming that 50% of hard construction costs are applied to labor costs and assume that 35% of employees reside in the City. If the Project is completed, the City is estimated to collect \$17.0 million in Wage taxes over twenty years. Wage taxes will not be pledged for repayment of the TIF Loan.
- *Liquor Tax:* Liquor tax projections assume that there will be approximately 8,600 square feet of restaurant and bar space with a liquor license. If the Project is completed, the School District is estimated to collect \$11.1 million in Liquor taxes over twenty years. Liquor taxes will benefit the School District and will not be pledged for repayment of the TIF Loan.
- *Hotel Tax:* If the Project is completed, the City is estimated to collect \$80.0 million in Hotel taxes over twenty years. Hotel taxes will not be pledged for repayment of the TIF Loan.
- *Parking Tax:* The District currently contains an existing surface parking lot with approximately 110 parking spaces. Parking tax projections assume that there will be revenue of approximately \$4.0 million generated from 185 parking spaces for monthly and daily customers. If the Project is completed, the City is estimated to collect \$17.2 million in Parking taxes over twenty years. Parking taxes will not be

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BILL NO. 130686 continued

City of Philadelphia

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pledged for repayment of the TIF Loan

(B) Feasibility Analysis

Chestlen Development, L.P. (Developer) owns and controls the land located at 1441 Chestnut Street. Developer's sole managing member is Brook Lenfest. Mr. Lenfest is a seasoned real estate developer and investor with projects in Pennsylvania, Florida and Wyoming. Mr. Lenfest is also Chairman and Director of Philanthropy for LGL Partners, a private multi-family investment firm and Chairman of NetCarrier, Inc., a voice and data provider. Prior to NetCarrier, Mr. Lenfest was a Vice President with Suburban Cable. In addition to Mr. Lenfest, the development team includes Andrew Gibbs who oversees Chestlen's finances and operations and Jeff Cohen who owns Vine Street Ventures, a national real estate and development services firm for the development and redevelopment of upscale hotel and branded residences in high barrier, urban and technology based markets. Mr. Cohen has served as Director of Acquisitions and Development for Starwood Hotels and Resorts Worldwide, Inc. and Chief Operating Officer of Gatehouse Capital Corporation. Mr. Cohen has significant experience developing multiple large-scale urban hotels.

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Headquarter Hotel
Tax Increment Financing District

Tax Benefit Analysis TIF
Actual revenues will vary according to market conditions

All incremental real estate and business privilege taxes and City sales tax revenues based on 1% rate.

Tax	Rate	Benefit	Comment
Property, LMO Taxes			
Percent School Rate	0.730%	School/TFE	Total taxable for sale, calculated against market value
Percent City Rate	0.9916%	City/TFE	School exempt tax rate, calculated against market value
Use & Occupancy	1.700%	School	Based on commercial SF to total SF, unutilized against market value, \$177,000 annual exemption
Sales Taxes			
City Sales	2.000%	City/School/TFE	Calculated against gross sales
Liquor Tax	10.000%	School	
Amusement Tax	3.000%	City	
Parking Tax	20.000%	City	
Wage Tax			
Resident Rate	3.8206%	City	2015 3.8206% 2016 3.8206% 2017 3.8206% 2018 3.8206%
Non-Resident Rate	3.4965%	City	2015 3.4965% 2016 3.4965% 2017 3.4965% 2018 3.4965%
Business Income & Receipts Tax			
Gross Receipts Rate	0.1416%	TFE	65% resident for operations, 35% resident for construction
Net Income Rate	0.435%	TFE	Citywide net income, reduced to 0.3% in 2018

Source of Tax Revenue:

Year	Property	Use & Occupancy	Liquor	Amusement	Parking	Wage	Business Income & Receipts	Net Income	Total
2015	37,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2016	37,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2017	37,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2018	38,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2019	38,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2020	38,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2021	38,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2022	38,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2023	38,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2024	38,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2025	38,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2026	38,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2027	38,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2028	39,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2029	39,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2030	39,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2031	39,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2032	39,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2033	39,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2034	39,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2035	39,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2036	39,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2037	39,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2038	40,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2039	40,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2040	40,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2041	40,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2042	40,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2043	40,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2044	40,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2045	40,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2046	40,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2047	40,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2048	41,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2049	41,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2050	41,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2051	41,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2052	41,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2053	41,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2054	41,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2055	41,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2056	41,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2057	41,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2058	42,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2059	42,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2060	42,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2061	42,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2062	42,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2063	42,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2064	42,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2065	42,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2066	42,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2067	42,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2068	43,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2069	43,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2070	43,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2071	43,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2072	43,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2073	43,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2074	43,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2075	43,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2076	43,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2077	43,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2078	44,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2079	44,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2080	44,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2081	44,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2082	44,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2083	44,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2084	44,615	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2085	44,715	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2086	44,815	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2087	44,915	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2088	45,015	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2089	45,115	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2090	45,215	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2091	45,315	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2092	45,415	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2093	45,515	46,807	68,000	68,000	1,147,228	1,078,878	1,078,878	1,078,878	424,248
2094	45,615	46,80							

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Headquarter Hotel
Tax Increment Financing District

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Schedule of Taxable Values for TIF

All figures are estimates only; actual figures will vary according to market conditions

Schedule:
Construction Start 1/1/2014
TIF Start 1/1/2014
Project Opening 1/1/2017

Square Footage:	Base	Opening
	780,000	
Revenues:		
Gross Revenue	\$ 63,500,000	
Room Sales	\$ 41,400,000	
Bar/Lounge Sales	\$ 5,300,000	
Parking Revenue	\$ 4,000,000	
Net Income	\$ 20,100,000	
Parking Net Income	\$ 2,000,000	
Property Values:		
Total	\$ 6,300,000	\$ 95,820,000

Employment:
Operational employment (full time equivalent) 6 450 per developer
Average annual operational salary per FTE \$ 19,000 \$ 40,000 per Starwood
Gross annual operational wages \$ 117,000 \$ 18,000,000 calculated
Construction employment (full time equivalent) 1,800 per developer
Average annual construction salary per FTE \$ 52,800 based on BLS data
Gross construction wages \$ 95,400,000 assumes half of construction costs applied to labor

TAXABLE VALUES:

Calendar Year	Calendar Growth	Taxable Sales	Liquor Sales	U&O Bases	Gross Receipts	Net Receipts	Parking Income	Hotel Sales	Market Value	Construction Wages	Permanent Wages
2014		\$ 31,800,000	\$ -	\$ 6,300,000	\$ 1,600,000	\$ 1,000,000	\$ 1,600,000	\$ -	\$ 6,300,000	\$ 31,800,000	\$ 117,000
2015		\$ 31,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,300,000	\$ 31,800,000	\$ -
2016		\$ 63,500,000	\$ 5,300,000	\$ 20,544,422	\$ 67,526,219	\$ 22,100,000	\$ 4,026,219	\$ 41,400,000	\$ 6,300,000	\$ 31,800,000	\$ 18,000,000
2017		\$ 63,500,000	\$ 5,300,000	\$ 21,056,033	\$ 72,344,128	\$ 24,748,516	\$ 4,186,101	\$ 47,558,028	\$ 6,300,000	\$ 31,800,000	\$ 18,450,000
2018		\$ 63,500,000	\$ 5,300,000	\$ 21,564,484	\$ 76,719,028	\$ 26,876,821	\$ 4,311,915	\$ 47,558,028	\$ 6,300,000	\$ 31,800,000	\$ 18,811,250
2019		\$ 74,437,113	\$ 6,177,000	\$ 22,124,096	\$ 79,079,745	\$ 27,641,436	\$ 4,462,832	\$ 48,691,913	\$ 6,300,000	\$ 31,800,000	\$ 19,084,051
2020		\$ 74,437,113	\$ 6,177,000	\$ 22,677,188	\$ 81,375,116	\$ 28,450,024	\$ 4,574,403	\$ 50,222,713	\$ 6,300,000	\$ 31,800,000	\$ 19,366,832
2021		\$ 76,900,713	\$ 6,358,000	\$ 23,244,128	\$ 83,409,494	\$ 29,161,275	\$ 4,688,783	\$ 51,375,781	\$ 6,300,000	\$ 31,800,000	\$ 19,650,632
2022		\$ 76,900,713	\$ 6,358,000	\$ 23,825,231	\$ 85,494,731	\$ 29,890,306	\$ 4,805,982	\$ 52,660,775	\$ 6,300,000	\$ 31,800,000	\$ 19,935,432
2023		\$ 80,665,749	\$ 6,878,874	\$ 24,420,862	\$ 87,632,080	\$ 30,637,564	\$ 4,926,131	\$ 53,976,690	\$ 6,300,000	\$ 31,800,000	\$ 20,220,232
2024		\$ 82,705,098	\$ 6,946,971	\$ 25,031,384	\$ 89,822,802	\$ 31,403,503	\$ 5,049,285	\$ 55,320,097	\$ 6,300,000	\$ 31,800,000	\$ 20,505,032
2025		\$ 84,773,817	\$ 7,016,042	\$ 25,657,189	\$ 92,068,474	\$ 32,188,591	\$ 5,175,517	\$ 56,709,249	\$ 6,300,000	\$ 31,800,000	\$ 20,789,832
2026		\$ 86,892,957	\$ 7,083,493	\$ 26,296,997	\$ 94,370,186	\$ 32,993,306	\$ 5,304,805	\$ 58,126,960	\$ 6,300,000	\$ 31,800,000	\$ 21,074,632
2027		\$ 89,065,281	\$ 7,153,331	\$ 26,950,062	\$ 96,729,441	\$ 33,819,138	\$ 5,437,527	\$ 59,590,155	\$ 6,300,000	\$ 31,800,000	\$ 21,369,432
2028		\$ 91,291,913	\$ 7,224,006	\$ 27,620,964	\$ 99,147,577	\$ 34,663,582	\$ 5,571,802	\$ 60,968,359	\$ 6,300,000	\$ 31,800,000	\$ 21,664,232
2029		\$ 93,574,211	\$ 7,296,994	\$ 28,304,713	\$ 101,623,369	\$ 35,526,181	\$ 5,712,602	\$ 62,290,757	\$ 6,300,000	\$ 31,800,000	\$ 21,959,032
2030		\$ 95,911,405	\$ 7,372,271	\$ 29,000,416	\$ 104,157,028	\$ 36,400,436	\$ 5,855,622	\$ 63,566,130	\$ 6,300,000	\$ 31,800,000	\$ 22,253,832
2031		\$ 98,301,405	\$ 7,450,416	\$ 29,712,116	\$ 106,744,204	\$ 37,292,687	\$ 6,002,013	\$ 64,811,143	\$ 6,300,000	\$ 31,800,000	\$ 22,548,632
2032		\$ 100,739,181	\$ 7,529,416	\$ 30,438,316	\$ 109,383,620	\$ 38,194,936	\$ 6,152,083	\$ 66,056,156	\$ 6,300,000	\$ 31,800,000	\$ 22,843,432
2033		\$ 103,228,421	\$ 7,608,816	\$ 31,174,116	\$ 112,074,246	\$ 39,107,189	\$ 6,302,013	\$ 67,298,169	\$ 6,300,000	\$ 31,800,000	\$ 23,138,232
Total		\$ 1,505,038,176	\$ 119,348,929	\$ 428,653,832	\$ 1,527,723,322	\$ 553,117,705	\$ 87,624,948	\$ 940,796,070	\$ 2,071,859,471	\$ 95,400,000	\$ 375,651,148

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PROJECT PLAN FILE 8-19-13 ulsan.xls

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Part III, Project Costs

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are privately funded. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the Developer's TIF Note.

- (A) *Initial Project Costs:* Initial Project Costs estimated to be \$280.4 million include capital costs of \$203.6 million, and financing, working capital and other costs of \$76.8 million (see "Initial Project Costs," attached).
- (B) *Eligible Project Costs:* Proceeds of a TIF Note(s) issued by PAID and secured by projected tax increments authorized under this Project Plan will be used to fund Initial Project Costs. Tax increments authorized pursuant to this Project Plan will be applied to repayment of the TIF Note(s) including payment of principal, interest, capitalization of reserve accounts as required under the TIF Note(s), reimbursement of principal and interest payments advanced by the Developer or its affiliates and any financing fees, interest, or penalties due thereon, and up to \$50,000 to the School District for Use and Occupancy taxes foregone during the construction period, which together shall constitute Eligible Project Costs for purposes of the TIF Act ("Eligible Project Costs").

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Headquarter Hotel
Tax Increment Financing District

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Initial Project Costs

FINAL 9/19/13

LINE ITEM (\$ Millions)

CAPITAL COSTS:	Total
Acquisition	12.8
Construction	190.8
FIT OUT and FF&E	19.3
SOFT COSTS AND CONTINGENCY	57.5
TOTAL PROJECT	\$ 280.4

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are privately funded. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the Developer's TIF

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PROJECT PLAN Final 9/19/13 clean.xls
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RESOLUTION NO. 160622 continued

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City of Philadelphia

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Part IV, Method and Timing of Financing

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are privately funded. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the Developer's TIF Note.

(A) *Sources of Funds:*

- *Private Debt and Equity (73.3%):* It is expected that the Developer will invest \$205.4 million in private debt and equity financing with terms and mix dependent on market conditions.
- *Tax Increment Financing (11.8%):* The Developer expects to obtain debt financing not to exceed \$33.0 million secured by the projected tax increments authorized herein.
- *Other Public Financing (15.0%):* Developer seeks the remaining \$42.0 million through a combination of additional public funds identified below, which may be supplemented by additional financing from the Developer and/or reduction in project scope and budget to the extent that additional funds are less than projected.
 - *PA Redevelopment Assistance Capital Program (RACP):* The Commonwealth of Pennsylvania has approved a RACP grant in the amount of \$25 million.
 - *HUD 108 Loan:* PIDC has approved a subordinate loan in the amount of \$15 million.
 - *Federal grant:* PIDC is applying for a \$2 million grant on behalf of the project. If the grant is not approved, the Developer will fund the gap.

Financing is expected to be committed by January 1, 2014 with a TIF effective date of January 1, 2014 and project completion projected for January 1, 2017.

(B) *Authorized Tax Increments:* Incremental increases in Real Estate, City Sales, and Business Income Receipts Taxes as described below ("Tax Increments") are hereby authorized to fund Eligible Project Costs.

1. Real Estate taxes:

a) *Base:* All real estate (property) tax revenue collected each year during the term of the District up to the amount of the Real Estate Tax Base, which amount shall be determined by the Philadelphia Finance Director based on the determination of the Office of Property Assessment of the assessed value of all land and improvements in the District and the applicable tax rate as of the District's creation date, shall constitute the Real Estate Tax Base and each year shall inure to the benefit of the City and School District in accordance with the Act.

b) *Increment:* The Real Estate Tax Increment shall mean all incremental increases in real estate tax revenue over the Real Estate Tax Base collected each year until

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termination of the District. The Real Estate Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act. Such Real Estate Tax Increment may result either from an increased assessment of the Project or increased millage rate.

2. City Sales taxes:

a) *Base*: All City sales tax revenue collected each year during the term of the District up to the City Sales Tax Base, which amount shall be determined by the Philadelphia Finance Director based on the retail sales in the District and the applicable tax rate as of the District's creation date, shall constitute the City Sales Tax Base and each year shall inure to the benefit of the City in accordance with the Act.

b) *Increment*: The City Sales Tax Increment shall mean incremental increases in sales tax revenue over the City Sales Tax Base derived from a 1% tax rate collected each year until termination of the District. The City Sales Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act. City Sales Tax revenues in excess of amounts derived from the 1% rate shall inure to the benefit of the City or School District in accordance with existing law.

3. Business Income Receipts taxes:

a) *Base*: All Business Income Receipts tax revenue collected each year during the term of the District up to the Business Income Receipts Tax Base, which amount shall be determined by the Philadelphia Finance Director based on Developer's taxable business revenue in the District and the applicable tax rate as of the District's creation date, shall constitute the Business Income Receipts Tax Base and each year shall inure to the benefit of the City in accordance with the Act.

b) *Increment*: The Business Income Receipts Tax Increment shall mean all incremental increases in Developer's business income receipts tax revenue over the Business Income Receipts Tax Base collected each year until termination of the District. The Business Income Receipts Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act.

(C) *Additional Tax Increments*: Tax Increments which are authorized above but not required to pay debt service on the TIF Note shall be applied to prepayment of principal on the TIF Note (subject to lender's prepayment restrictions), to reimbursement of debt service on the TIF Note paid by a guarantor of the TIF Notes including interest thereon, or to capitalization of debt-service reserves as may be required under the TIF Note(s). Tax Increments not applied to payment of Eligible Project Costs including prepayments or reimbursements, if any, shall be returned to the City and School District upon satisfaction of the TIF Notes.

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City of Philadelphia

RESOLUTION NO. 160622 continued

BILL NO. 130686 continued

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- (D) *Substitute TIF Loan:* The TIF Note may be refunded ("Substitute Loan"), and Tax Increments authorized herein may be applied towards repayment of the Substitute Loan so long as the terms of the Substitute Loan do not increase the debt service paid by Tax Increments for the initial TIF Notes.
- (E) *Maximum TIF Revenues, Interest Rate:* TIF Revenues shall not exceed that amount necessary to amortize the TIF Note at a maximum interest rate of 9.75% per annum.

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RESOLUTION NO. 160622 continued

BILL NO. 130686 continued
 Headquarter Hotel
 Tax Increment Financing District

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Method & Timing of Financing

FINAL 9/19/13

LINE ITEM (\$ Millions)

PRIVATE FINANCING:	Total
Developer's equity and/or debt	205.4
PUBLIC FINANCING:	
Tax Increment Financing	33.0
Commonwealth Grants	25.0
HUD 108 loan	15.0
Federal grant	2.0
Total Public Financing	75.0
TOTAL PROJECT	\$ 280.4

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are privately funded. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the Developer's TIF Note.

Prepared by PIDC:
 PROJECT PLAN final 9-19-13 clean.xls
 City of Philadelphia

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RESOLUTION NO. 160622 continued

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Part V, Site Maps

Following, please find site maps, which outline the District and depict the existing project site and proposed improvements.

(Site maps on file with the Chief Clerk of City Council)

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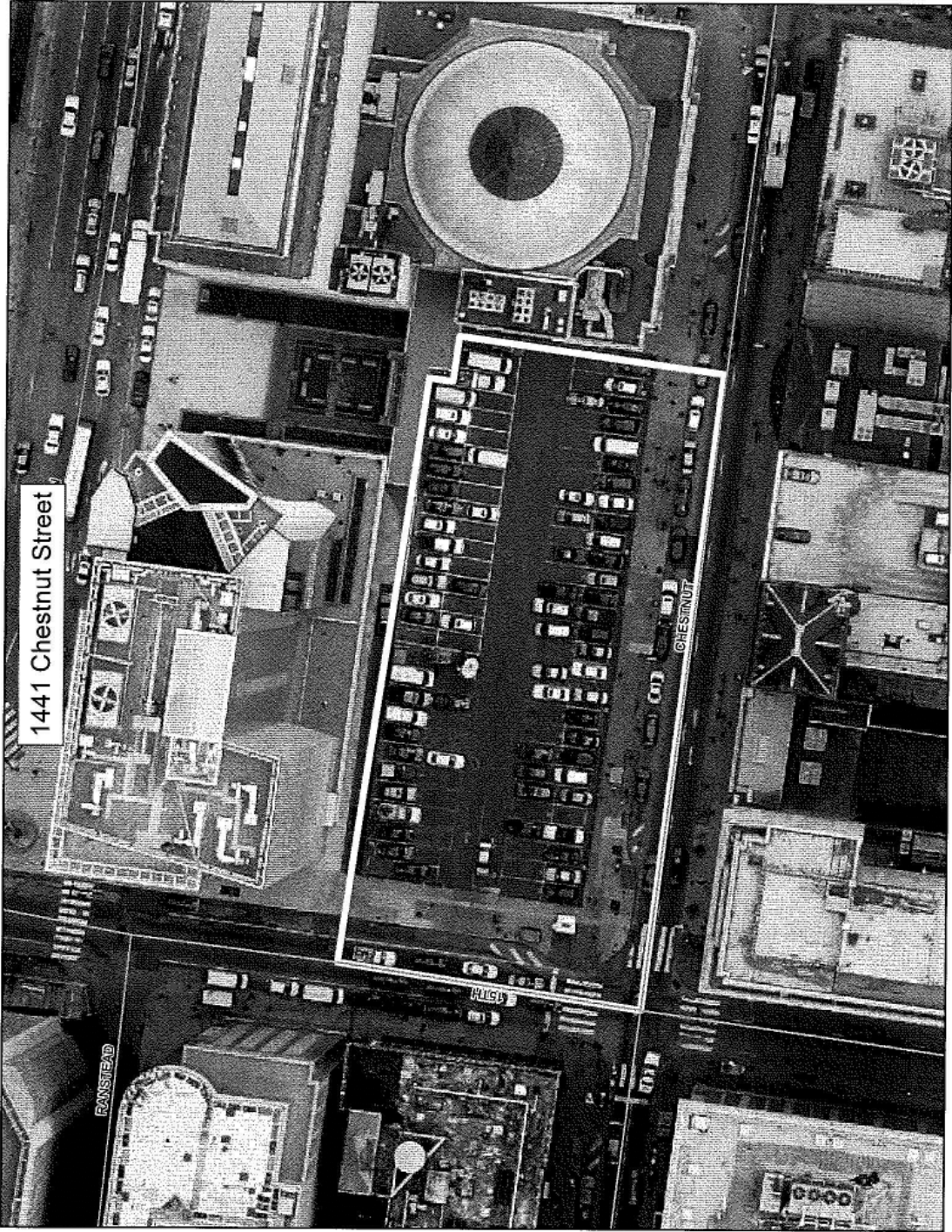
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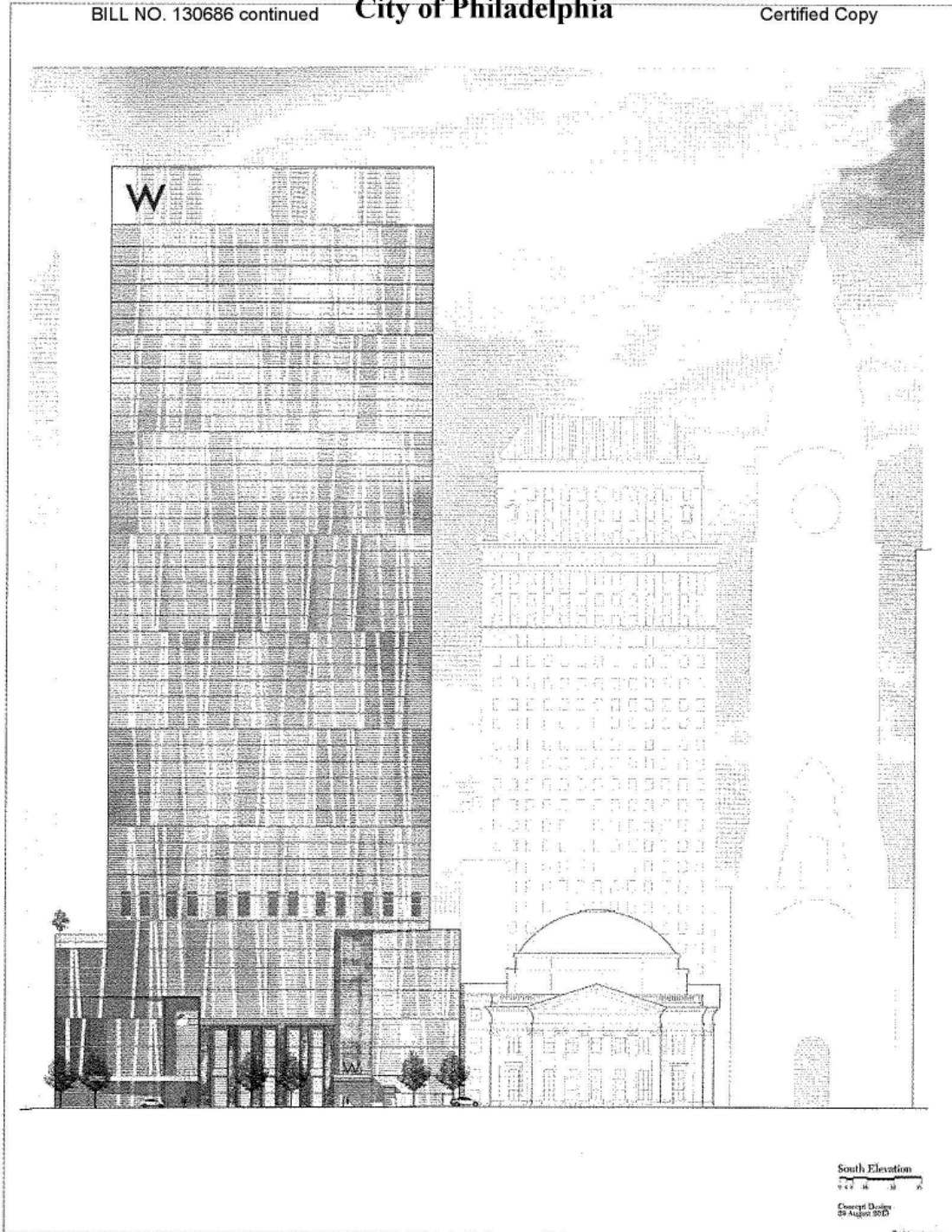
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RESOLUTION NO. 160622 continued

BILL NO. 130686 continued

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South Elevation
0 4 8 16 32 64

Concept Design
29 August 2021

Chestnut Development, LP
1441 Chestnut Street, Philadelphia, PA

1441 Chestnut Street - W & Element Hotels
Philadelphia, PA

City of Philadelphia

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Cope Linder Architects
2001 Chestnut Street
Philadelphia, PA 19103
www.cope-linder.com

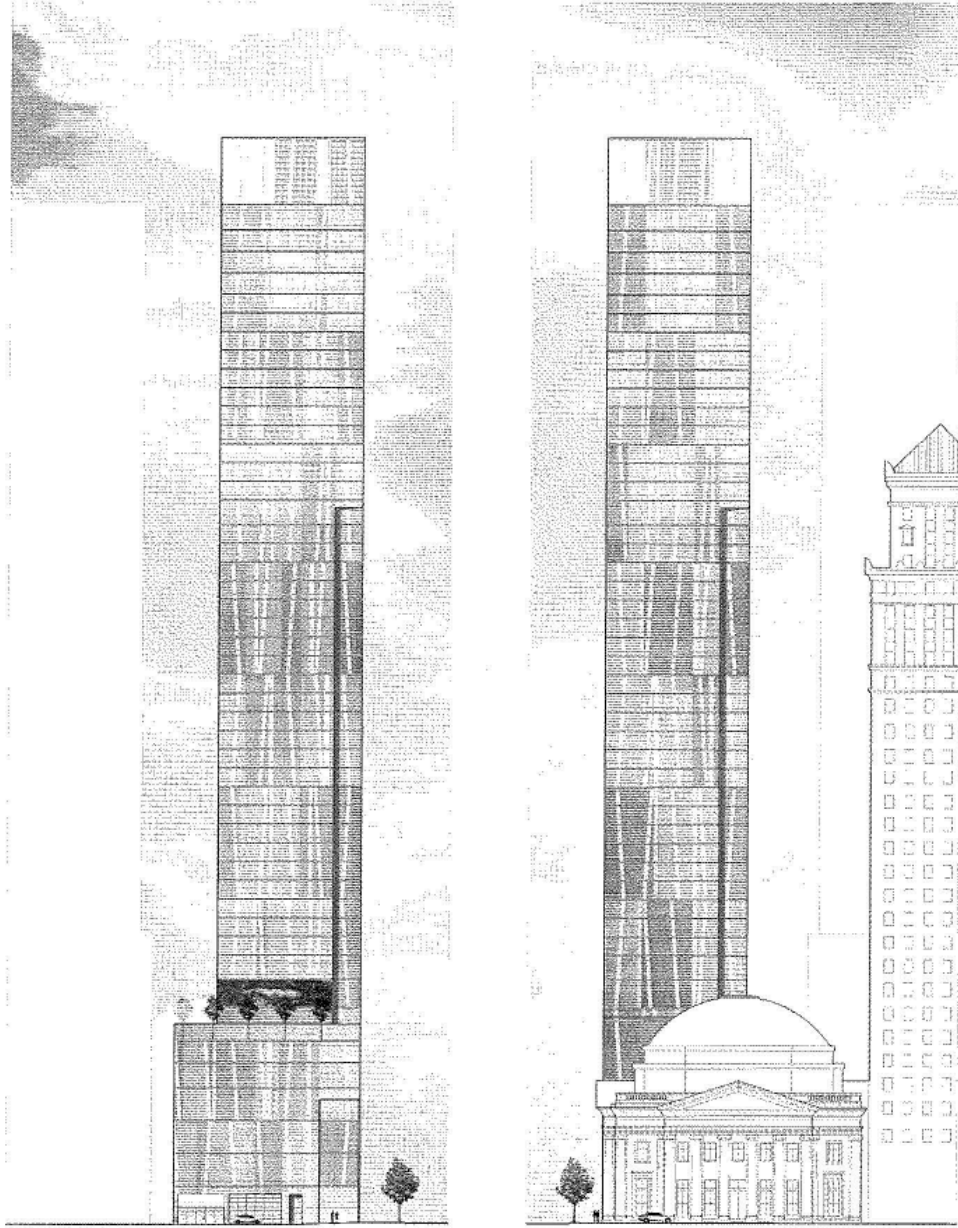
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BILL NO. 130686 continued

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West & East Elevations
1 1/2" = 1' - 0"

General Date
29 August 2013

Chestlen Development, LP
Real Estate Development, Philadelphia

City of Philadelphia

141 Chestnut Street - W & Element Hotels
Philadelphia, PA 19106 - 23 -



Cape Linder Architects
Architects, Philadelphia, PA
www.cape-linder.com

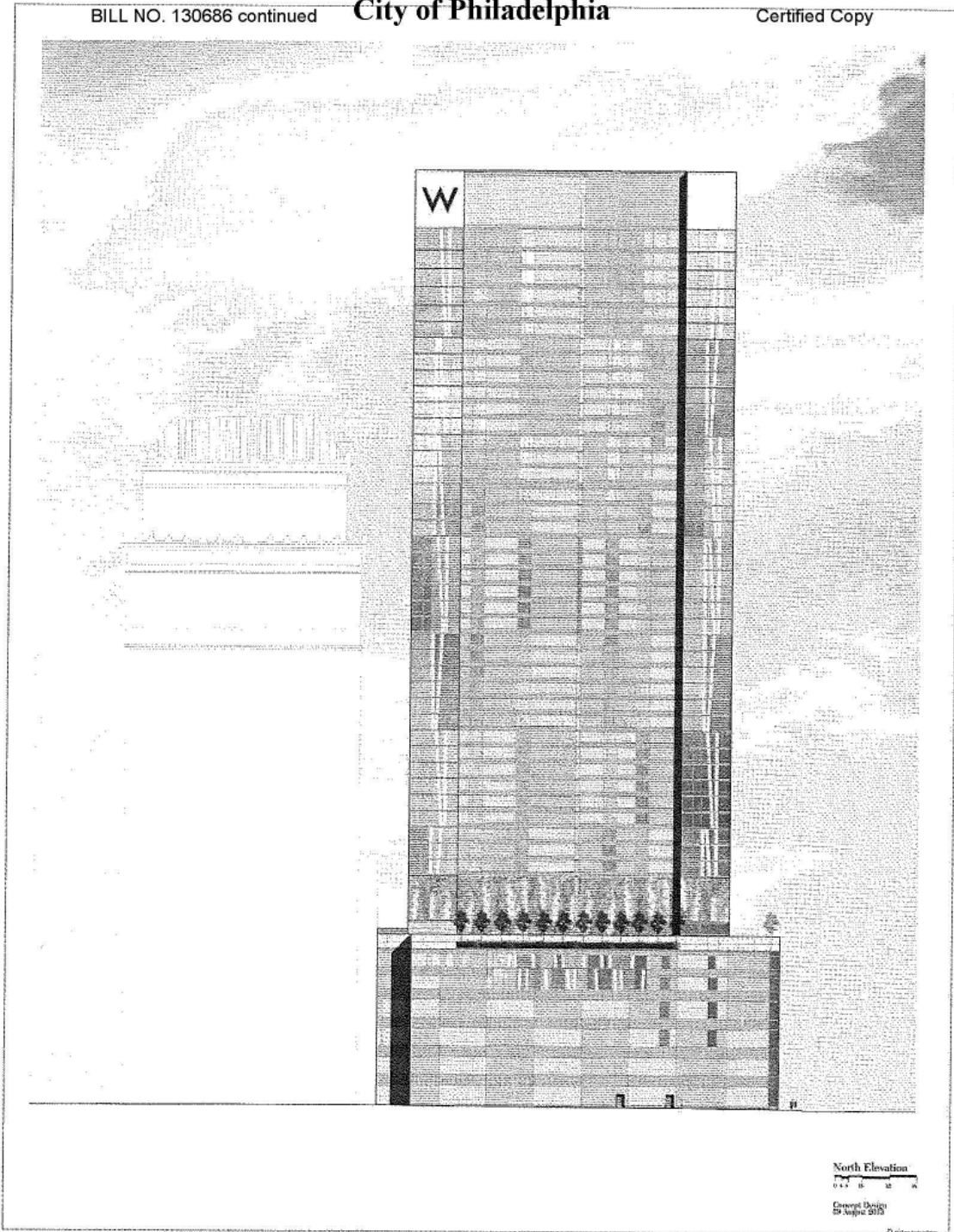
City of Philadelphia

RESOLUTION NO. 160622 continued

BILL NO. 130686 continued

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North Elevation
0 6 12 18
Concept Design
09 August 2015

Chestlen Development, LP
1441 Chestnut Street - W & Element Hotels
City of Philadelphia

1441 Chestnut Street - W & Element Hotels
Philadelphia, PA -24 -

Cape Linder Architects
1441 Chestnut Street
Philadelphia, PA 19102
www.cape-linder.com

City of Philadelphia

RESOLUTION NO. 160622 continued

BILL NO. 130686 continued

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Part VI, Related Code Changes

Developer will request related Code change to accommodate encroachment of certain awnings over the public right of way.

Part VII, Non-Project Costs

There will be no non project costs within the District.

Part VIII, Relocation

There are no relocation costs associated with the Project.

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Addendum: Statutory Requirements

Per Chapter 21-1400 § 21-1403 of The Philadelphia Code:

- (1) All projections contained in the TIF District's Project Plan of tax revenues and jobs to be created by the TIF District are based on reasonable and appropriate assumptions and methods of estimation. All such assumptions and methods are consistently applied throughout the projections. Estimates of projected tax revenues are based on current or proposed tax rates, historical collection patterns and generally recognized econometric models.
- (2) There will be an Economic Opportunity Plan submitted for the TIF District, and the Economic Opportunity Plan will contain (i) a detailed statement by the Developer that addresses the Developer's good faith efforts to insure that (a) the maximum feasible number of any year-round, part-time or full-time jobs provided by the project to youth (persons under the age of twenty-one (21)) shall be provided to low and moderate income youth, and (b) in order to meet these goals, the project shall utilize the services of the School District of Philadelphia, the Archdiocese of Philadelphia, the Greater Philadelphia Urban Affairs Coalition, the Urban League of Philadelphia, the Philadelphia Works, Inc. or any related entities, or training apprenticeship programs such as the Philadelphia Housing Authority's Working Together for Jobs Agreement, the TOP/WIN program, the Congreso de Latinos Unidos Apprenticeship Prep of Trades APTitude program, YouthBuild Philadelphia, or other similar Programs; and (ii) a preliminary implementation plan for such youth employment goals. In addition, the Economic Opportunity Plan will contain a detailed statement by the developer that addresses the developer's good faith efforts to insure that the project shall provide for significant contracting, construction and job opportunities, including without limitation, goods, services and equipment, to minority, female and disabled business enterprises and individuals, and a preliminary implementation plan for these employment goals.

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CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Room 1330, Municipal Services Bldg.
Philadelphia, PA 19102-1693
(215) 686-6140
FAX (215) 568-1947

ROB DUBOW
Director of Finance

September 19, 2013

Darrell L. Clarke
President of City Council
490 City Hall
Philadelphia, PA 19102

RE: Headquarter Hotel Tax Increment Financing District
Review of Tax Revenue Projections

To President Darrell L. Clarke and Members of City Council:

We have reviewed the Project Plan for the Headquarter Hotel Tax Increment Financing (TIF) District. Specifically, we have reviewed the assumptions, estimation methods, and calculations in the Tax Benefit Analysis, and the Schedule of Taxable Values dated 9/19/13.

Our review has found that projections contained in the TIF District's project plan of tax revenues to be generated and jobs to be created by the TIF District are based on reasonable and appropriate assumptions and methods of estimation. All such assumptions and methods are consistently applied throughout the projections. Estimates of projected tax revenues are based on current or projected tax rates, are consistent with historical collection patterns, and are not overstated in comparison with comparable projects, with the exception that the net income estimate and related projection of Business Income and Receipts Taxes were generated by the developer and exceed what we would otherwise project for comparable development.

The assumptions are based on critical project descriptions. These descriptions, which include the project size and the project completion date, were not included in our review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Dubow'.

Rob Dubow
Director of Finance

cc: Honorable Michael A. Nutter, Mayor, City of Philadelphia
John Grady, President, Philadelphia Industrial Development Corporation
Alan Greenberger, Deputy Mayor of Economic Development and
Director of Commerce

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Economic Opportunity Plan

CHESTLEN DEVELOPMENT, LP

W/ELEMENT PHILADELPHIA HOTELS

I. Introduction, Definitions and Goals

The City of Philadelphia and PIDC strongly encourage the use of certified Minority ("MBE"), Women ("WBE"), Disabled ("DSBE") and Disadvantaged¹ ("DBEs") Business Enterprises (collectively, "M/W/DSBEs") and minority and female workers in all aspects of the W/Element Philadelphia Hotels (the "Project"), located at the 1441 Chestnut Street which may include professional services, architectural/design, construction and operations. In support of this objective, the City of Philadelphia (the "City") and the PIDC will require that Chestlen Development, LP commit to this Economic Opportunity Plan ("EOP" or "Plan").

This Plan contains ranges of projected M/W/DSBE utilization and goals for the employment of minority and female workers in connection with development of the Project. This Plan shall be a part of and incorporated into the resulting agreement(s) with the Owner.

The Owner hereby verifies that all information submitted to the Office of Economic Opportunity ("OEO") in response to this Plan, is true and correct and is notified that the submission of false information is subject to the penalties of 18 Pa.C.S. Section 4904 relating to unsworn falsification to authorities and 18 Pa.C.S. Section 4107.2 (a)(4) relating to fraud in connection with minority business enterprises or women's business enterprises.

For the purposes of this Plan, MBE, WBE, DBE and DSBE shall refer to certified businesses so recognized by OEO. Only the work or supply effort of firms that are certified as M/W/DSBEs by an OEO approved certifying agency² will be eligible to receive credit as a Best and Good Faith Effort. In order to be counted, certified firms must successfully complete and submit to the OEO an application to be included in the OEO Registry which is a list of registered M/W/DSBEs maintained by the OEO and available online at www.phila.gov/oeo/directory.

For this Plan, the term "Best and Good Faith Efforts," the sufficiency of which shall be in the reasonable determination of the City, means: commercially reasonable good faith efforts, the scope, intensity and appropriateness of which are designed and performed to foster meaningful and representative opportunities for participation by M/W/DSBEs and an appropriately diverse workforce and to achieve the objectives herein stated. Best and Good Faith Efforts are rebuttably presumed met, when commitments are made within the M/W/DSBE Participation Ranges established for this development and a commitment is made to employ a diverse workforce as enumerated herein.

II. Project Scope

The Project consists of a mixed-use development located at 1441 Chestnut Street in the City of Philadelphia. The Project is proposed to include a dual-branded 700 room convention center hotel

¹Disadvantaged Business Enterprises ("DBEs") are those socially or economically disadvantaged minority and woman owned businesses certified under 49 C.F.R. Part 26.

²A list of "OEO approved certifying agencies" can be found at www.phila.gov/oeo

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RESOLUTION NO. 160622 continued

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(W Hotel – 240 rooms, Element Hotel – 460 rooms), 1,750 square feet of ground floor retail, 184 sub-terranean parking spaces, 3,300 square feet spa, and 1,450 square feet of outdoor advertising signage.

III. Goals

1. M/W/DSBE Participation Ranges

As a benchmark for the expression of “Best and Good Faith Efforts” to provide meaningful and representative opportunities for M/W/DSBEs in the Project, the following participation ranges have been established. These participation ranges represent, in the absence of discrimination in the solicitation and selection of M/W/DSBEs, the percentage of MBE, WBE and DSBE participation that is reasonably attainable through the exercise of Best and Good Faith Efforts. These percentages relate to the good faith estimated cost of the entire Project. In order to maximize opportunities for as many businesses as possible, a firm that is certified in two or more categories (e.g. MBE and WBE and DSBE or WBE and DSBE) will only be credited toward one participation range as either an MBE or WBE or DSBE. The firm will not be credited toward more than one category. These ranges are based upon an analysis of factors such as the size and scope of the development and the availability of MBEs, WBEs, DSBEs and DBEs to participate in this development; provided, however, that if the Owner is unable to meet the target goal in one category even after using commercially reasonable good faith efforts to do so due to the lack of qualified firms within such category that offer comparable pricing, but the Owner exceeds the target goals in one or more of the other categories to the extent that the overall goals are achieved, the Owner shall be deemed to have met all of the goals:

The following contract goals have been set for the Project:

CONTRACTS	MINORITY OWNED	WOMEN OWNED	DISABLED OWNED
Professional Services	20%	5% / 15%	Good Faith Efforts
Construction	25% - 30%	10% - 15%	Good Faith Efforts

2. Employment Goals

LOCAL RESIDENTS and OPERATIONS
50%

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W/Element Philadelphia Hotels EOP
June 2013

City of Philadelphia

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[Signature]
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The Owner agrees to exhaust Best and Good Faith Efforts to employ minority persons and females in its workforce of apprentices and journeymen at the following levels³:

Minority Apprentices – 50% of all hours worked by all apprentices

Minority Journeymen – 32% of all journey hours worked across all trades
Female Apprentices – 7% of all hours worked by all apprentices

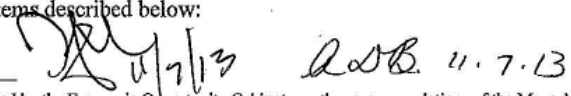
Female Journeypersons – 2-5% of all hours worked across all trades

IV. Responsiveness

- A. The Owner shall identify all M/W/DSBE commitments and other agreements evidencing its intent to use Best and Good Faith efforts to employ minority persons and females at the levels stated herein on the form entitled, "M/W/DSBE Participation and Workforce Commitments." The identified commitments on this form constitutes a representation that the M/W/DSBE is capable of providing commercially useful goods or services relevant to the commitments and that the Owner has entered into a legally binding commitments or other legally binding agreements with the listed M/W/DSBEs for the work or supply effort described and the dollar/percentage amount(s) set forth on the form. In calculating the percentage of M/W/DSBE participation, the standard mathematical rules apply in rounding off numbers. In the event of inconsistency between the dollar and percentage amounts listed on the form, the percentage will govern.
- B. M/W/DSBE commitments are to be memorialized in a written subcontract agreement. Letters of intent, quotations, contracts, subcontracts and any other documents evidencing commitments with M/W/DSBEs, including the M/W/DSBE Participation and Workforce Commitments Form.
- C. OEO will review the Project's commitments for the purpose of determining whether Best and Good Faith Efforts have been made. OEO reserves the right to request further documentation and/or clarifying information at any time during the construction and development of the Project.

V. Compliance and Monitoring of Best and Good Faith Efforts

- A. The Owner agrees to cooperate with OEO in its compliance monitoring efforts, and to submit, ~~upon the request of OEO,~~ documentation relative to its implementation of the Plan, including the items described below:


³ These goals, which have been adopted by the Economic Opportunity Cabinet, are the recommendations of the Mayor's Commission on Construction Industry Diversity.
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W/Element Philadelphia Hotels EOP
June 2013

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BILL NO. 130686 continued

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- Copies of signed contracts and purchase orders with M/W/DSBE subcontractors;
- Evidence of payments (cancelled checks, invoices, etc.) to subcontractors and suppliers to verify participation; and
- Telephone logs and correspondence relating to M/W/DSBE commitments.
- To the extent required by law, the Owner shall ensure that all its on-site contractors maintain certified payrolls which include a breakout of hours worked by minority and female apprentices and journeypersons; these documents are subject to inspection by OEO.

B. Prompt Payment of M/W/DSBEs

1. The Owner agrees to include in its contracts with all of its contractors a provision requiring that all M/W/DSBEs participating in the Project receive payment for their work or supply effort from such contractors within five (5) business days after such contractors receive payment from Owner and receipt of a proper invoice following satisfactory performance.

C. Oversight Committee

1. For this Project, Owner will form an oversight committee consisting of representatives from the Owner, the construction manager, the City, which may include the Project site's District Councilperson, OEO, and appropriate community organizations ("Committee"). The Committee will meet regularly to provide advice for the purpose of facilitating compliance with the Plan.

VI. Remedies and Penalties for Non-Compliance

- A. The Owner agrees that its compliance with the requirements of this Plan is material to the Agreement. Failure to comply with the Plan may constitute a substantial breach of the Agreement and is subject to the remedies and penalties contained therein or otherwise available at law or in equity. Notwithstanding the foregoing, no privity of contract exists between PIDC, the City and any M/W/DSBE identified in any contract resulting from implementation of the Plan. Neither PIDC nor the City intends to give or confer upon any such M/W/DSBE any legal rights or remedies in connection with subcontracted services under any law or policy or by any reason of any contract resulting from implementation of the Plan except such rights or remedies that the M/W/DSBE may seek as a private cause of action under any legally binding contract to which it may be a party.

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W/Element Philadelphia Hotels EOP
June 2013

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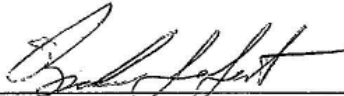
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VII. Guidelines for Joint Venturing

A. Joint Venture relationships with certified M/W/DS-BE firms must meet the following criteria in order to receive credit towards participation goals:

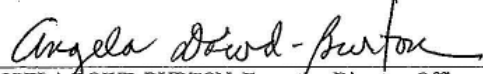
- 1) The M/W/DS-BE partner(s) must be certified by OEO, Unified Certification Program or a qualified governmental agency authorized by law to certify such enterprises prior to proposal/bid submission.
- 2) The M/W/DS-BE partner(s) must be substantially involved in significant phases of the contract including, but not limited to, the performance (with its own work force) of a portion of the on-site work, and of administrative responsibilities, such as bidding, planning, staffing and daily management.
- 3) The business arrangements must be customary (i.e., each partner shares in the risk and profits of the joint venture commensurate with their respective ownership interests).
- 4) If a certified partner is an MBE, WBE or DSBE, the participation will be credited in full if the MBE, WBE or DSBE, as the case may be, has a controlling partner's ownership interest in the joint venture; there will remain a requirement to meet M/W/DS-BE goals.


SIGNATURE OF Owner's Representative⁴

Brook Lantest

10-2-2013

DATE


ANGELA DOWD-BURTON, Executive Director, Office of Economic Opportunity⁵

DATE

⁴The Owner's Representative is required to sign and date, but the City reserves the right to obtain the Owner's Representative signature thereon at any time prior to Plan certification. The Owner Representative will receive from the City a certified copy of its Plan which should be filed with the Chief Clerk of City Council within fifteen (15) days of the issuance and published by OEO, in a downloadable format, on the OEO website.

⁵Pursuant to Section 17-1603 (2) of The Philadelphia Code, the representative of the City of Philadelphia's Office of Economic Opportunity, the "certifying agency", certifies that the contents of this Plan are in compliance with Chapter 17-1600. 00085431.v2

W/Element Philadelphia Hotels EOP
June 2013

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RESOLUTION NO. 160622 continued

City of Philadelphia

BILL NO. 130686 continued

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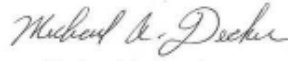
RESOLUTION NO. 160622 continued

City of Philadelphia

BILL NO. 130686 continued

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on December 12, 2013. The Bill was Signed by the Mayor on December 18, 2013.



Michael A. Decker
Chief Clerk of the City Council

City of Philadelphia

RESOLUTION NO. 160622 continued

City of Philadelphia

RESOLUTION NO. 160622 continued

CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the sixteenth of June, 2016.

Darrell L. Clarke
PRESIDENT OF THE COUNCIL

Michael A. Decker
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Greenlee for Council President Clarke

Sponsored by: Councilmember Greenlee and Council President Clarke