

# City of Philadelphia



(Bill No. 020036)

## AN ORDINANCE

Amending Bill No. 010694, entitled “An Ordinance authorizing and approving (i) the execution and delivery of a Service Agreement between the City of Philadelphia and the Redevelopment Authority relating to a comprehensive neighborhood transformation program for revitalization, renewal, redevelopment and transformation of blighted areas within the City of Philadelphia and other activities to promote the health, safety and welfare of the residents of the City of Philadelphia; (ii) the issuance by the Redevelopment Authority of bonds, notes or other evidence of indebtedness in one or more series, to pay the costs of the neighborhood transformation program; and (iii) the obligation of the City of Philadelphia to pay in full when due the Service Fee and other amounts payable under the Service Agreement; authorizing certain City officers to take certain actions required to issue bonds; covenanting that the City of Philadelphia will make necessary appropriations in each of the City’s fiscal years to provide for Service Fee and other amounts due under the Service Agreement; and covenanting that the City of Philadelphia will make payments of the Service Fee and other amounts due under the Service Agreement; all under certain terms and conditions,” by providing revised terms and conditions.

### *THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

Section 1. Sections 1 through 7 of Bill No. 010694 are amended to read as follows:

**SECTION 1. (a)** The Council of the City of Philadelphia hereby authorizes and approves: (i) the execution and delivery of a Service Agreement (the “Service Agreement”), substantially in the form of Exhibit A hereto, with the Redevelopment Authority of the City of Philadelphia (the “RDA”); (ii) the issuance by the RDA of bonds, notes or other evidence of indebtedness (the “Bonds”) in such amount as will be supported by an Annual Debt Service Requirement (as defined in the Service Agreement) of \$20 million (provided that no more than \$160 million of Bond proceeds shall be used for demolition), in one or more series, to pay the costs of the Program together with amounts necessary for any reserves, capitalized interest, costs of issuance and costs of credit or liquidity enhancement; and (iii) the obligation of the City to pay in full when due the Service Fee payable under the Service Agreement (the “Service Fee”) and other amounts payable under the Service Agreement.

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**(b) The Service Agreement shall include (i) a detailed Neighborhood Transformation Initiative (“NTI”) Framework in substantially the form attached as Exhibit A to the Service Agreement; and (ii) an economic opportunity plan for the participation of Minority Owned Disadvantaged Business Enterprises, Female Owned Disadvantaged Business Enterprises, and Disabled Owned Disadvantaged Business Enterprises (as those terms are defined in Section 17-501 of The Philadelphia Code) in all work to be performed as part of the Program in substantially the form attached as Appendix 3 to the NTI Framework.**

SECTION 2. The Director of Finance is hereby authorized to execute and deliver, on behalf of the City, the Service Agreement in substantially the form of Exhibit A hereto, with such changes as the City Solicitor shall advise and the Director of Finance shall approve, consistent with the terms of this Ordinance. No amendment or supplement to the Service Agreement (other than an amendment or supplement relating to a series of Additional Bonds (as defined in the Service Agreement) which does not cause the Annual Debt Service Requirement (as defined in the Service Agreement) to exceed \$20 million) shall be executed unless first approved by ordinance of Council.

SECTION 3. The Service Agreement authorized by this Ordinance shall be executed in conjunction with the issuance by the RDA of its Bonds for the purpose of funding the Program, in such amount as will result in an Annual Debt Service Requirement (as defined in the Service Agreement) not in excess of \$20 million. Subject to the provisions of Section 7 hereof, the proceeds of such Bonds shall be applied to the funding of the Program (provided that no more than \$160 million of Bond proceeds shall be used for demolition), to the funding of required reserves, if any, capitalized interest, if any, and to payment of costs of issuance and costs of credit and/or liquidity enhancement. The Bonds shall not be executed or delivered until the Director of Finance has approved the terms thereof. No series of Bonds shall be issued more than seven years after the effective date of this Ordinance, and no series of Bonds shall mature later than thirty years after the date of execution and delivery of the Service Agreement.

SECTION 4. The Director of Finance and all other proper officials of the City are hereby authorized, jointly and severally, on behalf of the City, to execute all documents (including one or more continuing disclosure agreements) and to take all actions as may be required by the Constitution and the laws of the Commonwealth in order to issue the Bonds.

SECTION 5. The City covenants to make appropriations beginning in Fiscal Year 2002 in each and every fiscal year in such amounts as shall be required in order to make all Service Fee payments and all other amounts due and payable under the Service Agreement.

SECTION 6. As long as Bonds issued by the RDA to finance costs of the Program are outstanding, the City covenants unconditionally to make all Service Fee payments and all other amounts due as provided for under the Service Agreement directly to any trustee (the “Trustee”) to which the Service Fee may be assigned as security for payment of the

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Bonds and the obligations of the RDA under any credit facility and/or liquidity facility securing the Bonds or any interest rate swap or similar agreement relating to the Bonds, only out of current revenues of the City, which payments shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever and regardless of any rights of set-off, recoupment or counterclaim that the City may have against the RDA or the Trustee or any Bondholder or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise after the date thereof.

SECTION 7. The Service Agreement authorized by this Ordinance shall provide that no Bond proceeds shall be spent except in accordance with the provisions of this Section 7, and shall further provide that City Council is an intended beneficiary of such provision and may sue for its specific enforcement.

~~\_\_\_\_\_ (a) The Mayor shall submit to Council for its approval by resolution the following items:~~

~~\_\_\_\_\_ (i) A detailed Program Statement setting forth plans for expenditure of Bond proceeds and any other source of funds to be used for the Program. At least sixty days before the Mayor submits the Program Statement to Council for its approval by resolution, the Mayor shall send to each member of Council a preliminary Program Statement in the same detail that will be contained in the final Program Statement for which the Mayor will request approval of Council.~~

~~\_\_\_\_\_ (ii) A detailed plan for reorganization of the City's housing agencies.~~

~~\_\_\_\_\_ (iii) A report setting forth the findings and recommendations of Hill International, the City's Project Manager, or any successor thereto, resulting from its completion of Phase I and Phase II of its consulting contract.~~

~~\_\_\_\_\_ (iv) An economic opportunity plan for the participation of Minority Owned Disadvantaged Business Enterprises, Female Owned Disadvantaged Business Enterprises, and Disabled Owned Disadvantaged Business Enterprises (as those terms are defined in Section 17-501 of The Philadelphia Code) in all work to be performed as part of the Program. Such plan shall provide for the selection by the President of Council of a person or organization to monitor compliance with the plan.~~

~~\_\_\_\_\_ (b) Prior to each operating year of the Program, the RDA shall submit to Council for its approval by resolution an annual budget setting forth proposed Program expenditures for the upcoming operating year in such form and detail as is acceptable to Council. Such line item budget shall be consistent with the Program Statement approved pursuant to subsection (7)(a)(i), and shall include provision for a City Council Project Manager. After it is approved, the annual line item budget may be amended only with the approval of Council by resolution.~~

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~~—— (c) —— A Project Review Team is hereby created, consisting of one member to be appointed by the Mayor and one member to be appointed by the President of Council, each of whom shall serve at the pleasure of the appointing authority. Whenever this Ordinance requires the approval of the Project Review Team, such approval shall consist only of the written approval of both members of the Project Review Team. Before approving or disapproving any matter for which the approval of the Project Review Team is required, the member of the Project Review Team appointed by the President of Council (“President’s appointee”) shall first provide each District Councilperson whose district is directly affected by such matter the immediate opportunity to meet with the Project Review Team, at the discretion of the District Councilperson, in order for the District Councilperson to review, comment upon and make recommendations concerning such matter, and the President’s appointee shall not approve any matter for which the approval of the Project Review Team is required without first obtaining written authorization from each District Councilperson whose district is directly affected by such matter.~~

~~(d) —— No proceeds of any Bonds may be expended for the Program, or for the funding of required reserves, if any, or for capitalized interest, if any, or for payment of costs of issuance and costs of credit and/or liquidity enhancement until all approvals required under subsection (7)(a) have been obtained, and except in accordance with an annual line item budget approved in accordance with subsection (7)(b), except:~~

**(a) For any fiscal years during which Bond proceeds will be expended, the Mayor or his appointed designee and the RDA, at least sixty (60) days before the beginning of each fiscal year, shall submit to City Council for its approval by resolution an annual Program Statement and Budget setting forth proposed expenditures of Bond proceeds for the upcoming fiscal year in substantially the form and detail attached hereto as Exhibit B. Any expenditure of Bond proceeds must be in accordance with the NTI Framework attached as Exhibit A to the Service Agreement, including the City Council oversight provisions set forth in Section VIII of the NTI Framework (“City Council Oversight of the NTI Bond Program”), and in accordance with a current or previously approved annual Budget. At least ninety (90) days before the beginning of each fiscal year, the Mayor or his appointed designee shall send to each member of Council a preliminary annual Program Statement and Budget in the same detail that will be contained in the final annual Program Statement and Budget for which the Mayor will request approval of Council. Such Budget shall provide for a City Council Development Consultant, appointed by the majority of City Council by resolution. The expenditure of funds from sources other than the Bond proceeds set forth in the Program Statement and Budget are not subject to Council approval, but shall be included for informational purposes. Such other sources of funds may include, but are not limited to, Community Development Block Grant and federal public housing funds. After it is approved, the annual Program Statement and Budget may be amended only with the approval of Council by resolution.**

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(b) **Initial expenditures of Bond proceeds up to \$20 million may be made prior to approval of the first annual Program Statement and Budget, provided that the provisions of subsection 7(d) shall apply to such expenditures as if they were being made under an approved annual Program Statement and Budget.**

~~(i) — Bond~~ (c) **Notwithstanding the provisions of Section 7 and subsections 7(a), (b), and (d), Bond proceeds may be used at any time for the demolition of buildings that are declared by a public authority to be “imminently dangerous.” Before making any such expenditure outside of an approved line item budget, the RDA the annual approved Program Statement and Budget, the City shall provide the Project Review Team President of City Council and the District Councilperson whose district is affected directly by such demolition with at least five (5) days’ notice. , except that if immediate In the event an emergency demolition is required to protect the public safety, the RDA City shall provide the Project Review Team President of City Council and the District Councilperson whose district is affected directly by such demolition as much notice as is practicable in under the circumstances. Such The required notices to the Project Review Team President of City Council and the District Councilperson shall include a list of buildings by address and documentation of an “imminently dangerous” declaration for each such building.**

~~(ii) — With the approval of the Project Review Team, expenditures may be made at variance with an approved annual line item budget, provided such changes do not affect more than ten percent (10%) of any line item.~~

~~(iii) — Start up expenditures of \$20 million may be made prior to approval of the first annual line item budget, provided that the provisions of subsections 7(e) and 7(f) shall apply to such expenditures as if they were being made under an approved annual line item budget.~~

~~(e) — Any bid package for work funded by Bond proceeds through an approved annual line item budget shall be approved by the Project Review Team prior to release, and no contract shall be awarded for any such work without the approval of the Project Review Team, except that approval of the Project Review Team shall not be required for any contract awarded by the City to the lowest responsible bidder pursuant to a bid package approved by the Project Review Team.~~

~~(f) (d) No real estate or any interest in any real estate shall be acquired with the proceeds of any Bonds until the Mayor shall have submitted to City Council and City Council shall have approved by resolution a Land Bank management program, unless City Council shall have specifically approved such acquisition by resolution or ordinance. Any bid package for demolition and encapsulation work funded with Bond proceeds must be submitted to, and approved, in writing, by the District Councilperson whose District is affected directly by such demolition and encapsulation work prior to the advertisement for bids. The approval of the Project Review Team shall not be required for any acquisition of real estate or any interest in real estate in accordance with this subsection 7(f).~~

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~~(g)~~ (e) The **City and** RDA shall submit a quarterly report to ~~the Project Review Team~~ City Council ~~summarizing~~ **that summarizes** all expenditures **of Bond Proceeds** made during the previous quarter by ~~h~~**B**udget category.

~~—(h)—~~ The provisions of this Section 7 are not severable from the remaining provisions of this Ordinance, but are essentially and inseparably connected with all other provisions of this Ordinance. It is hereby declared to be the legislative intent of Council that Council would not have enacted this Ordinance or any portion of this Ordinance unless all provisions of this Section 7 were a valid part of such enactment.

Section 2. Exhibit A to Bill No. 010694 is deleted in its entirety, and Exhibit A attached hereto is substituted therefor. Exhibit B attached hereto is added as an exhibit to Bill No. 010694.

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## Explanation:

**Bold** indicates matter added.

~~Strikethrough~~ indicates matter deleted.

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SERVICE AGREEMENT

BETWEEN

REDEVELOPMENT AUTHORITY OF THE CITY OF PHILADELPHIA

AND

CITY OF PHILADELPHIA, PENNSYLVANIA

Dated as of \_\_\_\_\_, ~~20~~2002

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CITY OF PHILADELPHIA  
Neighborhood Transformation Program

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## SERVICE AGREEMENT

This Service Agreement made and entered into as of the \_\_\_ day of \_\_\_\_\_, 2001, ~~2002~~, between REDEVELOPMENT AUTHORITY OF THE CITY OF PHILADELPHIA, a public body and a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania (the "Authority"), and the CITY OF PHILADELPHIA, PENNSYLVANIA, a city of the first class of the Commonwealth of Pennsylvania (the "City").

### WITNESSETH:

WHEREAS, the Authority is a public body and a body corporate and politic, exercising public powers of the Commonwealth of Pennsylvania (the "Commonwealth") as an agency thereof, created under and pursuant to the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Authority Law"); and

WHEREAS, the Authority exists and operates under the Authority Law for the public purposes of the elimination of blighted areas through economically and socially sound redevelopment of such areas, as provided by the Authority Law, in conformity with the comprehensive general plan of the City, for residential, recreational, commercial, industrial or other purposes, and otherwise encouraging the provision of healthful homes, a decent living environment and adequate places of employment of the people of the Commonwealth; and

WHEREAS, under the Authority Law the Authority has all powers necessary or appropriate to carry out and effectuate the purposes and provisions of the Authority Law, including, *inter alia*, the powers to cooperate with the City; to act as agent for the City for the public purposes set out in the Authority Law; to acquire real property by eminent domain; to own, hold, clear, improve and manage real property; to make and execute contracts and other instruments necessary or convenient to the exercise of the powers of the Authority; to make loans to any purchaser or owner of a residential housing or a commercial or an industrial project for the purpose of financing the purchase, construction, rehabilitation, demolition or equipping of a residential housing or a commercial and industrial redevelopment program; and to issue bonds of the Authority for any of its corporate purposes; and

WHEREAS, the City is authorized by the Pennsylvania Redevelopment Cooperation Law, Act No.383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented (the "Redevelopment Cooperation Law") to enter into agreements with the Authority respecting action to be taken by the City pursuant to any of the powers granted by the Redevelopment Cooperation Law; to make such appropriations to the Authority as is deemed necessary to assist the Authority in carrying out its public purposes; and to designate the Authority as the City's agent within the Authority's field of operation to perform any specified activity or to administer any specified program which the City is authorized by law to do in furtherance of the public purposes specified in the Authority Law, including, without limitation, redevelopment, renewal, rehabilitation, housing, conservation, urban beautification or comprehensive programs for the development of entire sections or neighborhoods; and

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WHEREAS, the Authority and the City have determined that (i) the Authority will, at the direction and with the cooperation of the City, and in accordance with the ~~2001~~2002 Ordinance (hereinafter defined), undertake a comprehensive neighborhood transformation program for revitalization, renewal, redevelopment and transformation of blighted areas within the City ~~and other activities~~ to promote the health, safety and welfare of the residents of the City (the "Program"); (ii) the Authority will issue its revenue bonds to finance the costs of the Program; and (iii) the City will pay to the Authority the Service Fee described herein; and

WHEREAS, the City Council of the City of Philadelphia, by Ordinance (Bill No. \_\_\_\_\_) adopted \_\_\_\_\_, ~~2001~~2002, approved by the Mayor on \_\_\_\_\_, ~~2001~~2002 ("the ~~2001~~2002 Ordinance") has authorized and approved (i) the execution and delivery of this Service Agreement; (ii) the issuance by the Authority of bonds, notes or other evidence of indebtedness for which the Annual Debt Service Requirement (as defined herein) will not exceed \$20,000,000, in one or more series, to pay the costs of the Program; and (iii) the obligation of the City to pay in full when due the Service Fee payable hereunder; and

WHEREAS, at the request of the City, the Authority has determined to provide initial financing for the Program by issuing its Revenue Bonds (City of Philadelphia Neighborhood Transformation Program), Series-~~2001~~, 2002, in the aggregate principal amount of \$ \_\_\_\_\_ (the "~~2001~~2002 Bonds") for the purpose of (i) funding the Program, (ii) [providing a debt service reserve fund for the ~~2001~~2002 Bonds, (iii) providing capitalized interest on the ~~2001~~2002 Bonds, (iv)] paying the costs of issuance of the ~~2001~~2002 Bonds [and (v) paying the costs of credit and/or liquidity enhancement for the ~~2001~~2002 Bonds]; and

WHEREAS, the Authority is entering into a trust indenture of even date herewith (the "Indenture") between the Authority and \_\_\_\_\_, as trustee (the "Trustee") for the purpose of issuing the ~~2001~~2002 Bonds and securing the payment thereof; and

WHEREAS, to secure the payment of the ~~2001~~2002 Bonds and any Additional Bonds (as defined in the Indenture), the Authority will assign to the Trustee all of its right, title and interest in and to this Service Agreement, as amended and supplemented from time to time (except for the Reserved Rights, as defined herein), for the equal and ratable benefit of the holders from time to time of the ~~2001~~2002 Bonds and any Additional Bonds, including the Authority's right to receive the payments of the Service Fee due from the City hereunder; and

[WHEREAS, the payment of principal of and interest on the ~~2001~~2002 Bonds is insured by a policy of municipal bond insurance (the "Bond Insurance Policy") issued by \_\_\_\_\_ (the "Bond Insurer"); and]

WHEREAS, the execution and delivery of this Service Agreement has been in all respects duly and validly authorized by the Authority and the City;

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NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto, intending to be legally bound, agree as follows:

## ARTICLE I Definitions

Section 101. Definitions of Terms. Unless otherwise defined herein, all words and terms defined in the recitals hereto and in Article I of the Indenture shall have the meanings set forth therein and herein. All references herein to the “Debt Service Fund” and the “Clearing Fund” shall mean the Funds so designated which are established with the Trustee pursuant to Article \_\_\_ of the Indenture. In addition, the following terms shall have the following meanings unless the context otherwise requires:

**“Administrative Expenses”** shall mean the reasonable fees and expenses of the Authority [(including the Authority’s initial fee)] and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the funding and administration of the Program, the issuance of any Bonds, the administration of the Indenture, the performance of the Authority’s obligations under this Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City’s obligations under this Service Agreement or the Indenture. Administrative Expenses shall not include Costs of the Program.

**“Annual Debt Service Requirement”** shall mean, with respect to each Fiscal Year,

a) the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal or mandatory redemption price of and interest on the Bonds and (ii) the payment of any Credit Facility Payment Obligations or Swap Payment Obligations, less

b) an amount equal to earnings on the Debt Service Reserve Fund, if any is established under the Indenture, in such Fiscal Year.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations thereunder, as the same may be amended from time to time. Reference herein to any specific provision of the Code shall be deemed to refer to any successor provision of the Code.

**“Costs”** shall mean all costs of the Program which the City or the Authority or either of them is authorized to incur under applicable law (including the Authority Law and the Redevelopment Cooperation Law).

**“Commonwealth”** shall mean the Commonwealth of Pennsylvania.

**“Event of Default”** shall mean any of the events described in Section 601 hereof.

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“**Fiscal Year**” shall mean the annual accounting year of the City, which currently begins on July 1 of each year.

“**Indenture**” shall mean the Trust Indenture dated as of the date hereof between the Authority and the Trustee, as amended or supplemented from time to time.

“**Program**” shall mean the comprehensive neighborhood transformation program undertaken by the Authority and the City, in accordance with the ~~2001~~2002 Ordinance, for revitalization, renewal, redevelopment and transformation of blighted areas within the City to promote the health, safety and welfare of the residents of the City. The Program may include, but shall not be limited to, (i) demolition and clearing of vacant, unsafe, unfit or imminently dangerous structures, (ii) encapsulation, stabilization and sealing of structures, (iii) environmental remediation, (iv) acquisition, whether by purchase or exercise of powers of eminent domain or otherwise, of property, (v) holding, maintaining, improving, marketing, redeveloping and sale or lease of property, (vi) fencing, graffiti removal and other measures for safety or beautification of property, (vii) relocation of affected residents, and payment of the costs thereof, (viii) provision of financial assistance, including grants, loans or guarantees, for the acquisition, improvement or redevelopment of property for industrial, commercial or residential purposes, (ix) repair or provision of streets, curbs, sidewalks, driveways, retaining walls, utility infrastructure and public facilities, and (x) development and maintenance of databases and management information systems with respect to the foregoing. The Program is described generally in Exhibit “A” attached hereto.

“**Reserved Rights**” shall mean the rights of the Authority to Administrative Expenses under subsections 404(a) and 404(b) hereof and the rights of the Authority under Sections 505, 507 and 710 hereof, and the right to enforce each of the same.

“**Service Fee**” shall mean the Service Fee payable from the City hereunder as set forth in Section 401 hereof.

“**Trustee**” shall mean \_\_\_\_\_, as trustee under the Indenture, and its successors as trustee thereunder.

[End of Article I]

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## ARTICLE II

### Representations and Warranties

Section 201. Representations and Warranties of the Authority. The Authority hereby represents and warrants as follows:

(a) it is a public body and a body corporate and politic duly organized and existing under the laws of the Commonwealth with the power to enter into this Service Agreement and to carry out its obligations hereunder and has duly authorized the execution and delivery of this Service Agreement, the ~~2001~~2002 Bonds and the Indenture;

(b) the issuance and sale of the ~~2001~~2002 Bonds, the execution and delivery of this Service Agreement and the Indenture by the Authority and the performance of all covenants and agreements of the Authority contained in this Service Agreement and of all other acts and things required under the Constitution and laws of the Commonwealth to make this Service Agreement a valid and binding obligation of the Authority in accordance with its terms, are authorized by the Authority Law and have been duly authorized by proceedings of the Authority adopted or passed at meetings thereof duly called and held; and

(c) this Service Agreement has been duly executed on behalf of the Authority by its duly authorized officers and is the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws or legal or equitable principles affecting creditors' rights generally.

Section 202. Representations and Warranties of the City. The City hereby represents and warrants as follows:

(a) it is a city of the first class of the Commonwealth duly organized and existing under the laws of the Commonwealth with the power to enter into the transactions contemplated by this Service Agreement and to carry out its obligations hereunder and, pursuant to the ~~2001~~2002 Ordinance, has duly authorized the execution and delivery of this Service Agreement and has duly approved the ~~2001~~2002 Bonds and the Indenture;

(b) the authorization and undertaking of the Program, the execution and delivery of this Service Agreement by the City and the performance of all covenants and agreements of the City contained in this Service Agreement and of all other acts and things required under the Constitution and laws of the Commonwealth to make this Service Agreement a valid and binding obligation of the City in accordance with its terms, are authorized by the Philadelphia Home Rule Charter, the Authority Law and the Redevelopment Cooperation Law

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and have been duly authorized by the ~~2001~~2002 Ordinance duly adopted by the City Council of the City and approved by the Mayor; and

(c) this Service Agreement has been duly executed on behalf of the City by its duly authorized Director of Finance and is the legal, valid and binding obligation of the City, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws or legal or equitable principles affecting creditors' rights generally.

[End of Article II]

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## ARTICLE III

### The Program

Section 301. Funding of the Program. Upon the issuance of the Bonds of any series, the Authority shall cause the proceeds thereof to be deposited in the funds and accounts established under the Indenture in such amounts as the Authority shall direct in an Authority Certificate approved by the Director of Finance.

Section 302. The Program. (a) The City and the Authority hereby agree to undertake the Program. Subject to the ~~2001~~2002 Ordinance, the determination of which portions of the Program are to be implemented from time to time, and the method of funding such portions (including the expenditure of proceeds of Bonds to pay Costs of the Program) shall be made by the City. Portions of the Program may be implemented directly by the Authority or by the City or by their respective contractors and subcontractors. The City may act as agent of the Authority in connection with the implementation of portions of the Program.

(b) Amounts deposited in the Program Fund shall be applied to pay or reimburse such Costs of the Program as are specified in an Authority Certificate approved by the Director of Finance, as set forth in the Indenture. [Proceeds of the ~~2001~~2002 Bonds deposited in the Program Fund shall be applied solely to the payment or reimbursement of costs of demolition, clearing, sealing, environmental remediation, and encapsulation and related activities (including relocation necessitated by the foregoing) undertaken after \_\_\_\_\_, ~~2001~~2002 with respect to properties which pose a threat to health and safety, as determined by the City.] Proceeds of Additional Bonds shall be applied to pay such Costs of the Program as are specified in the Supplemental Indenture or supplement to this Service Agreement relating to such Additional Bonds.

(c) The Director of Finance shall transmit to the President of City Council, with copies to the Chief Clerk of Council and each member of Council, and to the Executive Director of the Authority, not later than 90 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2002, a written report with respect to Program activities conducted during such Fiscal Year, which shall include in reasonable detail:

(i) a description of any Bonds issued during such Fiscal Year, including the principal amount, interest rate, yield, maturity date, any provision for credit or liquidity enhancement, any provision for interest rate swaps or other similar agreements, and costs of issuance;

(ii) Administrative Expenses paid during such Fiscal Year;

(iii) a summary of debt service on Bonds and other costs paid in such Fiscal Year and included in the Service Fee;



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(iv) a projection of the Service Fee and Administrative Expenses to be payable in the then current Fiscal Year and the next succeeding Fiscal Year; and

(v) a description of Program activities undertaken and costs paid (other than debt service and related costs and Administrative Expenses) during such Fiscal Year, including

(A) a general description of the Program elements undertaken, by category, and the amount expended on each such category; and

(B) such other information as, in the judgment of the Director of Finance, will assist City Council and the Authority in evaluating the Program; and

(vi) such other items as the President of Council or Council as a whole shall from time to time request.

The Authority shall cooperate with the Director of Finance in the preparation of each report required to be prepared under this subsection.

Section 303. Appointment of Authority as Agent. In accordance with Section 1746.1 of the Redevelopment Cooperation Law, the City hereby appoints and designates the Authority as the City's agent within the Authority's field of operation to administer the Program and to perform any element thereof in accordance with the terms of this Service Agreement. The Authority hereby accepts the foregoing appointment and designation and, in consideration of the Service Fee, agrees to administer the Program and implement such elements thereof as the City shall from time to time direct.

Section 304. Additional Bonds. Upon the written request of the Director of Finance of the City, the Authority may, but shall have no obligation to, issue Additional Bonds to pay Costs of the Program. In connection therewith, the Authority and the City shall enter into a supplement to this Service Agreement in accordance with Section 709 hereof providing for an increase in the Service Fee payable hereunder to pay the amounts required for principal or redemption price of and interest on such Additional Bonds, subject to the provisions of the ~~2001~~2002 Ordinance or any ordinance subsequently enacted by City Council relating to the financing of the Program.

Section 305. Approval Process. Notwithstanding any other provision of this Agreement to the contrary, no proceeds of any Bonds of any series shall be spent except in accordance with the ~~2001~~2002 Ordinance. The City Council is an intended beneficiary of Section 7 of the ~~2001~~2002 Ordinance and may sue for its specific performance.

[End of Article III]

# City of Philadelphia

BILL NO. 020036 *continued*

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## ARTICLE IV

### Service Fee

Section 401. Service Fee. In consideration of the undertakings by the Authority under this Service Agreement with respect to the Program, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

(a) The Annual Debt Service Requirement for such Fiscal Year, payable as follows:

(i) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to the principal or mandatory redemption price of the Bonds becoming due on the immediately succeeding principal maturity or mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture.

(ii) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to interest on the Bonds becoming due on the immediately succeeding Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture.

(iii) On or before the dates specified in any Credit Facility or Swap Agreement, the amounts which are equal to any Credit Facility Payment Obligations or Swap Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

(b) On or before the dates required by the Indenture, the amounts which are necessary to restore any deficiency in the Debt Service Reserve Fund, if any, established under the Indenture.

In lieu of the portion of the payments due under subsection (a)(i) above, the City, or at its written direction, the Trustee, may purchase for cancellation Bonds of the Series and term next becoming due at maturity or upon mandatory redemption, subject to the applicable requirements set forth in Section \_\_\_\_\_ of the Indenture.

Notwithstanding the foregoing, in no event shall the Annual Debt Service Requirement in any Fiscal Year exceed \$20,000,000 for any Bonds issued by the Authority for the Program unless a higher Annual Debt Service Requirement shall have been approved by an ordinance of the City in accordance with Section 709(c).

The Service Fee shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Service Fee and include the same in its annual

# City of Philadelphia

BILL NO. 020036 *continued*

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operating budget for each year. If the current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable hereunder in each of the City's Fiscal Years.

Section 402. No Set-Off. The obligation of the City to make the payments required under this Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required hereunder regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including, without limitation, any defense, set-off, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Bondholder or any other person.

Section 403. Prepayment. The City shall be permitted, at any time and from time to time, to prepay all or any part of the amounts payable under Section 401 hereof together with such other amounts as shall be sufficient to redeem or otherwise pay all or a portion of the Bonds of any series in accordance with the provisions of the Indenture.

Section 404. Other Payments by City. The City shall make the following payments:

(a) [contemporaneously with the execution and delivery hereof, the Authority's initial fee with respect to the ~~2001~~2002 Bonds of \$\_\_\_\_\_];

(b) the Authority's other Administrative Expenses incurred from time to time;  
and

(c) directly to the Trustee, on behalf of the Authority, upon invoice therefor, the Administrative Expenses of the Trustee as provided in Section \_\_\_\_\_ of the Indenture.

The Administrative Expenses shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Administrative Expenses and include the same in its annual operating budget for each year. If the current revenues are insufficient to pay the total Administrative Expenses in any Fiscal Year as the same become due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Administrative Expenses due for such ensuing year.

# City of Philadelphia

BILL NO. 020036 *continued*

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The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Administrative Expense payments due and payable hereunder in each of the City's Fiscal Years.

Section 405. Assignment of Service Agreement. The Authority hereby notifies the City that all the Authority's right, title and interest in and to this Service Agreement, including its rights to receive the above payments (except for the Reserved Rights), shall be irrevocably assigned by the Authority to the Trustee as security for the Bonds as provided in the Indenture, and in furtherance of said assignment the Authority hereby irrevocably assigns all payments by the City hereunder (except for the Reserved Rights) to the Trustee for deposit or application in accordance with this Service Agreement and the Indenture. The City hereby consents to such assignment. The Authority consents to the payment by the City of, and directs the City to pay, all such assigned amounts directly to the Trustee.

Section 406. Excess Funds. After all of the Bonds have been paid or payment thereof has been provided for and all interest and applicable premium, if any, due thereon and all other amounts required to be paid under the Indenture have been paid or provision for such retirement and payment has been made in accordance with the Indenture, excess moneys in the funds and accounts established under the Indenture from whatever source derived will be paid to the City. This paragraph shall survive the termination of this Service Agreement.

[End of Article IV]

# City of Philadelphia

BILL NO. 020036 *continued*

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## ARTICLE V

### Further Agreements

Section 501. Compliance With Laws. The City covenants that all actions heretofore and hereafter taken by the City or by the Authority upon the request of any officer of the City in connection with the Program, including the making of contracts, have been and will be in full compliance with all pertinent laws, ordinances, rules, regulations and orders applicable to the City. The City acknowledges that any review by the Authority's staff or counsel of any action heretofore or hereafter taken by the City has been or will be solely for the protection of the Authority. Such reviews shall not prevent the Authority from enforcing any of the covenants made by the City.

Section 502. Investments. The City and the Authority agree that all moneys in any fund or account established by the Indenture may be invested in such Investment Securities (as defined in the Indenture) as the City may direct in writing, as provided in the Indenture.

Section 503. City to Perform Certain Covenants Under Indenture. The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under this Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Bondholders, the Credit Issuers and the Swap Providers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. The City hereby assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority thereunder, and those covenants contained in the Indenture which are not within the control of the City.

Section 504. Compliance with the Internal Revenue Code. Each of the City and the Authority covenants that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds, the interest on which is intended to be excludable from gross income of the holders thereof, which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code; that it will comply with the requirements of the Code throughout the term of such Bonds so that the interest on such Bonds shall be excluded from gross income for federal income tax purposes; and that it will not apply the proceeds of such Bonds in such a manner as would result in the loss of the exclusion of interest on such Bonds from gross income of the owners for federal tax purposes.

The City further covenants that it will calculate and pay directly to the United States the amount of arbitrage rebate payable to the United States Treasury under the Code pursuant to Section \_\_\_\_\_ of the Indenture.

# City of Philadelphia

BILL NO. 020036 *continued*

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## Section 505. No Personal Recourse Against Authority; Assumption of Financial Responsibility.

(a) In the exercise of the power of the Authority and its members, officers, employees and agents under this Service Agreement or the Indenture including (without limiting the foregoing) the application of moneys and the investment of funds, neither the Authority nor its members, officers, employees or agents shall be accountable to the City for any action taken or omitted by it or them except actions constituting bad faith, willful misconduct, [negligence,] fraud or deceit of the Authority or of any member, officer, employee or agent. The Authority and such other persons shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the City for any claims against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person based on this Service Agreement or on the Indenture or based on the Authority's participation in the Program.

(b) To the extent authorized by applicable law, and in consideration of the service being rendered by the Authority to the City pursuant to the Authority Law, the City agrees to indemnify, defend and hold harmless the Authority and each of its directors, officers, employees, agents and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties"), against any and all suits, claims or causes of action (collectively, "Claims"), and all liabilities, losses, costs, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys' fees) of every kind (collectively, "Losses"), relating to or arising in connection with the Authority's entering into this Service Agreement, the Indenture or any other documents executed by the Authority in connection with the transactions contemplated in connection with the Program, the performance of any of the Authority's obligations hereunder or thereunder, any acts or omissions with respect to the Authority's interest under this Service Agreement, the Indenture or any other documents executed by the Authority in connection with the transactions contemplated thereby, or any other acts or omissions relating to the Authority's involvement in the Program; except in each case to the extent that the Claims and Losses are attributable to the willful misconduct, [negligence,] bad faith, fraud or deceit of any such Indemnified Party.

(c) In the event any such Claim is made or action brought against any Indemnified Party, the City shall assume the defense of the Claim and any action brought thereon and the City shall pay all expenses incurred therein; or the Authority, with the consent of the City Solicitor, may assume the defense of any such Claim or action, the reasonable costs of which shall be paid by the City; provided, however, that Counsel selected by the Authority to conduct such defense shall be approved by the City and further provided that the City may engage its own Counsel to participate in the defense of any such action.

# City of Philadelphia

BILL NO. 020036 *continued*

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(d) The City shall have the right to control the defense of any legal proceedings involving any Claims (other than Claims relating to the inherent powers of the Authority), but shall keep the Authority advised as to all material developments in such proceedings. Notwithstanding anything herein to the contrary, the City shall not be required to indemnify or defend any Indemnified Party against any Claims or Losses to the extent such Claim or Loss is the result of the willful misconduct, bad faith, [negligence,] fraud or deceit of the Authority or such Indemnified Party; provided, however, the Authority's taking of any action, or the failure to take any action, which it is permitted to take under the terms of this Service Agreement, the Indenture or any of the documents involved in the Program, shall under no circumstances be deemed to constitute willful misconduct, bad faith, [negligence,] fraud or deceit; and furthermore, the taking of any action by the Authority at the written direction of the City or the Trustee shall not under any circumstances be deemed to constitute willful misconduct, bad faith, [negligence,] fraud, or deceit.

(e) The City shall not be obligated under Section 505(b), (c) or (d) of this Service Agreement unless the Indemnified Party has given the City prompt and timely notice of matters contemplated by Section 505 (b), (c) or (d); provided however, the failure to so notify the City will not relieve the City from any obligation under Section 505(b), (c), or (d) except to the extent such failure has materially injured the ability of the City to defend such matter successfully or to minimize the economic exposure resulting therefrom. Nothing in this Section 505 shall be deemed to preclude the City from asserting any claim against an Indemnified Party for expenses arising from such Indemnified Party's willful misconduct, bad faith, [negligence,] fraud or deceit.

Section 506. Liabilities of the Trustee. The City shall at all times assume complete financial responsibility for all liabilities, losses, claims, causes of action and reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, including the actual and reasonable allocated costs and expenses of in-house counsel) incurred by, imposed upon or asserted against the Trustee, including its officers, directors, employees and agents, or any of them, for following any instruction or direction upon which the Trustee is authorized to rely pursuant to the terms of this Service Agreement, the Indenture or the Bonds or which arise on account of or result from any actions taken or omitted to be taken by the Trustee, except as a result of its or their negligence or willful misconduct, relating to or arising out of this Service Agreement, the Indenture or the Bonds.

Section 507. No Waiver of Immunity. Nothing herein shall waive or amend any defense or immunity which the City or the Authority, their officers, employees or agents may have under the Pennsylvania Political Subdivision Tort Claims Act, 42 Pa. C.S.A. §8541 et seq. or the Commonwealth Agency Law, 42 Pa. C.S.A. §8521 et seq.

[End of Article V]

# City of Philadelphia

BILL NO. 020036 *continued*

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## ARTICLE VI

### Events of Default and Remedies

Section 601. Events of Default. Each of the following shall constitute an Event of Default hereunder:

(a) The failure of the City to make any payment to the Trustee of the Service Fee when due pursuant to Section 401 (a) or (b) of this Service Agreement;

(b) The failure of the City to make any other payment or to perform any other covenant, condition or agreement herein on its part to be performed; and

(c) If the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within sixty (60) days.

Section 602. Notice of Defaults; Opportunity to Cure Such Defaults.

(a) No default under 601 (a) hereof shall constitute an Event of Default if the City's failure to make any payment due under this Service Agreement is cured within two (2) Business Days after the due date of the payment; provided, however, that in no event shall such cure period extend beyond the date and time the payment is due to the Bondholders or any Credit Issuer or Swap Provider.

(b) No default under Section 601(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Section 603. Remedies. If any Event of Default shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies:



# City of Philadelphia

BILL NO. 020036 *continued*

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(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under this Service Agreement; or

(b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

In no event shall the due dates for payments of the Service Fee hereunder be accelerated.

Section 604. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Service Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 605. No Additional Waiver Implied by One Waiver. In the event the breach of any agreement contained in this Service Agreement should be waived by either party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

[End of Article VI]

# City of Philadelphia

BILL NO. 020036 *continued*

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## ARTICLE VII

### Miscellaneous

Section 701. Notices. (a) Except as otherwise permitted herein and in the Indenture, all communications hereunder shall be in writing and, unless otherwise required under this Service Agreement, shall be sufficiently given or made if delivered personally to the Person who is to receive the same or if mailed to such person by certified mail, return receipt requested, addressed as follows:

- (i) if to the Authority:

Redevelopment Authority of the City of Philadelphia  
1234 Market Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19107  
Attention: Executive Director

with a copy to:

Robert Guerra, Esquire  
1234 Market Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19107

- (ii) if to the City:

City of Philadelphia  
c/o Director of Finance  
1401 John F. Kennedy Boulevard  
MSB - Room 1330  
Philadelphia, PA 19102-1693

With a copy to each of:

Law Department  
City of Philadelphia  
1515 Arch Street, 17th Floor  
Philadelphia, PA 19102-1595  
Attention: City Solicitor

City Treasurer

# City of Philadelphia

BILL NO. 020036 *continued*

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1401 John F. Kennedy Boulevard  
MSB - Room 640  
Philadelphia, PA 19102-1693

(iii) if to the Trustee to:

Section 702. Severability. If any provision of this Service Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 703. Redemption of Bonds. The Authority, at the written direction of the City, at any time the aggregate moneys in the funds or accounts created under the Indenture are sufficient to effect such redemption in whole or in part, and if the same are then redeemable under the provisions of the Indenture, shall forthwith take steps that may be necessary under the applicable provisions of the Indenture to effect redemption of all or as many of the then Outstanding Bonds on such redemption date as may be specified in writing by the City.

Section 704. Counterparts. This Service Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same Service Agreement.

Section 705. Benefit of Service Agreement. This Service Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns. In addition, the agreements and representations of the City and the Authority herein contained shall inure to, but only to, the Trustee for the benefit of the Holders from time to time of all Bonds issued and Outstanding under the Indenture, any Credit Issuers and Swap Providers secured pursuant to the Indenture, and to the Trustee for its own benefit.

Section 706. Termination. This Service Agreement shall terminate on such date as the principal or redemption price of and interest on all Bonds and all other amounts required under the Indenture to be paid and all other expenses payable by the City hereunder shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of this Service Agreement and the Indenture shall have been fully satisfied.

# City of Philadelphia

BILL NO. 020036 *continued*

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Notwithstanding foregoing, the City's obligations under Section 504, Section 505 and Section 506 hereof shall survive any such termination.

Section 707. Governing Law. This Service Agreement shall be governed by, and construed in accordance with, the substantive laws of the Commonwealth.

Section 708. Entire Agreement. This Service Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the Authority and the City with respect to the subject matter hereof.

Section 709. Amendments and Supplements.

(a) If the Authority issues Additional Bonds as contemplated by the Indenture, the Authority and the City shall execute an appropriate supplement or amendment to this Service Agreement. In addition, the parties hereto from time to time may enter into any written amendments hereto (which thereafter shall form a part hereof) as shall not adversely affect the rights of or the security of the holders of the Bonds, only for the following purposes:

(i) to cure any ambiguity, defect, or inconsistency or omission herein or in any amendment hereto; or

(ii) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; or

(iii) to reflect a change in applicable law;

(iv) to modify the Program; or

(v) to provide terms not inconsistent with the Indenture or this Service Agreement; provided, however, that this Service Agreement as so amended or supplemented shall provide at least the same security for holders of Bonds issued under the Indenture as the Service Agreement in this form.

(b) All other amendments must be approved by the Trustee and, if the Indenture must be amended with the Bondholders' and/or the Bond Insurer's consent, by the Bondholders and the Bond Insurer also, in the same manner and to the same extent as is set forth in Section \_\_\_\_\_ of the Indenture.

(c) Any amendment or supplement to this Service Agreement (other than an amendment or supplement relating to a series of Additional Bonds pursuant to Section 709(a) which does not cause the Annual Debt Service Requirement to exceed \$20,000,000) shall be approved by ordinance of the City Council of the City and a copy of any such amendment or

# City of Philadelphia

BILL NO. 020036 *continued*

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supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

Section 710. Limitation on Liability of the Authority. No provision of this Service Agreement shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers or employees, or to give rise to a charge upon the general credit of the Authority or such members, officers or employees, including without limitation in respect of general liability for repayment of the Bonds; any pecuniary liability hereunder of the Authority shall be limited exclusively to its interest in this Service Agreement and the lien of any judgment shall be restricted thereto.

Section 711. Construction; Conflict with ~~2001~~2002 Ordinance. If any provision of this Service Agreement conflicts with the provisions of the ~~2001~~2002 Ordinance, the ~~2001~~2002 Ordinance shall control.

[End of Article VII]

**City of Philadelphia**

BILL NO. 020036 *continued*

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Service Agreement, all as of the day and year first above mentioned.

REDEVELOPMENT AUTHORITY OF THE  
CITY OF PHILADELPHIA

By: \_\_\_\_\_

Chairman

CITY OF PHILADELPHIA,  
PENNSYLVANIA

By: \_\_\_\_\_

JANICE DAVIS  
Director of Finance



# **Program Framework**

## **Exhibit A to the Service Agreement**

**John F. Street, Mayor  
City of Philadelphia  
January 2002**

# City of Philadelphia

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# City of Philadelphia

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## I. INTRODUCTION

The City of Philadelphia is a City of enormous vitality and even greater potential. It occupies a strategic East Coast location between the business and political capitals of the world. Philadelphia is home to some of the nation's best academic and cultural institutions; it is a livable city known for its vibrant neighborhoods.

Over the past four decades, the City of Philadelphia has experienced a steady decline in the health and vitality of its neighborhoods because of profound changes in the local economy. Few neighborhoods in Philadelphia have escaped the effects of blight: abandoned cars, short dumping, vacant lots, abandoned housing and aging housing stock. Several sections of the City stand out, as they have suffered the greatest impact of blight.

### A. THE PHILADELPHIA ECONOMY

As the center of manufacturing, Philadelphia's stature and growth during the first half of the 20th century were unparalleled. However, in the last decades of the 20th century, new economic systems based upon information technology, telecommunications, and the foreign production of goods and services fundamentally changed the worldwide economy, with far-reaching consequences for Philadelphia and its neighborhoods. As shown below, the characteristics of the new economy, which began to emerge during the 1970s, are radically different from the characteristics of the old manufacturing economy on which the success of many Philadelphia neighborhoods was based.

	Old Economy	New Economy
Primary product	Manufactured goods	Information
Typical producer	Large company	Network of smaller specialized firms
Production location	Urban	International
Production site	Multi-story factory near densely populated urban neighborhood	Suburban office campus near highway interchange or "smart" office space
Workforce characteristics	Unskilled/semi-skilled	Professional. College degrees or advanced training required.

With the shift from a local and industrial-based economy, Philadelphia experienced the loss of businesses, jobs, and people. During the transition, manufacturing companies based in the City moved, downsized or closed. Newer information technology firms sought modern facilities located outside Philadelphia, along Routes 309 and 202. People, especially the middle

# City of Philadelphia

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class, followed the jobs to the suburbs or other regions of the United States, generating an unprecedented population decline. Since its peak population year in the 1950s, Philadelphia has lost more than 600,000 people.

The dramatic drop in City dwellers decimated the residential and commercial real estate markets in many neighborhoods. Some neighborhoods in north, south, west, and southwest Philadelphia lost more than one third of their residents. Since very few people and businesses were moving into the City, there were no buyers for the houses vacated when a family moved or an older resident died. Robust commercial corridors, such as Germantown, Ridge, Woodland, and Point Breeze Avenues, declined as people moved away and shopping patterns changed. Beginning in the late 1960s, the City began to experience long term housing vacancy. Today, there are more than 26,000 vacant houses, 2900 abandoned factories, and nearly 31,000 lots.

Because this large-scale economic divestment was unforeseen and without precedent, Philadelphia government did not respond well to the new challenges accompanying the fundamental and quickening changes happening in the neighborhood economy. First, the loss of tax paying businesses and people meant the lost of revenues for basic municipal services and neighborhood improvements. By the 1990s, Philadelphia was on the verge of bankruptcy. In addition, policy changes in federal programs added to Philadelphia's precarious financial situation. For example, many of the vacant buildings and land that we see today are the remnants of housing and community development programs cut by the federal government during the 1980s.

As important, the economic losses that occurred in Philadelphia neighborhoods during the last quarter of the 20th century caused a less tangible, but equally, serious problem. The morale and community spirit of Philadelphia residents dissipated because blight and social disorganization spiraled out of control. Today, Philadelphians are cynical and lack confidence in the ability of government to work together effectively to stabilize and revitalize Philadelphia neighborhoods.

Against this backdrop of blight, economic divestment, and social disintegration, the Neighborhood Transformation Initiative (NTI) proposes to lay a foundation for change and renewal. While the successful implementation of NTI will help eliminate much of the long-standing physical blight that plagues Philadelphia neighborhoods, full transformation will be a long-term effort. It requires, among other things, new economy businesses, a trained workforce, high quality schools, safe streets, and social service support systems for the poor and elderly. NTI reaches beyond the tenure of any one Mayor and any one administration. It requires an on-going commitment by elected officials at every level, the leveraging of available

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public funds, and a long-term partnership between government, the private sector, nonprofit sector, and the residents of this City.

## **B. THE NEIGHBORHOOD TRANSFORMATION INITIATIVE ("NTI")**

NTI is a multi-faceted strategic plan. It seeks to eradicate the City's significant inventory of vacant, ever-deteriorating buildings and debris-filled lots while constructing a comprehensive, strategic and thorough redevelopment plan that revitalizes some neighborhoods and stabilizes others. NTI is citywide in scope; thus, it will affect Philadelphia's diverse population, replete with its diverse housing needs and distinct community concerns.

### **1. NTI Goals**

NTI has six primary goals that seek to:

- Facilitate and support community-based planning and the development of area plans that reflect citywide and neighborhood visions;
- Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, and graffiti in order to improve the appearance of Philadelphia streetscapes;
- Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated code enforcement program to abate public nuisances;
- Improve the City's ability to assemble land for development;
- Stimulate and attract investment in Philadelphia neighborhoods through strategic partnerships between the public, private and nonprofit sectors; and
- Leverage public resources to the fullest extent possible and invest resources in neighborhoods strategically.

Effectively promoting new investment in Philadelphia's neighborhoods requires transparent strategies, predictable administrative policies, and a coordinated, comprehensive approach that mandates cooperation between public agencies, community residents, private and non-profits sector interests. NTI contemplates expending funds based upon processes that are data-driven, build upon market strengths, and evolve out of a planning process. If spent unwisely, no amount of money will be sufficient to combat blight and transform distressed neighborhoods into vibrant communities. Anchored by standards for quality neighborhoods,

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the City will employ a set of principles to guide the allocation of federal, state, and local resources that are available for investment in neighborhoods. These principles will seek to:

- Use planning as an investment tool;
- Balance affordable and market rate housing;
- Invest to stimulate market activity;
- Foster competition to get the best product;
- Maximize private capital and minimize public dollars; and
- Link housing with other public and private investments.

To achieve these objectives, the City completed an analysis of Philadelphia real estate markets in March 2001. This study identified six market clusters. This cluster analysis will help define an appropriate role for City government for each market type and tailor programs and services to fit market strengths, weaknesses, opportunities and threats.

## **2. Cluster Analysis**

### **a. Regional Choice**

These areas have the highest average housing values; values tend to fluctuate along with the general economic cycle experienced in this and other cities, and the housing stock is generally older and in good condition. Regional Choice markets have a mix of both residential and commercial uses as well as owner and renter occupied stock. Resident credit scores tend to be the highest in the City in these areas.

### **b. High Value/Appreciating**

These areas, like the Regional Choice markets, have very high average housing values, strong appreciation and population stability; however, unlike the Regional Choice markets, these areas contain less commercial activity and higher rates of homeownership. Older housing, in good condition, is the norm. Resident credit scores are generally good.

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## **c. Steady**

These markets have high housing values, but not as high as the Regional Choice and High Value/Appreciating markets. Price appreciation over the 90's was not strong. Steady markets have very little commercial presence and owner occupancy rates are high. The age of housing reflects a substantial portion of the homes built during the post World War II housing construction boom. Resident credit scores are generally high, but show signs of erosion.

## **d. Transitional**

These markets have housing values that exceed the citywide average; change was minimal over the 90's. Although in many of these markets the housing stock is relatively younger, some show signs of elevated levels of vacancies, dangerous properties, demolitions and other indicators of physical deterioration. Transitional markets have about the lowest average level of commercial uses. These markets have the highest average level of owner occupancy. Resident credit scores reflect greater risk than the aforementioned markets, meaning that access to traditional sources of credit is reduced.

## **e. Distressed**

Distressed markets have home values well below the other markets. There is price appreciation in these markets (e.g., from \$39,800 in 1990 to \$46,200 in 1999), but the appreciation is based on low real estate values. The housing stock is old and beginning to show signs of wear and tear. The number of demolitions, vacant and dangerous houses is significant. A large percentage of the households are elderly. Many households are unable to borrow from mainstream financial institutions because of low incomes and poor credit histories.

## **f. Reclamation**

Reclamation markets have the oldest housing and the lowest average values. While the 1990s showed substantial percentage gain in sale prices (e.g., from \$15,900 in 1990 to \$20,700 in 1999), these prices remain well below the citywide average. Vacancy rates are very high and a significant proportion of the occupied housing stock is in substandard condition. There is very little commercial presence. Both owner occupancy and Section 8 tenancy rates are high. Resident credit scores reflect the highest risk levels in the City.

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## C. NEIGHBORHOOD PLANNING

Although past community planning processes have been effective in some places, success in creating and implementing plans in other neighborhoods has been uncertain and uneven. Where strong community development organizations exist, it is more likely that planning and development will occur. Yet, too many Philadelphia communities have been left behind, and too many community residents do not feel they have a voice.

A basic function of City Planning Commission (CPC) is to provide communities with neighborhood planning capacity. Under the leadership of the CPC, the City is committed to making planning citywide, inclusive, and community based.

### 1. City Planning Objectives

The City's neighborhood planning process will have three objectives:

- To develop planning principles and create a transparent process for community-based planning and land use review.
- To develop a system that ensures that community residents have an opportunity to review and comment on any proposed plan;
- To develop a structure for community planning that encourages a larger framework for decision-making than simple neighborhood boundaries.

The CPC will coordinate planning activities associated with NTI. These activities will include among other things:

- Establishing neighborhood standards to provide a consistent basis for determining community need, measuring programmatic success, and allocating resources;
- Creating a process to support ongoing neighborhood planning activities in communities across the City;
- Initiating or reviewing physical plans for neighborhoods and convening or co-convening meetings and hearings at the community and area level.
- Coordinating community planning activities throughout city government; and

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- Acting as a liaison between neighborhood groups, citywide advocacy organizations and city agencies.

## II. THE NTI BONDS

The keystone for the successful execution of NTI is the issuance of approximately \$295 million of bonds by the Redevelopment Authority of the City of Philadelphia (the "RDA") in several series. RDA may issue bonds from time to time during the period of seven years from the effective date of the enabling legislation for the purpose of funding a portion of the costs of the Program at such rates or yields to result in an annual debt service requirement in excess of \$20 million for all bonds issued by the RDA for the Program. All bond proceeds over and above \$250 million will be used to fund redevelopment, housing and neighborhood preservation activities. These bonds will enable the City to generate sufficient resources to eliminate the backlog of dangerous buildings that are safety hazards in Philadelphia neighborhoods; prevent the encroachment of blight into stable neighborhoods; and create opportunities for redevelopment in the most distressed areas of the City.

Using a combination of tax-exempt and taxable bond financing, the City will implement several programs (NTI Bond Programs) designed to protect the health, safety and general welfare of Philadelphia residents while fostering the revitalization, renewal, redevelopment and transformation of blighted areas within the City. Subject to the applicable rules and regulations of the Internal Revenue Code (IRC), some examples of the types of activities that may be financed with tax-exempt bonds include, but is not be limited to, the following kind of activities:

- Demolition and clearing of vacant, unsafe, unfit or imminently dangerous structures;
- Encapsulation, stabilization, cleaning and sealing of structures;
- Environmental assessments and remediation;
- Acquisition of property, whether by purchase or exercise of power of eminent domain or otherwise;
- Holding, maintaining, improving, marketing, redeveloping and sale or lease of property;
- Fencing, the cutting down of dead street trees, removal of graffiti and other measures for safety to eliminate or prevent blighting conditions;
- Relocation of residents affected by demolition and redevelopment activities and payment of the costs thereof;

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- Provision of financial assistance, including grants, loans or guarantees, for the acquisition, improvement or redevelopment of property for industrial, commercial or residential purposes;
- Repair of streets, driveways, curbs and sidewalks and retaining walls and provision of utility infrastructure and public facilities; and
- Development and maintenance of databases and management information systems with respect to the foregoing.

## **A. Type of Bonds**

### **1. Tax-exempt Governmental Purpose Bonds**

A two-pronged test determines whether an activity may be funded with governmental purpose bonds. To be eligible, the activity must serve a governmental purpose such as protecting the health, safety and general welfare of the public. As important, the activity cannot benefit a "private person" or result in any "private payment" as defined by the IRC. The demolition, stabilization, and encapsulation of vacant and dangerous buildings as authorized by the Philadelphia Property Maintenance Code are eligible activities. In addition, governmental purpose bonds may fund the relocation of individuals residing in properties adjoining a demolished property, where relocation is required for safety reasons.

### **2. Tax-exempt Private Activity Bonds**

Private activity bonds are bonds may be used to fund certain qualified programs and may benefit "private parties" and/or result in "private payments." Examples of qualified programs and projects include: home purchase mortgages and home owner assistance programs; demolition, environmental remediation, acquisition and relocation costs associated with redevelopment projects; energy conservation programs; financing manufacturing facilities; and, low-income housing development. Private activity bonds that fund home ownership and home improvement programs are subject to income and/or purchase price limits. Loans to businesses are eligible activities if the business is located within the Philadelphia Empowerment Zone. Otherwise, this type of bond financing is limited to manufacturing projects.

### **3. Taxable Bonds**

These bonds are issued for any approved City or RDA purpose and do not have the additional tax code restrictions of tax-exempt bonds.



## III. BLIGHT ELIMINATION ACTIVITIES

Before investment can take root and growth can occur, its impediments must be removed. In the case of neighborhood development, one of the greatest impediments is blight in all its forms—vacant buildings, trashed-strewn vacant lots, abandoned autos, litter, graffiti and dangerous street trees. Blight undermines a community's quality of life by depressing property values and creating a perception that an area is unsafe and unclean. Because the presence of blight is crucial to business and family location decisions, the City must eradicate it to revitalize Philadelphia neighborhoods successfully.

The City, through its blight elimination activities, seeks to:

- Address dangerous conditions first and foremost;
- Invest in Philadelphia's neighborhoods to prevent future blight;
- Use resources to both eliminate blight and create market opportunity;
- Create civic and private sector partnerships to create sustainable greening and beautification projects that involve the active participation by, and commitment of, community stewards.

### A. DEMOLITION OF DANGEROUS VACANT HOUSES

The goal of the residential demolition program is to protect the health, safety and general welfare of Philadelphians by eliminating the City's inventory of vacant and dangerous houses in approximately five years. According to a survey completed by the Department of Licenses and Inspection in January 2000, approximately 8,000 of the 26,152 vacant houses are structurally dangerous and may collapse at anytime. However, the total number of demolitions required to eliminate the unsafe conditions in neighborhoods may climb as high as 14,000. Vacant houses that are not structurally dangerous today will continue to deteriorate and become dangerous over the next five years. In fact, experience indicates that approximately 1000–1200 vacant houses become dangerous each year. In addition, it is neither cost-effective nor efficient to tear down just the dangerous buildings and not the vacant properties that are adjacent to, or set between, the dangerous ones. Considering these factors, the City believes that it will need to demolish approximately 14,000 houses to eliminate the current backlog of dangerous buildings and arrest the development of new dangerous buildings. The City will use governmental purpose bonds to fund the demolition of dangerous and vacant houses.

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## 1. Priorities

The City's demolition strategy will give priority to public safety, economies of scale, and potential redevelopment opportunity. The City will use "raster modeling" to help prioritize demolitions and develop a five-year master schedule. The type of data that the City will evaluate when making demolition decisions includes, but is not limited to, the following:

- Condition of structure;
- Degree of vacancy;
- Ownership characteristics;
- Social, cultural and economic anchors;
- Parcel characteristics;
- Schools;
- Economic, social and cultural anchors;
- Housing and community development investments;
- Population change;
- Proximity to noxious land uses; and
- Real estate market conditions.

## 2. Operating Principles

The City will adhere to the following principles when carrying out demolition:

- Elected officials, community leaders, and neighborhood residents will be given ample notice of planned demolition activities;
- The demolition of vacant structures will be conducted in a safe, orderly, and environmentally sound manner;
- Demolition work will be undertaken in a manner that will minimize community disruption; and
- The City will structure bid documents to lower costs and meet the City's economic opportunity goals for the NTI.

The City's plans to bid packages of demolition work on a geographic basis will enable the City to better manage the activity and reduce costs. The City projects spending approximately \$10,000 per house for demolition and related activities, such as applying stucco to the adjoining property walls, cutting down dead and dangerous trees on the property, and seeding and fencing the vacant lot if appropriate and cost effective. The actual size and number of bid packages will depend on several factors, including contractor capacity,

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concentration of vacant dangerous properties, environmental abatement requirements, and economic opportunity goals. The City will use a Program Manager to oversee the demolition, cleaning, sealing, stabilization, and encapsulation work financed with bond proceeds. The Program Manager's Scope of work is comprised of three phases.

## **Phase 1: Planning and Project Development**

During this phase, the Program Manager will work with the City to identify and assess alternative approaches and recommend an appropriate methodology for the Project. This includes developing a Master Project Schedule, Project Budget, phasing alternatives and project management procedures.

## **Phase 2: Prototype Demolition Bid Package**

During this phase, the City anticipates creating two initial bid packages that will test operating assumptions and serve as a guide for implementing the remaining scope of the Project.

## **Phase 3: Demolition, Stabilization and Encapsulation Activities**

After Phases 1 and 2 establish the Project methodologies, full-scale demolition, stabilization, and encapsulation implementation will take place. Although City agencies will provide significant contributions to the Project, the City will use the Program Manager to provide continued oversight, coordination and monitoring of all Project activities. At this time, the City will revisit and refine the Program Manager's scope of work and responsibilities.

### **3. Relocations Due to Demolition Activities**

Because of the number of sensitive issues associated with relocation activity, the City will convene a Relocation Management Team consisting of senior-level officials from a number of local agencies including, but not limited to, the RDA, PHA, L&I, CPO, and the Office of Risk Management. This Team will meet on a monthly basis to discuss, among other things, adjustments to the system, status of relocation activities, special-needs cases and capacity.

Immediately before the start of demolition, the City will conduct building surveys and social service assessments of the residents on the targeted blocks. The purpose of the surveys and assessments is to:

- Document the condition of occupied properties that are adjacent to vacant buildings;

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- Identify structural problems and other dangerous conditions that may warrant the relocation of residents living adjacent to a vacant building that is targeted for demolition;
- Determine any potential threats that demolition may pose the health, safety, and welfare of residents on the block; and
- Identify any unauthorized occupants of vacant buildings targeted for demolition and/or criminal activity to enable the City to institute appropriate legal action in a timely manner.

The Office of Risk Management (ORM), with the support of the Office of Emergency and Shelter Services (OESS), will manage and direct the emergency, temporary, and permanent relocations caused by demolition activities; e.g., an adjoining structure becomes temporarily unstable or permanently uninhabitable because of the demolition activities. Based upon the building surveys and social service assessments, the ORM and OESS will develop a specific relocation plan for the targeted area. OESS will take all necessary actions to locate adequate emergency and temporary housing for residents who are displaced as a result of any demolition activities. For example, the City is contracting with social service providers such as the American Red Cross, Salvation Army and others to meet the challenges associated with temporary housing. The City will use governmental purpose bonds to fund relocations due to demolition activities.

#### **4. Relocations Due to Preexisting Imminently Dangerous Conditions**

Because of the extensive vacant property surveying work that is required to support the demolition of some 14,000 vacant buildings, the City expects to find homeowners and tenants living in houses that are imminently dangerous. Because these imminently dangerous conditions are not the result of governmental action such as demolition or condemnation, the City is not legally required to provide any assistance other than that which is necessary to protect the health and safety of the occupants. Nevertheless, the City is investigating the feasibility of providing relocation and financial assistance to the occupants of imminently dangerous houses.

### **B. DEMOLITION OF LARGE VACANT STRUCTURES**

The Commerce Department will assess and recommend the demolition of approximately 15 dangerous large commercial and industrial buildings that support major economic development projects. In making this determination, the Commerce Department will consider factors such as expression of interests by developers, size, condition, location, ownership and

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environmental contamination. The cost of demolition ranges from \$500,000 to \$1.5 million per structure. The City will use governmental purpose bond proceeds to fund the demolition of large industrial properties.

## **C. MANAGEMENT OF VACANT LAND**

In the case of open spaces and vacant lots, the focal point of the City's efforts will be to establish a comprehensive vacant land management system, which includes the following elements:

- Establishment of a Citywide Vacant Lot Clean-up Program to keep vacant lots reasonably free of debris;
- Open space planning;
- Neighborhood greening projects that include stabilizing, seeding, and improving vacant lots;
- Street tree plantings where the physical fabric is intact or rebuilt;
- Revitalization of key neighborhood parks and play areas; and
- Education and technical assistant support for community stewards of vacant land.

The primary source of funding for vacant land management activities includes, but is not limited to, general operating funds and grants from federal, state and foundation and corporate sources. Bond proceeds may be used when the land management activities are directly related to demolition or redevelopment activities.

### **1. Citywide Vacant Lot Cleaning and Street Tree Maintenance**

In June 2001, the City launched a Vacant Lot Clean Up Program. The goal of this program is to clean approximately 31,000 vacant lots, regardless of ownership, within one year. In order to accomplish this goal, the City divided the lots into three different category types to determine equipment and personnel requirements. The three categories are:

- Type A: a small lot with little debris and trash, some weeds and small trees;
- Type B: a medium lot with little debris and high weeds; and
- Type C: a lot with heavy debris and used as an illegal dumping site.

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In addition, the City was divided into three geographic areas of approximately 10,000 lots, plus the Northwest and Northeast sections of the city. Clean up operations began simultaneously in each section, concentrating on one census tract per section. Throughout the process, L&I will issue violation notices of the Property Maintenance Code, which permits the City to clean these lots and place liens on the property. The initial cost of the Vacant Lot Clean Up Program is \$6.5 million. A portion of these funds includes increased anti-graffiti efforts.

The City is investigating other ways to keep lots reasonably free of debris after the initial clean up program is completed. For example, the City may contract with third parties instead of using temporary workers to perform these functions. The estimated cost of follow-up cleanings is \$2 million annually. The City will use general operating funds for the initial and any follow-up cleaning of vacant lots.

In addition, the City has a current estimated backlog of 8,500 dangerous street trees in need of removal. As part of NTI, the City allocated \$3.5 million in general operating funds over five years to eliminate the current backlog dead and dangerous trees and the additional trees that die each year. Once the backlog is reduced, the City will shift funding to support an ongoing tree management program that will increase the level of planting and pruning activities.

## 2. Fencing of Vacant Lots

The City will establish a committee to review requests for fencing of vacant lots. The committee will meet quarterly and will include a representative from each of the following organizations; City Council, City Planning Commission, Philadelphia Horticultural Society; Managing Director's Office, and Office of the Mayor. The City will support the fencing of vacant lots only if:

- Fencing is a component of a broader community-based plan;
- There is an articulated and reasonable purpose for fencing; and
- There is a strategy for stewardship of the land, which can be sustained over time.

In addition, any commitment of funds for fencing will take into consideration the following factors:

- Parcel size; (The City will not support fencing parcels larger than 2500 square feet, except under extenuating circumstances);
- Costs and aesthetics;

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- Alternative methods to protect the property from illegal dumping such as tree plantings, surveillance and code enforcement activities;
- Type of fencing (e.g., Chain link, post and rail, jersey barriers);
- Impact on maintenance (e.g., will the fence impede efficient and effective lot maintenance).

### **3. Vacant Land Enhancement Activities**

As a part of NTI, the City will launch a "*Greene City*" Campaign (Campaign). A public/private partnership, the Campaign seeks to improve the quality of life for residents and support neighborhood revitalization efforts by stabilizing, greening and enhancing vacant lots. The following principles anchor the Campaign.

- Debris-filled vacant lots decrease the quality of life for residents, discourage investment in the City and contribute to the trends of depopulation and divestment;
- Greening and improving lots that are strategically located, improves the quality of life, preserves and often heightens nearby property values and spurs redevelopment activity;
- Sustainable greening and beautification projects require public/private partnerships and the active participation by, and commitment of, community stewards; and
- Open space planning and community management of vacant urban land strengthens neighborhoods by encouraging interaction and providing opportunities to build social capital.

Specifically, the City will:

- Identify and prioritize target neighborhoods in the City for enhancement activities. These activities will include tree and grass planting, community gardens, murals, tot lots and/or fencing;
- Identify and establish meaningful relationships with community stewards;
- Identify and secure corporate and foundation resources to fund the various initiatives that support the Campaign; and

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- Create and implement a citywide communication plan and public awareness campaign to support various greening initiatives.

## 4. Community Outreach Programs

As a part of NTI, there will be an effort to enhance the partnerships between residents and City agencies to reduce trash and debris on vacant lots and City streets. By participating in community outreach programs such as Community Caretakers, Philadelphia More Beautiful Committee, Weed and Seed and others, neighborhood residents and institutions are being asked to help to combat blight. The City will implement a variety of programs and campaigns that ask community leaders and residents to report incidents of graffiti, vandalism, abandoned cars, and illegal dumping to the appropriate authorities. In addition, The City will tap the strong network of volunteer organizations and build upon the rich tradition of community managed open space programs, such as Philadelphia Green and Village of Arts and Humanities.

## IV. REDEVELOPMENT ACTIVITIES

### A. LAND ASSEMBLY

NTI's success will depend on the City's ability to facilitate private investment to redevelop vacant land. Although Philadelphia has 30,730 vacant lots, few are large enough to sustain significant commercial, industrial or residential development. Although the City has accommodated major housing and economic development projects by acquiring land on a project by project basis, an ad hoc approach to redevelopment is no longer tolerable. As important, even when adequately sized parcels exist, the land acquisition, assembly and disposition processes can involve up to 15 city agencies, departments and authorities, each subject to different requirements. The proposed reengineering of the City's housing and community development delivery systems (discussed under Section VI) will enable the City to cut through the bureaucracy attendant to the assembly of land for redevelopment.

The City will focus its large-scale land assembly activities primarily in areas of the City where there is a high density of vacant land and an opportunity to spur redevelopment activities. The City will use private activity and/or taxable bonds to finance the assembly and banking of vacant land for redevelopment, including but not limited to, the cost of environmental assessments and relocation of homeowners and tenants when this action is appropriate. The following are among the factors that the City will take into consideration when assessing the redevelopment potential of an area for land assembly activities.

- Expressions of interest by non-profit and for-profit developers;



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- Prior housing and community development investments;
- Proximity to strong real estate markets;
- Proximity to employer and other institutional anchors such as colleges and universities; and
- Proximity to neighborhood assets and community anchors, such as parks and transit hubs;

The acquisition and disposition of vacant land for specific redevelopment projects will be carried out in accordance with applicable federal, state statutes and local laws, including, but not limited to the following: Section 5-900 of the Philadelphia Home Rule Charter; Section 16-400 of the Philadelphia Code; the Urban Redevelopment Authority Law and Redevelopment Cooperation Law)<sup>1</sup>; and the Uniform Relocation Act.

Because the highest concentration of vacant properties is located in certified urban renewal and redevelopment areas, the aggregation of land for redevelopment will be subject to City Council review. For example, in order for the RDA to exercise its powers of eminent domain, the Urban Redevelopment Law requires City Council approvals for the:

- Creation or modification of Redevelopment Areas;
- Redevelopment Proposal Plans to support condemnation of the property by the RDA, including the number of properties that will be condemned and the proposed reuse;
- Selling, leasing or transferring of any real property in a Redevelopment Area to a developer, regardless of the means of acquisition by the RDA.

The successful revitalization of many Philadelphia neighborhoods will require the permanent relocation of some households to clear and assemble sufficient acres of land to stimulate new housing construction and commercial redevelopment. The City, by and through the RDA, will be responsible for relocations due to redevelopment activities. The RDA will adhere to, and abide by, all federal and state relocation statutes, regulations and standards. The RDA's experience indicates that it costs approximately \$25,000 to relocate a household under federal and state laws.

As required by law, the RDA will offer homeowners and tenants all relocation benefits to which they are entitled. Section 8 Certificates will not be offered as a substitute for rental housing assistance payments, when the bond proceeds are used to finance the RDA's

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<sup>1</sup> The Chart attached as Appendix 1 summarizes the governmental approvals that are required acquire or dispose of real estate by the City or RDA

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condemnation and redevelopment activities. The RDA will maintain and prepare regular reports of all relocation activity and the costs associated with all such activities. The City will use private activity or taxable bonds to fund relocations due to land acquisition and redevelopment activities.

## **B. HOUSING INVESTMENT STRATEGY**

Strong and healthy neighborhoods will only happen if the City facilitates housing investment within a context of a cohesive comprehensive strategy for preservation and redevelopment. Based upon a market analysis (discussed in Section II), the City will develop market appropriate roles for City government and housing investment strategies that:

- Facilitates economic growth by encouraging market rate investment;
- Preserves existing housing stock by directing resources to strong blocks and neighborhoods that show signs of decline;
- Rebuilds inner city markets at scale from the ground up; and
- Promotes equity by providing affordable housing to low-income, elderly and special needs citizens.

The City is repositioning its housing and community development system to meet measurable five-year production goals for these four broad categories of housing investments.

### **1. Market Rate Housing Investments**

Market Rate Housing is home ownership and rental housing that receives little or no direct public subsidies. Generally, it is purchased and sold "as-is", constructed or rehabilitated in response to factors such as market supply and demand, sales price appreciation, tax incentives, construction costs, or profit potential for a developer. In the case of new construction or rehabilitation, this form of housing is developed in areas of the City where the real estate market is strong enough to support the cost of construction and generate a reasonable profit for the developer. In addition, market rate housing includes the buying and selling of housing in "as-is" conditions and there is little or no need for significant improvements. Examples of market rate housing investment strategies that facilitate market rate housing transactions include, but are not limited to, real estate tax abatements, tax-increment financing, tax credits for historical rehabilitation, employer-assisted housing programs, purchase money mortgages, settlement grant assistance. As important, the development of market rate housings requires the lowering of barriers to development such as high construction costs, outdated zoning regulations, efficient administrative systems.

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## **2. Housing Preservation Investments**

Housing Preservation Investments are capital improvements designed to preserve Philadelphia's older housing stock so that it will remain occupied or suitable for sale to a homebuyer or lease to a tenant. Generally, housing preservation investments take two forms: moderate subsidies to rehabilitate new or short-term vacant properties and financial assistance to homeowners and landlords to repair and improve their properties. Examples housing preservation investments include several programs operated by the City, including but not limited to, the Homeownership Rehabilitation Program (HRP), Mend II Program, and the Philadelphia Home Improvement Program (PHIL) Program, Basic System Repair Program and various energy conservation programs. The City will use NTI Bonds to increase resources and enhance existing programs as well as develop new products and services to preserve the City's existing housing stock and stabilize neighborhoods.

## **3. New Urban Communities Investments**

New Urban Communities are large-scale (minimum of 75-100 units per transaction) new construction or substantial rehabilitation projects for homeownership or rental development. New Urban Communities will encompass a mixture of housing types for a wide range of incomes. Often they will entail the reconstruction and reconfiguration of a site to provide more modern, lower density development that is consistent with the surrounding neighborhood. To facilitate the development of New Urban Communities, the public sector's role includes creating the conditions for market rebirth with demolition and assembly of land, provision of development subsidies that decline over time to help write-down construction costs in low-value real estate markets, and infrastructure improvements. The City may use NTI Bonds to support large-scale new construction and rehabilitation projects.

## **4. Affordable Housing Investments**

The City will continue its commitment to providing quality, affordable housing for its most vulnerable citizens – low income, elderly and special needs populations. For Special-Needs housing, the City will follow the Good Neighbor Policy, which attempts to keep concentration to a minimum. It is best if this kind of housing finds the widest geographical expression and has good access to transportation and social services. The City's role in this type of housing development is to assemble land, provide infrastructure investment and funding for development subsidies, and encourage interagency cooperation when applying for and securing other funds from the federal and state sources. The City will pursue aggressively existing and new funding opportunities to build affordable home ownership and rental housing, including but limited to Low Income Housing Tax Credits, Section 202 funds for elderly projects, and federal public housing funds. In addition, the City will leverage public resources for affordable housing

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development to the fullest extent possible and invest these funds strategically to stimulate market activity in the surrounding community. The City may use NTI Bonds to support the development of affordable housing.

## **V. NEIGHBORHOOD PRESERVATION ACTIVITIES**

### **A. VACANT PROPERTY STABILIZATION**

While each situation carries with it a different set of circumstances, the City generally employs one or more of the following techniques when dealing with vacant structures: demolition, clean and seal, stabilization, and encapsulation. Of the 26,152 vacant properties identified in the January 2000 Vacant Property Survey, the City projects demolishing approximately 14,000 vacant residential houses, including all dangerous buildings. The City will clean and seal, stabilize and/or encapsulate the remaining vacant residential and small mixed-use buildings. Cleaning and sealing entails the removal of debris from nuisance properties and the boarding of windows and doors to prevent unauthorized access and vandalism. The proper cleaning and sealing of a vacant property reduces the chances of it becoming a public nuisance or haven for criminal activity. It costs approximately \$1700 to clean and seal a vacant house or small, mixed-use building.

Stabilization and encapsulation work seeks to prevent water damage and other deterioration caused by exposure to the elements. It also helps to preserve the fabric of neighborhoods by preventing missing tooth demolitions. Stabilization and encapsulation work may include one or more of the following: roof replacement; repairing or replacing gutters, downspouts, and storm water drainage systems; installing windows and doors; and repairing drainage and others systems that may be required to make the building watertight. In some cases, it will also include structural improvements such as the repair or replacement of walls and joists. The objective of the NTI stabilization and encapsulation program is to stabilize and preserve vacant properties on relatively stable blocks for rehabilitation and future occupancy. The City estimates spending \$5000 – \$15,000 to stabilize a vacant house or small, mixed-use building.

Once a vacant property is stabilized, the City will place a lien on the building and initiate the acquisition process. The City projects treating 1000 – 2500 vacant properties over five years. This production goal is contingent upon PHA's capacity to stabilize buildings, and the City's and the RDA's ability to acquire the properties for rehabilitation by non-profit and for-profit developers. The City will use governmental purpose bonds to fund the cleaning, sealing, stabilization, and encapsulation of vacant houses.

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## 1. Stabilization and Encapsulation Priorities

In selecting structures for stabilization and encapsulation work, priority will be given to vacant buildings that are:

- Residential or mixed-use residential/commercial property of four stories or less;
- Located on a block with a low vacancy rate;
- Structurally suitable for stabilization and rehabilitation and there are no significant soil or environment problems;
- Eligible for quick acquisition through eminent domain or Act 94 spot condemnation by the RDA; tax foreclosure sale through the Sheriff's Office; or negotiated purchase or donation;
- Located in areas or blocks of the City with strong real estate markets (i.e., neighborhoods where the real estate market is strong enough to provide reasonable assurance that the building can be sold after rehabilitation is completed);
- Feasible for rehabilitation within the parameters of the City's Homeownership Rehabilitation Program, known as HRP (i.e., in most cases, feasible for rehabilitation with City subsidy funding support not to exceed \$25,000), or be feasible for rehabilitation without public subsidy;
- Historically or architecturally significant;
- Located in areas where stabilization and encapsulation can preserve the structural integrity of the block;
- Located in areas near gateways to the City and other heavily traveled arteries; and
- Located in areas where there are non-profit and for-profit developers and contractors with the capacity and interest in rehabilitating the property.

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## 2. Operating Principles

The following operational procedures will guide the City's stabilization and encapsulation activities:

- Inspectors from L&I, assisted by the CPC, OHCD, PHA and the Program Manager, will survey targeted blocks and areas of the City to identify vacant buildings that are suitable for the stabilization, acquisition and rehabilitation.
- The Program Manager will prepare work specifications and cost estimates for buildings targeted for stabilization or encapsulation and forward the work orders to PHA or third party contractors. At the same time, the Program Manager will notify OHCD so that it can initiate the acquisition process.
- Assisted by L&I, the Program Manager will inspect the completed work and approve invoices for payment.
- A lien will be placed on the structure for the cost of the work performed.

## 3. Acquisition Planning Approach

Stabilization and encapsulation is effective only if followed by acquisition, rehabilitation, and re-occupancy. Without timely follow-up, stabilized properties will be vulnerable to vandalism, fire damage, and further deterioration, and many will become infeasible to rehabilitate. The City will use private activity and taxable bonds to pay for the acquisition of stabilized properties. The City will acquire stabilized properties based upon the following guidelines:

- All buildings scheduled for stabilization and encapsulation are simultaneously scheduled for acquisition by the RDA;
- As acquisition proceeds, the City will market the buildings to qualified for-profit and non-profit developers for rehabilitation;
- Using a tracking and monitoring system, OHCD will issue periodic reports on the status of stabilization, acquisition, and rehabilitation activities.

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## C. HOUSING PRESERVATION

An important indicator of a real estate market's economic well being is the physical condition of its housing stock. Many Philadelphia neighborhoods have rental and owner-occupied housing that is beginning to show signs of deterioration. Increasingly, there are vacant houses on blocks with a recent history of stability. A significant portion of the City's elderly live in these areas. The City's housing and neighborhood preservation activities will seek to stabilize housing markets in decline or stimulate housing markets that are stagnant and in danger of decline.

The City's bond financed housing preservation investment strategies will encompass a broad range of activities designed to stabilize neighborhoods and promote the maintenance and improvement of owner occupied and rental properties as well as the rehabilitation of vacant properties. Through these initiatives, the City seeks to:

- Preserve affordable rental and owner occupied housing by helping elderly, low and moderate income households remain in their homes, by providing sub-prime lending products to combat predatory lending; expanding the basic system repair programs; and offering housing counseling and mortgage foreclosure assistance.
- Offer below market home improvement loans to owners who want to upgrade and modernize their homes, regardless of income;
- Promote and stimulate the sales housing market through neighborhood marketing campaigns; home ownership counseling; settlement assistant grants; and purchase money mortgages;
- Provide acquisition financing and moderate rehabilitation subsidies so that CDCs and private developers can rehabilitate vacant properties in stable neighborhoods,
- Support housing and neighborhood preservation investments with targeted code enforcement and community organizing.

Using a combination of private activity and taxable bonds, the City will expand, enhance and improve existing City housing and neighborhood preservation programs<sup>2</sup>. In addition, the City plans to design and implement several new initiatives to prevent the encroachment of

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<sup>2</sup> The Chart attached as Appendix 2 summarizes the City's current housing rehabilitation and homeowner assistance programs.

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blight into stable blocks and neighborhoods. The NTI Annual Program Statement and Budget (discussed below in Section IX) will include detailed program descriptions and budgets for all new activities. Some examples of potential new program activities include, but are not limited to, the following:

## **1. Anti-Predatory Lending Initiatives**

The City proposes to initiate a comprehensive program to combat predatory lending and help stabilize neighborhoods. Predatory lending practices include borrowing money for home improvement work at exorbitant fees and interest rates. Often the homeowner is encouraged to incur mortgage debt more than their ability to pay. The City's anti-predatory lending initiatives may include: housing counseling specifically targeted to help consumers recognize and avoid predatory-lending practices; refinancing predatory loans at conventional market rates; and creating special, sub-prime rehabilitation loan products which may be used for home improvement and debt consolidation.

## **2. Employer Assisted Housing Initiatives**

Large Philadelphia institutions—colleges, universities, businesses and health care facilities—anchor neighborhoods across the City. The City will encourage the institutions to adopt employer-assisted housing programs similar to the successful one run by the University of Pennsylvania. One way the City could provide such an incentive is by offering settlement assistance grants to support employer-assisted housing programs that encourage their employees to purchase a home in nearby communities.

## **3. *It's Your Turn* Home Improvement Program**

Operating in West Oak Lane, *It's Your Turn* is a pilot program that offers financial assistance through grants and home improvement loans to qualified homeowners for repairs and upgrades that improve property values and stabilizes blocks. The program represents a public/private partnership involving the city, the Local Initiatives Support Corporation, Nationwide Insurance, and GMAC Mortgage Corporation and the CDC, Ogontz Avenue Revitalization Corporation. The program pairs a grant of up to \$3000 for basic systems improvements with a minimum loan of \$5000. The CDC works with the homeowner to select and monitor a pre-approved contractor to ensure that quality work is being performed.



**VI. MANAGEMENT INFORMATION SYSTEMS**

**A. VACANT PROPERTY MANAGEMENT INFORMATION SYSTEM**

An important component of transforming neighborhoods is developing an efficient mechanism for acquiring, assembling, and disposing of property. Currently, the City lacks the ability to track individual parcels as they wind their way through the multitude of City agencies involved in these processes. In addition, various City agencies often research the same information on a property because there is no unified information storage system they can reference. The result is a duplication of efforts, a delay in the processing of properties, and a less efficient inter-agency processing of vacant property transactions.

To support the NTI Bond Programs, the City will create a Vacant Property Management Information System (VPMIS) to track the processing of parcels in acquisition, assembly, and disposition. The system will permit a number of users to enter the data, and will create a web application over CityNet for the City Council and various City agencies to access. The resulting system will be linked to the digital parcel base map for planning purposes. The City may use governmental bond proceeds to fund the development and implementation of the VPMIS, including the following integral components:

**1. Seamless Digital Parcel Basemap**

Currently, Philadelphia does not have an accurate computerized inventory and map of its land resources, including all 500,000 of its properties and all areas (such as Fairmount Park) that are not contained in the Department of Records' Registry maps. The Department of Records will convert its 5000 land title registry maps from paper to digital form. The City will update these registry maps, resolving any areas that are not contained in the Registry maps and assigning a unique identifier to each parcel. Once updated, these registry maps will be consolidated into a single, seamless, citywide parcel base for the City's Geographic Information System ("GIS"). The City will establish a process to maintain this digital map to ensure its accuracy.

**2. Unified Land Records Data System**

Many City departmental databases refer to parcel locations, but the exact addresses assigned to parcels may differ in form and substance across the various databases. The databases also remain separate despite the improvements data sharing can provide to the City's revenue collection, cost avoidance, risk reduction, and service provision. After evaluating departmental address-based databases, MOIS will develop a model to assign addresses to

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parcels, permitting the linkage of the databases to the digital parcel basemap and the sharing of data across departments.

### **3. NTI Bond Tracking Database**

The VPMIS will include a database for tracking vacant properties for which demolition and stabilization work was financed with the proceeds of governmental purpose bonds. Federal regulations permit these bonds to remain tax-exempt so long as the end use of the activity is a public purpose. While some of the vacant land resulting from the bond-financed demolition and land assembly will be used for long-term public purposes, most of the land will be marketed for private housing, commercial and industrial development by private developers. When future development occurs, the NTI Bond Database will permit the City to identify and redeem bonds as required by federal regulations.

### **B. HOUSING AND COMMUNITY DEVELOPMENT AGENCY REENGINEERING PROJECT**

The objective of the proposed reorganization of the City's housing and community development agencies is to align their functions with NTI's goals and objectives. The potential benefits of a cohesive and integrated approach to housing development and neighborhood preservation delivery systems include: the elimination of unnecessary redundancy in program administration; enhanced program monitoring; streamlined processes for land acquisition, disposition and redevelopment; and an additional emphasis on strategies for private-sector housing development.

A reconfigured agency will encompass, at a minimum, the following functions: real-estate operations, including land acquisition and disposition and the management of a new land bank; housing and preservation financing; marketing; and policy development and program planning and evaluation. Reorganization will also incorporate the Empowerment Zone, which would bring to the endeavor its expertise in community-based planning, performance-based contracting, and the implementation of model programs such as its vacant-land stabilization effort.

In addition, reorganization offers opportunities to eliminate duplication that reside in the administrative structures of three agencies, OHCD, RDA and PHA. Of all 341 positions, 39 percent provide central administrative support to programs and operations; financial positions account for almost 12 percent, with 19.6 percent in general administration and another 7.6 percent allocated among information technology, legal affairs, and human resources.

The City's ability to implement this conceptual framework is dependent on the resolution of a number of outstanding legal and MIS issues, federal funding constraints, and labor

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agreements. The City may use governmental bond proceeds to support the reengineering of its housing and community development information technology, management and program delivery systems.

## **C. NEIGHBORHOOD INFORMATION TECHNOLOGY SYSTEMS**

To support the NTI Bond Programs, community liaisons from the Mayor's Office of Community Services (MOCS) will be deployed to neighborhoods. These liaisons will collect service requests from constituents, and a system is needed to route these requests expeditiously to the appropriate agencies responsible for administering the requested services.

The Mayor's Office of Information Services (MOIS) will create a system to track service requests and the status of departmental activities. The database will also provide the City with the means to monitor activities and job performances. This customer service request database will be linked to a separate database the City has developed for tracking the properties that use bond proceeds.

In addition, the City will build upon its successful online form for reporting abandoned cars and will create a web-based online referral system permitting residents to submit complaints about dangerous and deteriorating buildings, vacant lots, trash, and other blighted conditions. While the City develops its GIS data warehouse, it will work with the University of Pennsylvania to enhance and expand its Neighborhood Information System ("NIS"). The City will work with the University of Pennsylvania to insure that CDCs and other NTI partner organizations have the capacity to access and use NIS. The City may use governmental bond proceeds to fund the development and implementation of community outreach and service request systems.

## **VII. ECONOMIC OPPORTUNITY PLAN**

While NTI's primary focus is the physical transformation of Philadelphia's neighborhoods, the City recognizes that NTI will generate tremendous business and employment opportunities for local small businesses and neighborhood residents. The NTI Economic Opportunity Plan (the Plan) seeks to identify business opportunities for small businesses historically underrepresented in the procurement of government contracts, particularly minority, women,

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and disabled businesses, and employment opportunities for minority, female and disabled citizens<sup>3</sup>.

The City recognizes that the Plan is voluntary and requires the good faith efforts of all parties for its successful implementation. The City, its agents and representatives, are committed to providing meaningful and substantial contracting and employment opportunities in NTI for socially- and economically-disadvantaged individuals and businesses, with a focused emphasis on individuals and businesses located in the various project areas. In addition, the City, its agents and representatives are committed to preventing any form of discrimination based on race, religion, color, sex, age, mental or physical disability, national origin or ancestry, sexual orientation, and marital or parental status.

In particular, the City will work closely with the Program Manager to maximize the participation of minorities, women and disabled businesses and individuals in the business and employment opportunities that arise out of demolition, stabilization, and encapsulation activities. In addition, the City will work with all public authorities, consultants, and contractors to develop business opportunities and manpower utilization projections for all work associated with NTI Bond Programs, including but not limited to, vacant land management activities, redevelopment projects, rehabilitation programs, and home owner assistance programs.

The City, with the assistance of the Program Manager and the GPUAC, will institute outreach efforts to maximize participation of local businesses and minority, woman and disabled-owned businesses and achieve the employment goals set out in the Plan. Similarly, the City will place MBEC-certified disadvantaged minority, woman and disabled-owned businesses on its NTI solicitation lists and will require the same of all its public authorities, contractors, and consultants.

The City, with the assistance of the Program Manager and GPUAC will work with each contractor and where appropriate subcontractors, union representatives, and training providers to maximize the recruitment and retention of City residents. The outreach effort will utilize organizations such as the Pennsylvania Job Centers, Philadelphia Workforce Development Corporation, Opportunities Industrial Centers, Universal Homes, TOP/Win, Congreso De Latinos Unidos and other community-based organizations and training programs. The community outreach plan, among other things, will identify the organizations that will be utilized. It will also provide information as to the dates and locations where individuals may apply and where screening and interviews will be conducted. Moreover, it will provide information about the interview process and it will implement procedures for monitoring and overseeing of the process.

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<sup>3</sup> The Economic Opportunity Plan is attached to the Neighborhood Transformation Program Description as Appendix 3.

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The City will contract and actively work with GPUAC to assist in the monitoring and reporting of its performance with respect to the Plan. The City will prepare reports on employment and contracting activities that summarize the following:

- Utilization of M/W/DS-DBEs and commitments made with such businesses;
- Hiring and employment of minorities and females; and
- Training, apprenticeship, and job placement rates.

The City will keep, and require all prime contractors and consultants to keep such records and to file such reports relating to the provisions of the Plan, as may be reasonably necessary to document compliance with the Plan. In case of non-compliance with the goals of the Plan, the City will institute corrective actions to prevent the recurrence or continuation of the problem.

## **VIII. CITY COUNCIL OVERSIGHT OF THE NTI BOND PROGRAM**

One of the fundamental principles and core values of NTI is the involvement of stakeholders – elected officials, business and community leaders, and neighborhood residents - in the transformation Philadelphia neighborhoods through strategic partnerships and collaborative endeavors. In keeping with this basic principle, the Office of the Mayor is committed to working with City Council of Philadelphia in the following ways.

### **A. BLIGHT ELIMINATION**

The City Council, by and through the District Councilperson, will have the opportunity to:

- Review, comment and participate in the process of selecting dangerous and vacant properties for demolition bid packages and stabilization work, including determining the priority for demolishing and stabilizing buildings within their District using a GIS Decision Support Model;
- Participate, at their option, as one of the City's representatives during pre-bid inspection tours and conferences with contractors and vendors for demolition, encapsulation, and stabilization work;
- Review and comment on any relocation plans, except in the case when an emergency relocation is required due to a dangerous condition;

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- Review and comment on fencing requests under consideration by the Fencing Committee described above; and
- Review, comment and recommend interim treatments of vacant properties after demolition.

The Administration will work in concert with the District Councilperson when planning and scheduling meetings with community organizations, leaders and residents affected by demolition, encapsulation, and stabilization activities. The primary purpose of these meetings will be to explain the operational details of the NTI demolition, stabilization, and encapsulation program focusing on proactive problem solving, sharing information about the demolition schedule, the demolition process, relocation requirements, etc.

The Administration will maintain a NTI Project Administration Web-Site to which all City Council members will have unrestricted access. The following type of information will be posted on the NTI Project Web Site.

- Information derived from Field Surveys and Social Services Assessments;
- Updated Lists of Dangerous Building;
- Initial Master Schedule and Master Budget for demolition, stabilization, encapsulation work;
- Changes and modifications to the Master Schedule and Master Budget;
- Ongoing Status Reports on demolition, stabilization, encapsulation activities prepared by the Program Manager for the Administration ;
- Demolition Bid Packages;
- Project Procedures Manual;
- Reports on Relocation Activities;
- Program Manager Phase I and Phase II findings and recommendations;
- Copies of a brochures, pamphlets, posters, announcements and advertisements for community meetings;
- District specific calendar of community meetings on NTI demolition, stabilization, and encapsulation activities;

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- Contracting opportunities for minority, female and disabled business enterprises arising out of programs, projects and activities funded with NTI bonds;
- Employment opportunities arising out of programs, projects and activities funded with NTI bonds;
- Equal Opportunity Plan compliance and monitoring reports; and
- Citywide Vacant Lot Clean-up Schedule;

The City Council will have the opportunity to review and comment on the Project Procedures Manual prepared by the Program Manager. The Project Procedures Manual will include the following type of information:

- Technical requirements for the projects such as environmental remediation requirements, groundwater management plans, control measures for dust, rodents, traffic, surface restoration and repairs, utility cutting, capping and abandonment;
- Safety and Traffic Control Plans
- Process and procedures for field inspections to monitor contractors work, processing invoices for payments, approval of change orders; and
- Baseline and supplemental contract specifications for demolition, stabilization, and encapsulation work.

The City Council will have the opportunity to review and comment on the "NTI Greene City" Strategic Plan.

## **B. LAND ASSEMBLY**

The acquisition and disposition of vacant land for specific redevelopment projects will be carried out in accordance with applicable federal, state statutes and local laws, including, but not limited to the following: Section 5-900 of the Philadelphia Home Rule Charter; Section 16-400 of the Philadelphia Code; the Urban Redevelopment Authority Law and Redevelopment Cooperation Law); and the Uniform Relocation Act.

Because the highest concentration of vacant properties is located in certified urban renewal and redevelopment areas, the aggregation of land for redevelopment will be subject to City Council reviews and approvals. For example, in order for the RDA to exercise its powers of eminent domain, the Urban Redevelopment Law requires City Council approvals for the:

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- Creation or modification of Redevelopment Areas;
- Redevelopment Proposal Plans to support condemnation of the property by the RDA, including the number of properties that will be condemned and the proposed reuse; and
- Selling, leasing or transferring of any real property in a Redevelopment Area to a developer, regardless of the means of acquisition by the RDA.

## **C. HOUSING INVESTMENT AND NEIGHBORHOOD PRESERVATION**

### **1. Planning and Predevelopment**

- The Administration on an annual basis will request from each member of City Council a list of potential redevelopment and housing preservation projects within his or her district.
- The list of potential redevelopment projects must be consistent with NTI's Program Framework's organizing principles:
  - Conforming with strategic neighborhood plans;
  - Facilitating economic growth by building upon market strengths and encouraging market rate investment;
  - Preserving existing housing stock by directing resources to strong blocks and neighborhoods that show signs of decline;
  - Rebuilding reclamation markets at scale from the ground up;
  - Promoting equity by providing affordable housing to low-income, elderly and special needs households;
  - Leveraging City resources to fullest extent possible by maximizing private investment and minimizing public subsidies.
- The Administration will meet with each Councilperson proposing any projects to discuss the development strategy for the projects, including but not limited to the following:



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- Consistency with neighborhood plans;
  - Market studies and feasibility analyses;
  - Land assembly requirements, including creation or modification of urban renewal areas;
  - Estimated development costs for the project;
  - Financing requirements and sources of funding; and
  - Project Management requirements, including developer capacity and track record.
- The Administration, in consultation with the Councilperson proposing the project, will identify the requisite resources to advance the projects. Such resources may include, but are not limited to market studies, consultant services for neighborhood planning, project planning or project management, and issuing Requests for Qualifications for developers for the project.
  - The Administration will meet quarterly with the Councilperson proposing the project to discuss any problems that are delaying the project. At such meetings, the Administration will work with the Councilperson to identify reasonable and economically feasible strategies to overcome any impediments. Examples of problems which can delay a project include, but are not limited to, the following: developer capacity; inability to secure financing commitments; increased costs due to environmental remediation requirements, infrastructure costs, community opposition, zoning regulations.

## **2. Funded Projects**

- The Administration will provide each District Councilperson with a written monthly status report on the land assembly, redevelopment and housing preservation activities within his or her district which are funded with NTI Bonds.
- The Administration will meet quarterly with each District Councilperson to discuss any problems that are delaying land assembly, redevelopment and housing preservation activities within his or her district. At such meetings, the Administration will work with the District Councilperson to identify reasonable and economically feasible strategies to overcome the impediments. Examples of problems which can delay a funded project include, but are not limited to, the

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following: developer capacity; inability to secure financing commitments; increased costs due to environmental remediation requirements, infrastructure costs, community opposition, zoning regulations.

- When all reasonable and economically feasible courses of actions to remedy the situation are exhausted, the Administration will provide the District Councilperson with a detailed written explanation as to why the project is no longer viable.
- When a project is defunded, the Administration, in consultation with the District Councilperson, will reprogram the unexpended funds allocated for the project to support another project within the Councilperson's District.

## D. NTI COMMITTEES AND TASK FORCES

The Mayor, in consultation with the President of City Council, will appoint representatives of City Council to the following committees and task forces: Fencing Committee; Economic Opportunity Plan Oversight Committee; and NTI Vacant Property Transactions Task Force.

## IX. ESTIMATED NTI BOND PROGRAM BUDGET

### Blight Elimination Activities

Demolition – Residential	\$140 million	Government Purpose
Demolition – Large Structures	\$ 20 million	Government Purpose

### Redevelopment, Housing Investment & Neighborhood Preservation Activities

Land Assembly	\$ 50 million	Private Activity & Taxable
Vacant Property Stabilization	\$ 30 million	Government Purpose
Housing Investment and Neighborhood Preservation	\$ 50 million	Private Activity & Taxable

<u>MIS and IT System Improvements</u>	\$ 5 million	Government Purpose
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**Total** **\$ 295 million**

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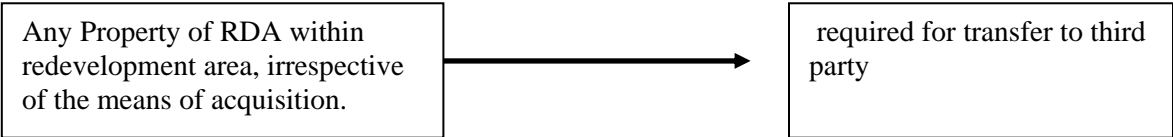
<b>Projected NTI Bond Program Budget by Fiscal Year</b>							
	FY 02	FY03	FY04	FY05	FY06	FY 07	Total
Blight Elimination Activities							
• Demolition – Residential	\$3,000,000	\$25,000,000	\$30,000,000	\$35,000,000	\$30,000,000	\$17,000,000	\$140,000,000
• Demolition – Commercial/Industrial		\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$20,000,000
Redevelopment, Housing Investment & Neighborhood Preservation Activities							
• Land Assembly	\$2,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$8,000,000	\$50,000,000
• Vacant Property Stabilization	\$500,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$5,500,000	\$30,000,000
• Housing Investment & Neighborhood Preservation	\$2,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$8,000,000	\$50,000,000
MIS and IT Activities	\$500,000	\$3,000,000	\$1,500,000				\$5,000,000
<b>Total</b>	<b>\$8,000,000</b>	<b>\$58,000,000</b>	<b>\$61,500,000</b>	<b>\$65,000,000</b>	<b>\$60,000,000</b>	<b>\$42,500,000</b>	<b>\$295,000,000</b>

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## Disposition of Real Estate by RDA



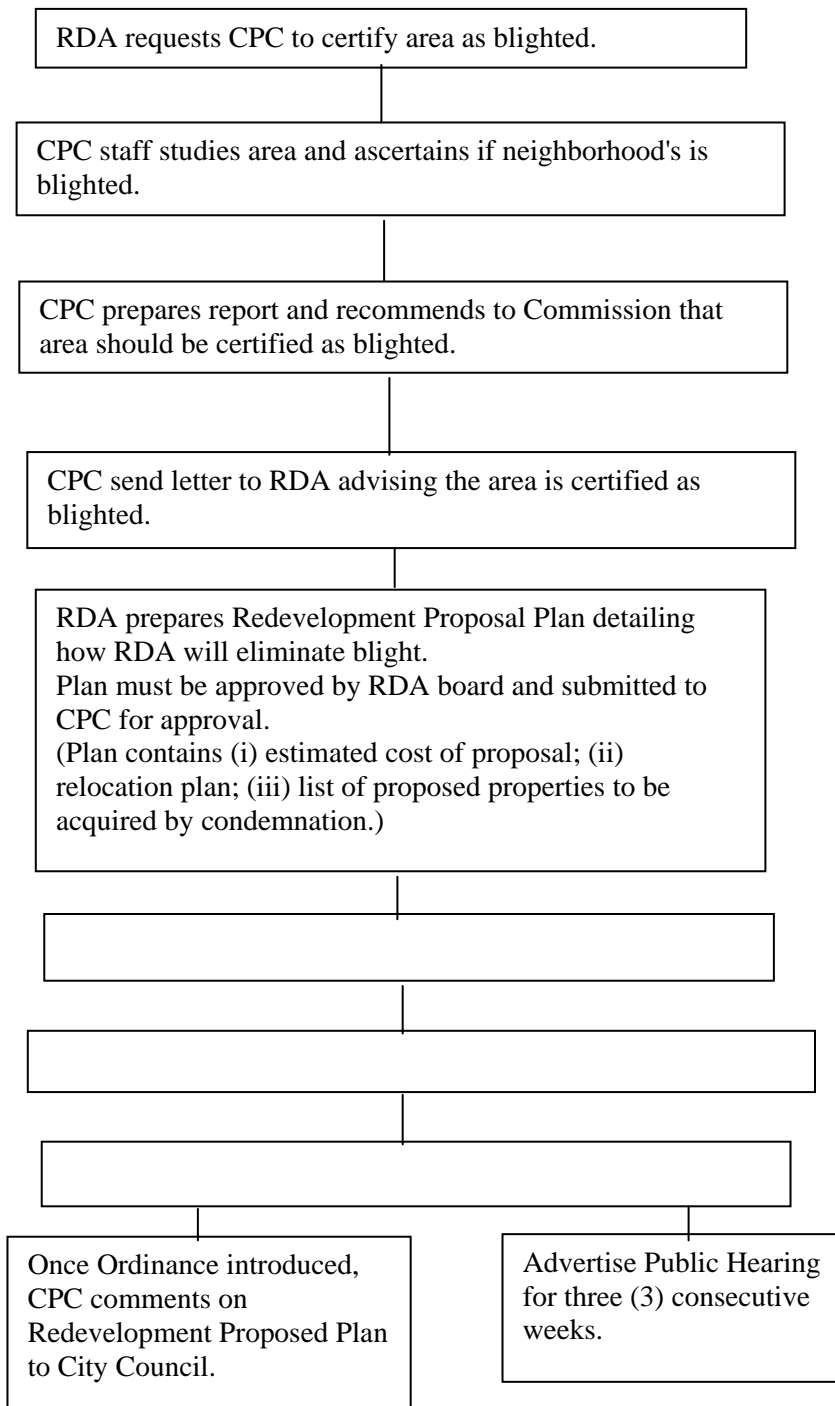
### Appendix I

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## Acquisition of Property through URBAN REDEVELOPMENT CONDEMNATION BY RDA



RDA = Redevelopment Authority  
CPC = City of Philadelphia Planning Commission

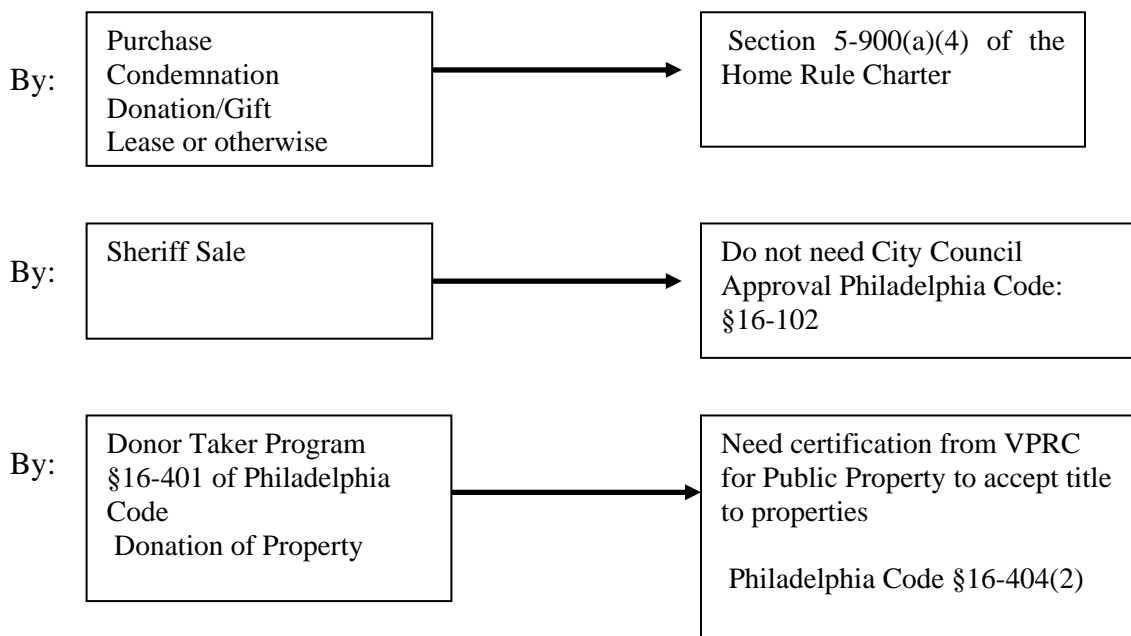
Appendix I

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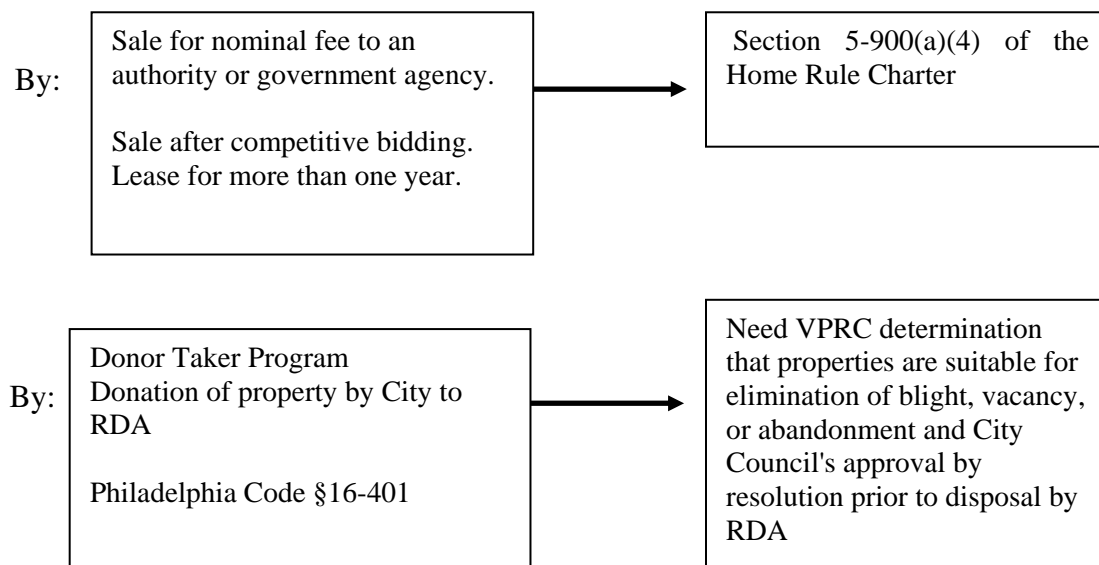
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## Acquisition of Real Estate by City



## Disposition of Surplus Real Estate by City



### Appendix I

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## City and Philadelphia Description of Current Housing Preservation Activities

### Moderate Rehabilitation Assistance Programs

**Program:** Homeownership Rehabilitation Program (HRP)

**Description:** HRP provides financing for the acquisition and rehabilitation of vacant houses requiring moderate rehabilitation for sale to low and moderate income first-time homebuyers. Financing is provided through a combination of private debt and CDBG subsidy. Homebuyers are required to finance 100 percent of the after-rehabilitation value of the property and to participate in a program of pre-purchase housing counseling. The RDA administers a subsidy averaging up to \$25,000 per property in each development package. Identification of appropriate properties, financial packaging, and development is carried out by the participating CDC, which earns a developer's fee.

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**Program:** MEND II

**Description:** The MEND II program provides up to 50% of the rehabilitation cost or \$10,000 per unit, whichever is less, to assist in the development of affordable rental housing. Matching private financing must be obtained by the developer in order to receive MEND II financing.

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### Homeowner Assistance Programs

**Program:** Settlement Grants/Housing Inspections

**Description:** The City provides funding to support combined pre-purchase counseling, home inspection services, and settlement grants of up to \$800 per household to low and moderate income first time homebuyers to offset closing costs. To qualify for a grant, homebuyers must (1) Earn no more than 80 percent of the area median income as defined by HUD; (2) Purchase properties that meet HUD Housing Quality Standards (HQS); (3) Participate in an OHCD-funded housing counseling program; and (4) Qualify for a mortgage.

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## City and Philadelphia Description of Current Housing Preservation Activities

Inspection services are provided to ensure that properties meet HQS. In some cases, the full grant amount is not required because the buyer brings other resources to the closing, such as a seller's assist or additional borrowing capacity. In those circumstances, the grant amount is reduced to the exact amount required to complete the settlement.

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**Program:** Neighborhood and Citywide Housing Counseling

**Description:** The City provides funding to support neighborhood-based and citywide organizations offering housing counseling services to low and moderate income individuals, including people with specialized needs. OHCD-funded services provided by these agencies include mortgage counseling, default and delinquency counseling, tenant support and housing consumer education. Participating organizations are chosen through a competitive application process. The City also funds counseling services to combat predatory lending and help stabilize neighborhoods. Anti-predatory lending initiatives could include housing counseling specifically targeted to help consumers recognize and avoid predatory-lending practices, credit counseling, helping victims of predatory lending refinance at conventional market rates and creating special rehabilitation loan products, which may be used in part for consolidation of debt. Anti-predatory lending programs will be targeted to low- and moderate-income homeowners.

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**Program:** Senior Housing Assistance Repair Program (SHARP)

**Description:** Administered by the Philadelphia Corporation for Aging, SHARP provides essential repair funding to homeowners over the age of 60. The average amount of money spent per household from July 1999 to June 2000 was \$1,127.

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**Program:** Emergency Repair Hotline & Emergency Heater Hotline

**Description:** The City supports the Emergency Repair Hotline to maximize housing assistance funds provided to the City and to accelerate the response to plumbing, electrical, and roofing emergencies of low-income homeowners.

APPENDIX 2

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# City of Philadelphia

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## City and Philadelphia Description of Current Housing Preservation Activities

This service designed to serve as an early intervention system. It supports emergency repairs up to \$2,000 per property to eligible low-income homeowners/occupants.

The Emergency Heater Program is another program aimed at eliminating the heating problems of low-income people. This program provides heater repairs at a cost of up to \$2,000 per property for eligible Homeowners/occupants. The program is carried out by the Energy Coordinating Agency (ECA). To be eligible for service under either hotline, a household's income may not exceed 150% of the poverty income guidelines.

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**Program:** Weatherization Assistance & Basic Systems Repair Program

**Description:** This program provides eligible households with an energy audit that determines air leaks in the building. The results of the audit determine the type of assistance needed to minimize air leakage. Eligible households (homeowners or renters) whose properties meet state guidelines for property suitability may receive weatherization assistance of up to \$2,000 per property.

The City also maintains a Basic Systems Repair Program, under which an eligible homeowner may receive up to \$15,000 of rehabilitation assistance for a major system. If extensive rehabilitation is needed and/or that weatherization services cannot be provided without such rehabilitation, eligible homeowners will be considered for up to \$25,000 of rehabilitation assistance. To be considered for this higher amount, the property must be in critically dangerous condition and have an estimated cost of rehabilitation less than \$25,000. Factors that are also considered include: structural citations from L&I, block condition, household size and composition, maintenance requirements of the property after rehabilitation and proximity to other CDBG-supported development.

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**Program:** Utility Emergency Services Fund

**Description:** This fund to provide grants to low-income families who have utility arrearages and are in danger of having utility services discontinued.

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APPENDIX 2  
02/04/02  
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# City of Philadelphia

BILL NO. 020036 *continued*

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## City and Philadelphia Description of Current Housing Preservation Activities

**Program:** Neighborhood Energy Centers

**Description:** ECA sponsors eight community-based Neighborhood Energy Centers to provide direct services as well as information and referral to low-income community residents. ECA also implements the Emergency Heater Hotline program described above.

---

**Program:** Emergency Rental Repair Program

**Description:** This program, administered by L&I, makes emergency repairs to occupied buildings and to vacant buildings which pose a threat to adjacent occupied buildings. In accordance with Philadelphia City Code provisions and to maximize limited funding availability for this activity, L&I first attempts to have property owners complete needed repairs, prior to taking direct action.

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**Program:** Philadelphia Home Improvement Loan (PHIL)

**Description:** The PHIL program provides home improvement loans up to \$25,000 at below market rates to existing homeowners. The interest rate and loan amount depends on the applicant's income level and the level of rehabilitation to be completed.

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**Program:** Philadelphia Neighborhood Housing Services (PHNS)

**Description:** This program provides neighborhood revitalization services including home-improvement loans, first-home purchase mortgages, community improvement grants and loans, and neighborhood planning, community organizing and housing development services to its Full Service Neighborhoods: Carroll Park and Cobbs Creek. PHNS maintains ties to the Fern Rock-Ogontz-Belfield neighborhood and Overbrook neighborhood as self-reliant neighborhoods, offering technical assistance, housing development services and home-improvement loans.

To assist existing homeowners, whose properties need rehabilitation and improvement, PHNS provides home-improvement loans of up to \$30,000 for up to 20 years at below-market interest rates. Under the Community Improvement Program, homeowners and PHNS jointly contribute funding to

# City of Philadelphia

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## City and Philadelphia Description of Current Housing Preservation Activities

support the cost of improvements/repairs to steps and sidewalks, retaining walls and porches. Landscaping, weatherization, exterior paint and trees are also covered by this program.

Under, the Model Blocks Program. PNHS provides exterior improvements to owner-occupied houses in specific neighborhoods with active CDCs. The subsidy is matched with PNHS loan funds or homeowner payments.

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# City of Philadelphia

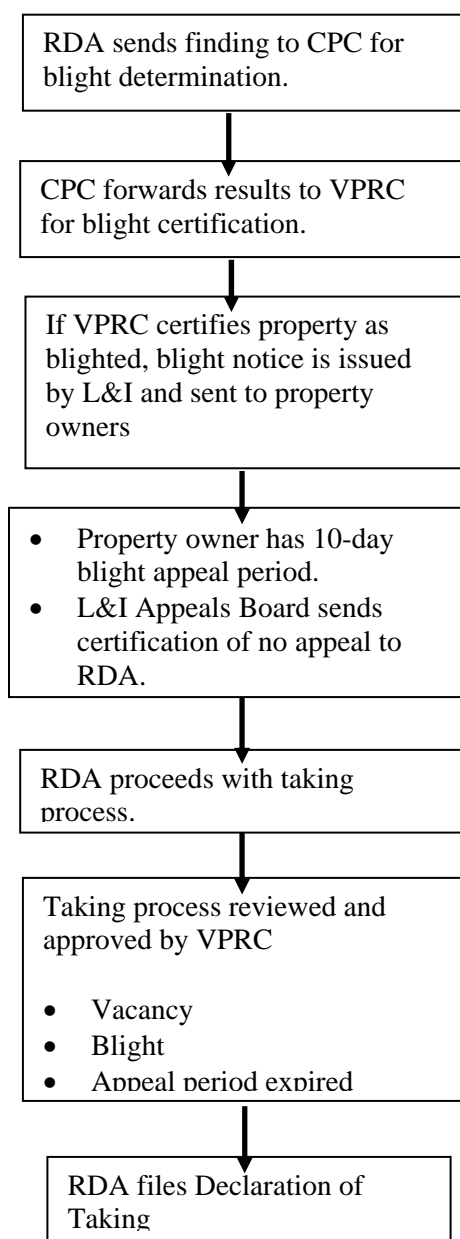
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## ACT 94 SPOT CONDEMNATION BY RDA

The Spot Condemnation Process is only used when it is necessary to condemn one or two isolated properties on a block. The property must be vacant and appear abandoned.

### Determine Blight of Property



RDA = Redevelopment Authority  
CPC = City of Philadelphia Planning Commission

Appendix I

# Template

## Annual Program Statement & Budget

**Program Category**                      Blight Elimination

**Program Type**                         Residential Demolition

**Program Objective**                  Protect the public health, safety and general welfare

**Program Description**

The program description will include, but not be limited to, the following type of information:

- Total number of dangerous and unsafe residential properties to be demolished during the year;
- Estimated demolition costs, including activities related to demolition such as temporary and emergency relocations;
- The process and type of data the City will use to make residential demolition decisions;
- Projected master schedule for the fiscal year; and
- Demolition policies and guidelines.

**Annual Budget Amount**              Total amount budgeted for the demolition of residential structures for the fiscal year

**Annual Budget Detail**

Council District	Total Number of Dangerous Buildings	Total Number of Unsafe Buildings	Estimated Number of Demolitions For the FY	Average Per Property Demolition Costs	Total Demolition Costs For the FY
1					
2					
3					
4					
5					
6					
7					
8					
9					

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<b>10</b>					
<b>Total</b>					

**Program Category**                      Blight Elimination

**Program Type**                         Demolition of Large Vacant Buildings

**Program Objective**                  Protect the public health, safety and welfare

**Program Description**

The program description will include, but not be limited to, the following type of information:

- Total number of large vacant buildings to be demolished during the upcoming year;
- Estimated demolition costs;
- The process and type of data the City will use to make demolition decisions for large vacant buildings;
- Projected master schedule for the fiscal year; and
- Demolition Policies and Guidelines.

**Annual Budget Amount**              Total amount budgeted for demolition of large vacant buildings for the fiscal year

**Annual Budget Detail**

Council District	Total Number of Large Vacant Buildings	Estimated Number of Demolitions for the FY	Average Per Property Costs	Total Demolition Costs for the FY
1				
2				
3				
4				
5				
6				
7				
8				

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<b>9</b>				
<b>10</b>				
<b>Total</b>				

**Program Category**                      Redevelopment

**Program Type**                         Land Assembly for Development Projects

**Program Objective**                    Acquisition of land for residential, commercial and industrial development.

**Program Description**

The program description for project specific acquisitions will include, but is not limited to, the following type of information:

- A list and description of the projects for which acquisition funding will be sought. Project information will include: developer name, if known, type of development (e.g., residential, industrial or commercial); the end-use (e.g., home ownership, rental, retail, community facilities), the type of construction (e.g., new or rehabilitation), estimated total development cost, proposed sources of funding, projected number of housing units, or square feet of commercial space;
- The number of properties to be acquired;
- Estimated acquisition costs
- The method of acquisition, e.g., Act 94, eminent domain, negotiated purchase;
- The projected number of permanent relocations, if any, and estimated costs;
- The process and type of data the City will use to evaluate requests for project specific acquisitions; and
- Acquisition policies and guidelines.

**Annual Budget Amount**                Total amount budgeted for project specific acquisitions for the fiscal year.

**Annual Budget Detail**

<b>Council District</b>	<b>Number of Property Acquisitions</b>	<b>Estimated Acquisition Costs</b>	<b>Projected Relocations, If any</b>	<b>Estimated Relocation Costs</b>	<b>Total Costs</b>
<b>1</b>					
<b>2</b>					
<b>3</b>					
<b>4</b>					

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<b>5</b>					
<b>6</b>					
<b>7</b>					
<b>8</b>					
<b>9</b>					
<b>10</b>					
<b>Total</b>					

**Program Category**                      Redevelopment

**Program Type**                         Land Bank Acquisitions

**Program Objective**                 Acquisition of land for future development, private side yards, public parks & open spaces etc.

**Program Description**

The program description will include, but not be limited to the following type of information:

- The number of properties to be acquired for land banking;
- Estimated acquisition costs;
- The method of acquisition, e.g., Sheriff Sales, Donor Taker, Act 94, eminent domain, negotiated purchase;
- The process and type of data the City will use to make land bank acquisition decisions;
- Description of the potential future re-use, (e.g., private side yard, future development parcel, permanent open space, if known);
- Acquisition policies and guidelines; and
- Disposition policies and guidelines.

**Annual Budget Amount**             The total amount budgeted for land bank acquisitions for the fiscal year.



## Annual Budget Detail

Council District	Estimated Number of Property Acquisitions	Average Per Property Costs	Total Costs
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>Total</b>			

**Program Category** Housing Investment and Neighborhood Preservation

**Program Type** Homeownership and Rental Housing Development

**Program Objective**

- Facilitate economic growth by encouraging market rate investment;
- Rebuild reclamation markets at scale from the ground up; and/or
- Promote equity by providing affordable housing to low-income, elderly and special needs households.

**Program Description**

The program description for homeownership and rental housing development will include, but is not limited to, the following type of information:

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- A list and description of the projects for which funding is sought. Project information will include: developer profile, if known, the type of development (e.g., market rate, affordable housing, special needs); targeted household incomes (e.g., very low, low, moderate or middle) the end-use (e.g., home ownership, rental), the type of construction (e.g., new or rehabilitation), estimated total development cost, proposed sources of funding, projected number of housing units.
- A project feasibility assessment; financing commitments, if any; public to private fund leverage
- Neighborhood and community impact
- Selection criteria and process for evaluating homeownership and rental housing development proposals.

**Annual Budget Amount**                      The total amount budgeted for homeownership and rental development.

**Annual Budget Detail**

Council District	Project Name(s)	Estimated Number of Units, Per Project	Total Estimated Costs, Per Project	NTI Bond Funding Commitment, Per Project	Total NTI Bond Funding Commitment, Per District
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
<b>Total</b>					

**Program Category**                      Housing      Investment      and      Neighborhood Preservation

**Program Type**                              Includes, but is not limited to, the following types of programs

- Home Improvement Grant and/or Loan Programs
- Moderate Rehabilitation Programs
- Small Rental Rehabilitation Programs
- Weatherization Programs
- Anti-Predatory Lending Programs
- Model Block Façade Treatment Programs
- Home Purchase Mortgage Programs
- Settlement Assistance Grants Programs
- Employer-Assisted Housing Programs

## Program Objective

Stabilize neighborhoods and promote the maintenance and improvement of owner occupied and rental properties as well as the rehabilitation of vacant properties.

## Program Description

### Citywide, Customer-Driven Preservation Programs (e.g., PHIL Loan, BSRP)

The Program Description will include, but not be limited to the following type of information:

- Program Policies and Guidelines, e.g., income eligibility requirements and other factors;
- Delivery Systems, including program operators, marketing and outreach strategies;
- Production goals; and
- Total program costs and all sources of funding (e.g., bond proceeds, CDBG, foundation grants etc)

Information on the expenditures of funds (e.g., the number of grants awarded,) by Council District will be included in the requisite reports that are submitted to City Council.

### Geographically-targeted Preservation Programs (e.g., Its Your Turn, UPenn Employer Assisted Housing Program)

In addition to the above information, the Program Description will include, but not be limited to the following type of information:

- Rationale for targeting the program, (e.g., the opportunity to leverage private resources); and

# City of Philadelphia

- Process, data and the criteria for selecting neighborhoods.

**Annual Budget Amount** Total amount budgeted for housing rehabilitation and neighborhood stabilization programs for the fiscal year.

### Annual Budget Detail

#### Citywide, Customer Driven Preservation Programs

	Production Goals	Estimated Program Costs	Funding from NTI Bond Proceeds	Other Sources of Funding	Total Costs
Program Name					
<b>Total</b>					

Geographically Targeted Preservation Programs

Program Name:					
Council District	Production Goals For the FY	Total Estimated Program Costs	Funding from NTI Bond Proceeds	Other Sources of Funding	Total Costs For the FY
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
Total					

Program Category Housing Investment and Neighborhood Preservation

Program Type Vacant Property Stabilization

Program Objective To stabilize and preserve vacant properties on relatively stable blocks for rehabilitation and reoccupancy.

Program Description

The program description will include, but not be limited to, the following type of information:

- Total number of vacant residential properties to be stabilized or encapsulated during the year;
- Estimated stabilization and encapsulation costs;
- The process and type of data the City will use to make stabilization and encapsulation decisions;

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- Projected master schedule for the fiscal year; and
- Stabilization/Encapsulation policies and guidelines.

**Annual Budget Amount**                      Total amount budgeted for stabilization and encapsulation activities for the fiscal year

**Annual Budget Detail**

Council District	Estimated Number of Encapsulations	Average Per Property Costs	Total Costs
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>Total</b>			

**Program Category**                      Housing Investment and Neighborhood Preservation

**Program Type**                              Acquisition for Rehabilitation

**Program Objective**                      Acquisition of encapsulated and stabilized vacant properties for immediate disposition for rehabilitation and re-occupancy.

**Program Description**

The program description will include, but not be limited to the following type of information

- The number of encapsulated and stabilized properties to be acquired;
- Estimated acquisition costs;

# City of Philadelphia

- The method of acquisition, e.g., Act 94 or eminent domain; sheriff sale; negotiated settlement;
- The process and type of data the City will use to make acquisition decisions ;
- Acquisition policies and guidelines; and
- Disposition policies and guidelines.

**Annual Budget Amount**                      Total amount budgeted for the acquisition of encapsulated vacant properties for the fiscal year.

**Annual Budget Detail**

Council District	Estimated Number of Property Acquisitions	Average Per Property Costs	Total Costs
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>Total</b>			

**Program Category**                                      MIS and IT Systems Improvements

**Program Type**    Includes the following:

- Vacant Property Management Information Systems
- Housing and Community Development Agency Reengineering Project
- Neighborhood Information Technology Systems

**Program Objective**                                      Development of management information systems to support NTI goals and objectives

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## Program Description

The program description will include but not be limited to the following type of information

- Description of MIS and IT Improvements;
- Total project costs;
- All Sources of Funding for the Project; and
- Projected completion dates for MIS and IT improvements.

**Annual Budget Amount**                      Total amount budgeted for the fiscal year

## Annual Budget Detail

	<b>Total Estimated MIS &amp; IT Project Costs</b>	<b>Funding from NTI Bond Proceeds For the FY</b>	<b>Other Sources of Funding For the FY</b>	<b>Total Costs For the FY</b>
<b>Project Name</b>				
<b>Total</b>				



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## Neighborhood Transformation Initiative (NTI) Economic Opportunity Plan

### The Project

This Economic Opportunity Plan is being provided in connection with the vision of Mayor John F. Street to begin the process of transforming neighborhoods of Philadelphia from areas of blight to communities teeming with opportunity -- restored and revitalized and the centers of activity. The Neighborhood Transformation Initiative (NTI) is citywide in scope, thus impacting on Philadelphia's diverse population replete with its diverse housing needs and distinct community concerns. Few neighborhoods in Philadelphia have escaped the ravages of abandoned cars, short dumping, vacant or abandoned housing and an aging and deteriorating housing stock. Several sections of the city stand out, having suffered the greatest impact of blight. Transformation will not occur with the simple demolition of deteriorating structures and the clearing of vacant lots nor can transformation of the fifth largest American city occur with sole with the investment of \$295,000,000 of Bond proceeds. Transformation is a long-term proposal which goes beyond the tenure of any one Mayor and any one administration; it will require the on-going commitment to revitalization by public and elected officials, the leveraging of available public funds against private sector resources, and the long-term partnership between government, the private sector, and the residents of this city.

While the primary focus is on the transformation of Philadelphia's neighborhoods, the City of Philadelphia recognizes equally the tremendous business and employment opportunities for local small businesses and its residents through the myriad business/contracts that are generated through NTI. This plan seeks to identify the immediate and potential business opportunities for small businesses historically underrepresented in contracting, in particular minority, women and disabled disadvantaged businesses, and immediate and potential employment opportunities for minority, female and the disabled citizens as the result of this massive undertaking.

All consultants and contractors participating on this project shall comply with local and federal policies that are applicable to contracting and employment opportunities including Executive Order 1-93 of the City of Philadelphia and federal Executive Order 11246. The majority of work associated with this initiative will be awarded through competitive and negotiated processes of the City of Philadelphia and its agencies and authorities, and provides substantial partnering and subcontracting opportunities between businesses. The City of Philadelphia recognizes the vast potential for employment and training by residents of the affected areas and is committed to working in conjunction with training providers, contractors and the building trades unions to maximize

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*City of Philadelphia*

trainee, apprentice and journeyman employment opportunities for minorities, females and disabled residents.

Many of the contract and employment opportunities associated with the early phases of this initiative have been identified and are fully funded (i.e., demolition, vacant lot clearing, tree removal, etc.). Several additional contract and employment opportunities associated with later phases of this initiative have been identified, but have yet to be funded (i.e., on-going lot maintenance, development agreements, etc.).

The City of Philadelphia recognizes that this plan is voluntary and requires the best and nondiscriminatory efforts of all parties for its successful implementation. The City of Philadelphia, including its agents and representatives, is committed and determined to provide meaningful and substantial participation opportunities in this project for socially and economically disadvantaged individuals and businesses, with a focused emphasis on individuals and businesses located in the various project areas. The City of Philadelphia is committed to preventing any forms of discrimination on the basis of race, religion, color, sex, age, mental or physical disabilities, national origin or ancestry, sexual orientation, and marital or parental status.

## **PART I. OUTREACH EFFORTS AND TRAINING OPPORTUNITIES WITH LOCAL ENTITIES.**

The City of Philadelphia, working with its departments, agencies, authorities and the GPUAC, shall undertake a number of local outreach efforts to maximize participation of local businesses and minority, woman and disabled-owned businesses, and to achieve the employment goals set forth herein. The City of Philadelphia shall place MBEC-certified disadvantaged minority, woman and disabled owned businesses on its solicitation lists used in conjunction with this initiative, and shall the same of all its agencies and authorities, using the services of the GPUAC and the MBEC.

The City of Philadelphia, working with its departments, agencies, authorities and GPUAC, shall work with each contractor and where appropriate, subcontractors, union representatives, and training providers to maximize recruitment and hiring of residents of the City of Philadelphia. The outreach effort will utilize organizations such as the Pennsylvania Job Centers, Philadelphia Workforce Development Corporation, Philadelphia Housing Authority, Opportunities Industrial Centers, Universal Community Homes,

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City of Philadelphia

TOP/Win, Congreso De Latinos Unidos, Youth Build, and other community based organizations and training programs. The community outreach plan will, among other things, identify the organizations that will be utilized, provide information as to the dates and locations where individuals may apply and where screening and interviews will be conducted, provide information about the interview process, and implement procedures for monitoring and oversight of the process.

If there is a deficiency in the good faith and nondiscriminatory efforts to achieve these goals, the City of Philadelphia, its representatives, departments, agencies and authorities shall seek to implement agreeable corrective actions to prevent a continuation of the deficiency and to prevent a recurrence.

## **PART II. DEMOLITION**

### **A. Employment Opportunities**

NTI, under the direction of the Mayor's Office, will begin this initiative through an aggressive city-wide program for the demolition or encapsulation of approximately 14,000 residential and commercial properties. Demolition is expected to begin April 2002 and continue for five years. The City of Philadelphia, through representatives of its departments and agencies, shall work with the contractors involved in the demolition phase, so that all contractors make a good faith effort to employ a workforce equal to goals of 75% minority and 10% female of all workhours for each skilled and semi-skilled trade. These goals represent the total hours worked by trade during the demolition phase. Further, the City of Philadelphia has set as a goal the utilization of Philadelphia residents on the workforce equal to 80% of all workers.

The City of Philadelphia, through its agents and representatives, will ensure that these goals are included in all demolition and demolition related prime contracts and require the prime contractors to reference these goals for all subconsultants and subcontractors.

The Prime Contractors agree to work with local area Community Development Corporations, the monitoring consultant and representatives of the skilled and semi-skilled trade unions to create pre-apprenticeship training programs for residents of the local areas.

For the purpose of this plan, the term "minority" means Black (all persons having origins in any of the black African racial groups); Hispanic (all persons of Mexican, Puerto Rican, Cuban, Central or South American or Other Spanish

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City of Philadelphia

culture or origin); Asian and Pacific Island (all persons having origin in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and American Indian (all persons having origins in any of the original peoples of North American and maintaining identifiable tribal affiliations through membership and participation or community identification).

## **B. Contract Opportunities**

Each prime consultant and contractor shall use its good faith and nondiscriminatory efforts to provide joint venture partnerships and subconsulting and subcontract opportunities for disadvantaged minority, woman and disabled owned business enterprises (collectively, "M/W/DS-DBEs") certified by the City of Philadelphia's Minority Business Enterprise Council ("MBEC"). For the overall NTI program, each consultant's and contractor's good faith and nondiscriminatory efforts shall be presumed if, during each phase of the project, the following levels of participation are achieved: 35% participation for M-DBEs, 12% participation for W-DBEs and 2% participation for DS-DBEs. These percentages for participation relate to the dollar value of subcontracts including add-ons, change orders and scope adjustments. Recognizing that each contract has its differences, MBEC shall review the specific scope of work and assign an appropriate range of participation. The assigned range shall be attached to each bid package before any advertisement for bid.

### **1. Program Manager.**

This person or team will act as the Owner's Representative working with the City to provide a specific and flexible approach to the work including recommendations for an appropriate methodology for the project; being the primary point of contact with the City, and having responsibility for overseeing the delivery of project management services. This includes development of the project schedule, project budget, phasing alternatives and project management procedures. The program manager will also work in conjunction with the Greater Philadelphia Urban Affairs Coalition ("GPUAC", City of Philadelphia Monitoring Consultant) and the MBEC to ensure the full implementation of this Economic Opportunity Plan.

### **2. Relocations.**

A limited number of structures identified for demolition may be owner occupied and will require relocation assistance for the tenants by the City of Philadelphia. This clearing of contiguous space will allow the City to assemble large land masses necessary for complete redevelopment in a particular area.

It is expected that in-house staff of the City of Philadelphia and its agencies and authorities will perform the majority of relocation assistance. The business opportunity identified to-date during this phase includes but is not limited to:

- (a) Moving and Storage.

### **3. Demolition.**

The City of Philadelphia has budgeted \$160,000,000 for the demolition of vacant structures over the next five years to eliminate the City's inventory of dangerous buildings while providing opportunities to develop tracts of land for subsequent redevelopment. It is anticipated that approximately 14,000 structures will be demolished or encapsulated over the five-year period. Included in this number are all known residential structures determined to be dangerous or imminently dangerous.

Of the budgeted amount, it is expected that \$140,000,000 will be used to demolish residential structures and \$20,000,000 will be used to demolish commercial structures. The City of Philadelphia anticipates packaging the demolition bids as large and small packages and to award by geographic areas of the City. The various package sizes will allow for bidding by both large and small contractors.

Types of demolition anticipated are:

- (a) String Demolitions – removing large numbers of adjoining structures to create tracts of land for redevelopment. Accounts for approximately 67% of all demolitions.

- (b) Hand Demolitions – demolitions performed structure-by-structure generally to preserve adjacent properties. Accounts for approximately 33% of all demolitions.
- (c) Partial Demolitions – the removal of attached dangerous structures such as porches and sheds with the preservation of the remaining structure. The Philadelphia Housing Authority (PHA), using its Pre-Apprenticeship Building Maintenance and Construction Trades Program, will perform this activity. [This 21-week work-related program is structured to provide educational, vocational and life skills' improvements to strengthen the program participant's employability in the building and construction trades. Program participants are all Philadelphia residents who are offered opportunities for advancement while earning living wages and full health and pension benefits.]

Additionally, the following ancillary contracting opportunities will be available during demolition:

- (a) **Asbestos Inspections** – Professional services contracts for services to be performed per structure prior to demolition. Each inspection will also require an asbestos report. Contracts are awarded through the Department of Licenses & Inspections.
- (b) **Air Monitoring** – Professional services contracts for air quality services to be performed during demolition. The license for this service is issued by the City of Philadelphia Health Department. Contracts are awarded through the Capital Programs Office and the Department of Licenses and Inspections.
- (c) **Asbestos Removal** – Typically this function is included in the competitively bid demolition package and is considered a subcontractable

item. The number of structures requiring asbestos removal will be determined upon completion of the asbestos inspection.

- (d) **Cement-Stucco Finish** – Approximately 800 - 1,000 walls per year will require reinforcement where the structure is adjacent to a demolished property. These contracts are competitively bid separately from the demolition package.
- (e) **Sealing of Abandoned Laterals** – This requires the services of a Registered Master Plumber and includes the sealing of sewer pipes and cement work for the subsequent repair of pavements.

The following areas have been identified as potential subcontracting/business opportunities that will be needed by the prime contractors:

- (a) Top Soil and Fill (material supply)
- (b) Cement/Stucco (material supply)
- (c) Equipment Rental (i.e., cranes, backhoes, trucks, etc.)
- (d) Hauling – requires the trucking of debris from the demolition site to designated and authorized waste sites.
- (e) Grinding & Compacting Equipment – needed to recycle bricks and other material that may be used as backfill.

Employment opportunities identified during these aforementioned phases include but are not limited to:

- (a) Operating Engineers
- (b) Laborers
- (c) Plumbers

#### 4. Encapsulation and Stabilization.

This technique is designed to preserve selected vacant structures for rehabilitation, making structures watertight to protect otherwise viable properties from water damage. The City of Philadelphia currently

encapsulates an estimated 100 structures per year; through the NTI the City anticipates increasing encapsulation to approximately 1,000 to 2,500 structures over this five-year period. The PHA anticipates using its own inventory of equipment to perform this work. Contracting opportunities associated with encapsulation and stabilization include:

- (a) Roof Replacement
- (b) Repair of Drainage Systems
- (c) Other stabilization activities, when necessary.
- (d) Equipment Rental, if necessary
- (e) Materials (i.e., lumber, plywood, etc.)

The City of Philadelphia anticipates contracting with the Philadelphia Housing Authority (PHA) to provide a dedicated in-house crew to complete most of this work. It is expected that approximately 20 PHA staffers will perform this work with the potential for hiring additional staff. The type of workers expected for this phase:

- (a) Pre-Apprentices
- (b) Apprentices
- (c) Laborers
- (d) Carpenters
- (e) Operating Engineers

## **5. Lot Clean-Up/Vacant Lot Management.**

Approximately 30,000 vacant lots have been identified citywide for initial clean-up in year one of the NTI. Initial employment opportunities will be filled using a mix of City workers and temporary new hires, totaling approximately 100 employees. Further, it is the City's desire to identify potential employment opportunities for physically and mentally challenged persons (disabled). Following the initial clean-up blitz, the City anticipates awarding contracts to clean lots periodically keeping them reasonably cleared of



debris. Bids will be packaged by dividing the city into three primary areas.

The current contracting opportunities identified with this phase include but are limited to:

- (a) Equipment purchase, lease or rental
- (b) Companies equipped with front-end loaders
- (c) Hauling
- (d) Fencing

It is the City's desire that long-term, permanent maintenance programs will be assumed and developed by community "caretakers", organizations and institutions, such as Community Development Corporations, churches, etc. While some lots will be amenable to volunteer efforts, others will require more assistance. The long-term contracting opportunities include but are not limited to:

- (a) Landscape Architecture
- (b) Landscape (i.e., seeding, tree planting, etc.)
- (c) Materials (i.e, mulch, top soil, products, etc.)
- (d) Tree Pruning

## **6. Street Tree Removal.**

The Fairmount Park Commission currently receives requests to remove approximately 2,500 street trees per year. As a result there is a backlog of 8,500 requests for the removal of street trees. The NTI anticipates removing 4,300 trees per year for the next two years, continuing removal for years 3 and 4, and managing the annual requests including additional plantings by year 5. This function is contracted to private contractors, although a small crew of City workers performs some of this activity. The business opportunities associated with this work include but are not limited to:

- (a) Tree Removal
- (b) Hauling

The employment opportunities associated with this work are:

- (a) Apprentices
- (b) Groundskeepers
- (c) Tree Technicians

The Fairmount Park Commission, working in conjunction with the Municipal Unions, Central Personnel and the Philadelphia Workforce Development Corporation, anticipates creating a class of temporary workers who would receive on-the-job training for one year with the Commission, thereby providing the means for unemployed or underemployed Philadelphia residents to gain basic skills necessary for entry-level positions with private tree removal contractors. It is anticipated that these workers would be residents of the immediate area.

The City of Philadelphia has identified the following long-term business opportunities:

- (a) Mowing Contractors

## **7. MIS Technology.**

Through the NTI, a computerized tracking system will be developed to: 1) track the expenditure of bond proceeds over the life of the bonds, and: 2) track the acquisition and disposition of real estate into and out of public ownership by the upgrading and integration of current MIS systems. All work performed during this phase will be coordinated in conjunction with the Redevelopment Authority (RDA) and the Mayor's Office of Information Systems (MOIS). The business opportunities identified with this activity include but are not limited to:

- (a) Computer/MIS Consultants
- (b) Software Design

## **PART III. POST DEMOLITION.**

### **A. Employment Opportunities**

The City of Philadelphia anticipates that the majority of the post demolition employment opportunities will be achieved through redevelopment activities. These opportunities are consistent with general employment in the construction industry utilizing skilled and semi-skilled workforces. A substantial portion of the redevelopment activity will be the responsibility of community development corporations, private developers, institutions and others with approvals granted by the City of Philadelphia.

It is the intent of the City of Philadelphia, through the Redevelopment Authority, to include this Economic Opportunity Plan in all Requests For Proposals (RFP) issued for the redevelopment of land owned by the City of Philadelphia. The RDA will evaluate each proposer on the merits of its responsiveness to the RFP, including responsiveness to this plan.

Respondents to all RFPs issued by the Redevelopment Authority or any other quasi-public agency or authority associated with NTI shall require its contractors involved in the respective projects to make a good faith effort to employ minority and female craftpersons in the construction workforce equal to goals of 45% and 5% respectively of all work hours for each skilled and semi-skilled trade. In support of local initiatives that target economic benefits to low-income persons and underemployed craftpersons, Respondents will encourage its contractors to make a good faith effort to maximize employment opportunities for apprentices and pre-apprentice craftpersons with a participation goal of 25% minority and 10% female, respectively, of all first-year and other apprentices. Respondents will include these goals in all construction-related prime contracts and shall require its prime contractors to reference these goals in their subcontracts.

The employment opportunities anticipated for the redevelopment phase of this initiative include but are not limited to:

- (a) Laborers
- (b) Carpenters
- (c) Operating Engineers
- (d) Roofers
- (e) Plumbers
- (f) Glaziers

- (g) Cement Masons

The City of Philadelphia has set as a goal the utilization of Philadelphia residents on the workforce equal to 60% of all workers.

## **B. Contract Opportunities**

### **1. Land Acquisition.**

Upon completion of demolition, it is the desire of the City to begin assembling parcels of land for conveyance or sale to community groups, institutions, and real estate developers for later redevelopment. It is during this period that the City of Philadelphia, through its Planning Commission, will develop a master plan for optimum reuse of the vacant land.

Prior to the actual conveyance of land the City of Philadelphia, through the Redevelopment Authority (RDA), will gain title to the parcels and conduct property appraisals. The City anticipates its most aggressive land acquisition activity to occur during the initial three-year period of this project. During this time, the following business opportunities have been identified:

- (a) Title Searches – Approximately 1,000 units per year will require title searches and the accompanying title report. This presents business opportunities for search firms and attorneys.
- (b) Appraisals – This function will guide the City in determining land values upon completion of the title search. Approximately 1,000 units per year will require appraisals.

### **2. Interim Land Use Strategies.**

This phase of NTI represents the stage when either the City of Philadelphia or the effected surrounding community anticipates a provisional use of vacant lots. Such uses may include parking, gardens, greening programs, etc. The business and

employment opportunities associated with this phase will be identified with a determination of the interim us, but may include at a minimum:

- (a) Fencing
- (b) Materials (i.e., topsoil, mulch, etc.)
- (c) Landscaping
- (d) Paving

### 3. Development.

This phase of NTI represents that long-term and final period when the actual implementation of the redevelopment plans is materialized. While the City of Philadelphia has not funded any portion of this work, it is expected that the City will in some instances leverage available public funds with private resources and in other instances redevelopment will be funded solely through private financing means.

It is the intent of the City of Philadelphia, through the Redevelopment Authority, to include this Economic Opportunity Plan in all Requests For Proposals (RFP) issued for the redevelopment of land owned by the City of Philadelphia. The RDA will evaluate each proposer on the merits of its responsiveness to the RFP, including responsiveness to this plan. During this period the following business opportunities have been identified:

- (a) Developer – This activity offers opportunities for joint venture partnerships and expansion opportunities for M/W/DS-DBE firms.
- (b) Contractor – Likewise, the actual construction associated with new development presents opportunities for established, new or expanding M/W/DS-DBE firms to compete either as prime contractors, joint venture partners, or subcontractors.
- (c) Suppliers – As in any construction project, the purchase of materials associated with construction present business opportunities for

established, new and expanding M/W/DS-DBE firms.

- (d) Professional Services – Several services are generally associated with construction activity. The business goals established in this plan extend to this phase of activity. During this period the professional services business opportunities include but are not limited to:

- (1) Architecture
- (2) Engineer
- (3) Landscape Architecture
- (4) Lighting Consultants
- (5) Legal
- (6) Accounting
- (7) Graphic Design
- (8) Advertising/Public Relations

## **PART IV. REPORTING AND PROJECT PERFORMANCE.**

Over the initial five-year period of the NTI, the City of Philadelphia, through its departments and agencies, will prepare monthly reports and updates of employment and contracting activities for NTI which summarize the following:

- (1) Utilization of M/W/DS-DBEs and commitments made with such businesses;
- (2) The hiring and employment of minorities and females.
- (3) The training programs utilized and the placement rates.

Additionally, the City of Philadelphia acknowledges the value of project monitoring and therefore will develop and work with an Oversight Committee to monitor overall compliance and achievement of the project objectives as defined in this Economic Opportunity Plan.

The City of Philadelphia agrees to keep, and require all prime contractors and consultants to keep such records and to file such reports relating to the provisions of this Economic Opportunity Plan as may be reasonably necessary to document compliance with the Plan. The City of Philadelphia, through the Mayor's Office of NTI, has contracted and is actively working with the Greater Philadelphia Urban Affairs Coalition to assist in the monitoring and reporting of its performance with respect to this Plan.

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City of Philadelphia

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The GPUAC shall work with the City, its departments and agencies, contractors, consultants, and training providers to ensure maximum opportunities not necessarily identified in this Plan. The City of Philadelphia, through its departments and agencies, agree to work with all contractors to submit to the GPUAC manpower utilization projections for all work associated with this initiative.

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# City of Philadelphia

BILL NO. 020036 *continued*

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on February 28, 2002 and Signed by the Mayor on March 13, 2002.



Marie B. Hauser  
Chief Clerk of the City Council