



Philadelphia Authority for  
Industrial Development

# AGENDA

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**TO:** THE MEMBERS OF THE BOARD OF DIRECTORS OF THE PHILADELPHIA  
AUTHORITY FOR INDUSTRIAL DEVELOPMENT

**FROM:** PAUL J. DEEGAN, SECRETARY

The following is the Agenda for the Meeting of the Board of Directors of the Philadelphia Authority for Industrial Development to be held on Tuesday, April 22, 2014, at 5:00 p.m. in PIDC's Board Room, 26th Floor, Centre Square West, 1500 Market Street, Philadelphia, PA.

- I. Approval of the Minutes of the Authority for the meeting held on April 8, 2014.
  
- II. Consider and approve the following Resolutions authorizing PAID to:
  - A. Amend the prior authorization for a loan to P & A Associates T/A PNA Associates.
  
  - B. Acquire the City-owned property located at 1823 Callowhill Street for sale to Orens Brothers Real Estate, Inc.
  
  - C. Enter into a lease with Trellist, Inc.
  
  - D. Enter into a lease with the City of Philadelphia and a sublease with CHOP 1700, Inc. for the property located at 1700 S. Broad Street.

## **RESOLUTION**

Philadelphia Authority for Industrial Development

*P & A Associates T/A PNA Associates*  
(Revision to Prior Authorization)

A Resolution authorizing Philadelphia Authority for Industrial Development (PAID) to provide a loan in an amount of up to \$2,893,000 for a term of 10 years with a 30-year amortization schedule at a fixed interest rate of 2.00% for P & A Associates T/A PNA Associates or its nominee or assignee. The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and do such other acts necessary to assist P & A Associates T/A PNA Associates or its nominee or assignee upon such terms and conditions as they deem to be in the best interests of this Corporation.

## **BACKGROUND**

In June 2013, PAID approved a Resolution authorizing sale of Building 500 located at The Navy Yard to P&A Associates together with a loan for \$2,493,000 to facilitate renovation of the building into a restaurant to be leased and operated by Vetri Family Restaurants. After due diligence and planning, total project costs increased by \$444,032 to be funded by increasing the PAID loan \$400,000 from \$2,493,000 to \$2,893,000 and increasing Vetri's contribution by \$44,032 from \$276,968 to \$321,000.

**NAME:** P & A ASSOCIATES  
T/A PNA ASSOCIATES

**Nature of Business:** Real Estate Development

**Principals:** Peter L. Shaw; Alan Casnoff

**Borrower:** P & A Associates

**Number of Employees:** 0                      **Contemplated:** 50

**Present Address:** 1321 Intrepid Avenue  
Philadelphia, PA 19112

**Reason for Transaction:** Property acquisition and renovation

**NEW ADDRESS:** 4501 S. Broad Street  
Philadelphia, PA 19112  
Navy Yard Industrial Park

**Zoning:** C-3                                      **Comp. Plan Land Use:** Commercial

**Property Description:** Two-story 4,700 square foot historic building,  
known as Building 500, located at the entrance to  
The Navy Yard.

**OUTLINE OF TRANSACTION:**

P & A Associates has requested a loan in the amount of \$2,893,000 to facilitate acquisition, renovation and equipping Building 500 in The Navy Yard for lease to Vetri Family Restaurants to be operated as a restaurant. A security interest will be placed in favor of PAID.

Land Acquisition	\$ 54,000
Improvements	2,155,000
Tenant Improvements/Kitchen Equipment	445,000
Contingency	220,000
Soft Costs	225,000
Miscellaneous Fees	<u>105,000</u>
<b>Total Cost of Project:</b>	<b>\$ 3,214,000</b>

**METHOD OF FINANCING:**

A PIDC Economic Conversion Fund loan in an amount of up to \$2,893,000 will be provided for a term of 10 years with a 30-year

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amortization schedule at a fixed interest rate of 2.00%. No interest will be charged on the loan during the construction period and for the first 6 months following project completion. In the event the project qualifies for a Historical Tax Credit of up to \$300,000, PIDC's loan commitment will be reduced dollar for dollar by the amount of the Tax Credit.

Vetri will invest 10 percent of total project costs, projected at up to \$321,000.

**COMMENTS:**

The PIDC Loan Committee has not reviewed this transaction and has deferred approval to the PIDC and PAID Board.

## **RESOLUTION**

Philadelphia Authority for Industrial Development

*Orens Brothers Real Estate, Inc.*

A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to acquire fee simple title to an approximately 12,100 square foot parcel located at 1823 Callowhill Street from the City of Philadelphia, and further authorizing PAID to sell this property to Orens Brothers Real Estate, Inc., or its assignee or nominee, for a consideration of \$2,000,000.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the City of Philadelphia upon such terms and conditions as they deem to be in the best interests of the Authority.

## **BACKGROUND**

The property, which includes a 17,193 square foot building, is owned by the City of Philadelphia and formerly housed the Children's Crisis Treatment Center. Orens Brothers Real Estate intends to demolish the building and develop the site into a 5-story mixed-use development with ground floor commercial uses. Orens Brothers has an LOI from Callowhill Craft Brewing to lease 9,300 square feet of space to develop a microbrewery with tasting room, beer garden, and potential restaurant.

Orens Brothers Real Estate is a Philadelphia-based real estate development company. Previous projects include warehouse condo conversions at 2200 Arch Street, 444 North 4<sup>th</sup> Street, 1027 Arch Street, and 314 North 12<sup>th</sup> Street. Mixed-use projects include a 92-apartment structure at 1000 Diamond Street.

The City of Philadelphia has agreed to sell this property through PAID to the Purchaser. The sale of this property by PAID for further conveyance at fair market value is contingent upon authorization by City Council Ordinance.

The net proceeds from the sale of this property will be returned to the City of Philadelphia's General Fund.

## **RESOLUTION**

Philadelphia Authority for Industrial Development

*The Navy Yard  
Trellist, Inc.*

A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to enter into a lease with Trellist, Inc. for approximately 2,700 square feet of space in Building 101 in The Navy Yard's Historic Core. The lease will have an initial term of three years. Base Rent commences at \$22.00 per square foot increasing 3% annually. Annual rent is on a triple net basis with the tenant paying for its portion of all building operating expenses and the Navy Yard Common Area Maintenance Charges (CAM) in addition to Base Rent.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and do such other acts necessary to assist Trellist, Inc. or its nominee or assignee upon such terms and conditions as they deem to be in the best interests of PAID.

## **BACKGROUND**

Founded in 1995, Trellist, Inc. is a mid-size professional services firm specializing in on-line commerce and web-based design with practice areas in business strategy, marketing and branding, IT and application development, and education and eLearning. Headquartered in Wilmington, DE, Trellist works with global, national and regional clients. This lease represents Trellist, Inc.'s first expansion into Philadelphia. Trellist, Inc. will initially have 15 employees located at The Navy Yard and plans to add an additional 15 employees in the next three years.

## RESOLUTION

Philadelphia Authority for Industrial Development (PAID)

*Children's Hospital of Philadelphia (CHOP)*

A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to enter into a ground lease agreement with the City of Philadelphia (City) acting through its Department of Public Property for the land and existing improvements located at 1700 S. Broad Street in South Philadelphia. Ground Lessee shall further sublease the land and existing improvements to CHOP 1700, INC., a Pennsylvania non-profit corporation (CHOP INC). The ground lease term and ground sublease shall commence with a construction term of approximately 2 years, an initial occupancy term through September 20, 2061, with up to four 10-year renewal term options. Further, PAID will enter into an operating lease agreement with CHOP INC and into an operating sublease agreement with the City for certain areas of the project, for certain areas to be leased back to the City. The operating lease and operating sublease will run concurrently with the initial occupancy term of the ground lease and ground sublease. The base rent to CHOP INC for the land will be \$10.00 per year and the base rent for the City for the leased space will be \$10.00 per year.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the Children's Hospital of Philadelphia and the City of Philadelphia upon such terms and conditions as they deem to be in the best interest of PAID.

## BACKGROUND

The Children's Hospital of Philadelphia is one of the largest and oldest children's hospitals in the world. It has an annual budget of \$1.7 billion and receives approximately \$203 million in research funding. It admits 28,000 inpatients annually, has 1.6 million outpatient visits each year, and provides over \$110 million in uncompensated care to the Philadelphia community.

CHOP INC has agreed to demolish the existing improvements and construct a new three-story facility containing space to house a CHOP ambulatory pediatric clinic (CHOP Space) along with a new Health Center, Library, Recreation Center and Playground for the City (City Space). CHOP

will provide all maintenance, repair, and replacement of the structure and common areas, as well as to its own space. The City will pay additional rent for property operating expenses proportionate to the size of its space. CHOP is helping to create a model for future (joint public/private) development of these types of facilities leading to sustainable technologically integrated and synergistic systems to improve the delivery of healthcare, behavioral health, fitness, literacy and other services that promote wellness for children and families. But for this structure, which induces private investment without jeopardizing vital City Assets, the City would not have the immediate resources to improve and sustain required operations at these facilities. As a healthcare market leader and experienced developer, with in-house management depth and expertise, CHOP has committed to a high-impact investment in a low-income community.

With 9% annual patient growth over the last three years, CHOP's South Philadelphia Pediatric Primary Care Center is its fastest-growing primary care practice in Philadelphia. It provided 30,866 patient visits in the Hospital's 2012 fiscal year. Currently, 72% of patients at CHOP's existing South Philadelphia Primary Care Center receive medical assistance from the government, meaning that they live at or below the poverty line. In the face of growing demand in South Philadelphia, CHOP began exploring the possibility of constructing a new freestanding facility in the same vicinity, but found difficulty in finding a site to accommodate its needs.

The City of Philadelphia has seen a similar growth in its South Philadelphia patient population, both adults and children, who are served by the City's Health Center 2, its fastest-growing Health Center, located at 1720 South Broad Street. This building, built approximately 50 years ago, is in need of both expansion and significant renovations, including repairs to the roof, equipment upgrades, major renovations to the building envelope and improved energy efficiency.

Built in 1965 and last renovated in 2000, the South Philadelphia Free Library Branch will be one of the City's new 21<sup>st</sup> Century libraries designed for the evolving way media is now consumed. The current DiSilvestro playground and recreation center, built in 1961, serves approximately 1,000 users each week through a small 1600 square foot center with outdated equipment and hard surface outdoor play area. The partnership with CHOP will renovate the existing playground utilizing state-of-the-art construction materials to create a soft, smooth surface on equipment and in play areas, and provide substantial green space on the site. The recreation center will be doubled in size and will allow the center to serve more than 5,000 weekly users.

The City of Philadelphia has requested that PAID act as a conduit for this transaction on behalf of CHOP, Inc. and the City. The ground lease, ground sublease, operating lease and operating sublease, will be non-recourse to PAID. The agreements, through PAID, for the CHOP-City facility were approved by Council on December 12, 2013 and signed by the Mayor on January 8, 2014.