

## **Mayor John F. Street**

### **Address to The Greater Philadelphia Chamber of Commerce**

**February 4, 2002**

President Pizzi, Chairwoman von Seldeneck, members of the Greater Philadelphia Chamber of Commerce, Council President Verna and members of the City Council, other elected officials, and special guests: It is a privilege and a pleasure to be with you again, and I congratulate you on another successful luncheon.

President John F. Kennedy once hosted a White House dinner honoring all living Nobel Prize winners. When the President rose to address his guests, he said -- "This may be the greatest collection of talent and intelligence ever gathered together at one time . . . with the possible exception of when Thomas Jefferson dined alone."

Today, I want to paraphrase President Kennedy: This may be the greatest collection of economic talent and business intelligence ever gathered together at one time . . . with the possible exception of when Thacher Longstreth dines alone.

Where is Councilman Longstreth? Let's give him a big hand for the valuable service he has given our City over the decades.

Our City and region are magnets for talented and committed business leaders, and this government benefits immensely from our partnership. For example:

- As you travel I 95 and see the steel frame of the new Eagles stadium, you are seeing the product of our partnership with Willard Rouse, Pat Corbin, and Dean Adler, who were indispensable during our negotiations with the Eagles and the Phillies.
- Our Sunoco Welcome America celebration, the best 4<sup>th</sup> of July party in America, grows from our ongoing partnership with Sunoco and its CEO Jack Drosdick; Dave Davis and WPVI, Manny Stamatakis at DRPA, Joe Neubauer of ARAMARK, and a host of other great corporate citizens.
- As our higher education institutions continue to nurture our region's intellectual capital, improve the quality of life in the neighborhoods surrounding their schools, and play an expanded role in workforce development, we see the benefit of our work with Judith Rodin at Penn, David Adamany at Temple, Constantine Papadakis at Drexel, Stephen Curtis at Community College, and other college and university presidents throughout the region.

The knowledge, talent, and commitment of these leaders and our region's business community are critical to the work of implementing our vision for a better Philadelphia. Let me say something I do not say often enough: this administration respects your work, values

your ideas, and shares your aspirations. Your prosperity is our prosperity, and your success is our success. I am committed to the pursuit of policies reflecting our appreciation of your immense contribution to our region.

In the months ahead, I will dedicate more time to meeting and talking with area business leaders, and today I am asking Charlie Pizzi to arrange a series of breakfast meetings so we can work together to further define an enlightened course for business growth and job creation throughout the region.

In the year ahead, my Administration will remain focused on spurring economic growth, creating jobs, transforming our neighborhoods, improving our public schools, and providing workforce development for the knowledge economy.

These goals present real challenges, but progress is certain so long as we avoid the old, stale, but still fashionable EITHER/OR ANALYSIS. You know what I mean:

EITHER we are pro-business OR pro-worker.

EITHER we focus on neighborhoods OR Center City.

And my favorite: we must have EITHER fiscal discipline OR a pro-growth economic strategy.

We must categorically reject this either-or thinking. When doubters say EITHER/OR, we must say BOTH. We must have an unwavering, unequivocal, unrelenting commitment to our vision – a vibrant economy, job growth, transformed and strengthened neighborhoods, and decent schools. This imperative is reflected in the FY03 budget I submitted to City Council last week.

Our budget calls for both fiscal restraint and business growth.

It directs investment in both Center City and our neighborhoods.

It maintains our commitment to both tax reduction and better city services.

The City we envision responds to the needs of employers and protects the rights of workers. It offers every business the opportunity to grow, every worker the opportunity for productive employment, and every child the opportunity to learn.

It is a city that welcomes the fortunate and responds to the needs of the less fortunate.

Together we are creating this improved Philadelphia without compromising the character of our city and while jealously guarding, protecting, and preserving the integrity of our unique array of historic buildings and public spaces.

Since I spoke to you last February:

- We opened the Kimmel Center for the Regional Performing Arts, a remarkable facility that is a fitting capstone to the Avenue of the Arts;
- And the new International Visitors Center, where you can spend a full day studying our rich history.

- We welcomed exciting new restaurants and retailers: the Capital Grille is enjoying stunning success on South Broad Street, and Mori Moto's is breathing new life into Chestnut Street; Bluezette's and Cuba Libre are adding to the wonderful environment of Olde City; the Gap is ready to open a flagship store on Walnut Street, furthering the reputation of Rittenhouse Row as the area's hottest retail market.
- We welcomed large corporations like T.J. Maxx, which opened a 63 million dollar, one million square foot warehouse facility in the Northeast, and small companies like Custom Co Pak, a tea packager and distributor which renovated an abandoned building in the Frankford area into which it moved its 20 employees.
- In the last year, a large number of abandoned office buildings, factories, and warehouses were converted into over 1,000 market rate, upscale housing units, with developers taking advantage of a variety of tax abatement programs tailored to encourage this important activity.
- We welcomed Citizens Bank, celebrated Comcast's agreement to acquire AT&T's cable unit, proudly took part in the keel-laying ceremony at Kvaerner Philadelphia shipyard, and we await the First Union name change to Wachovia Bank.
- At the airport, we opened Terminal F, adding 38 gates, which significantly enhances Philadelphia International Airport's reputation as one of the finest facilities in the country. Very soon, with improvements to Terminals D and E, we will have doubled our gate capacity -- going from 60 to 120 in just three years. Each year over 25 million travelers use our airport. There is no better way to make a good first or last impression of our city.
- We continue to sponsor internationally acclaimed special events: including the X Games, the Splendor of Florence, and now the NBA All-Star Game. Throughout the year, our sports teams have confirmed the value of our investment in new stadiums: the Sixers, Flyers, Eagles, and Phillies have taken their franchises to new heights, raising our spirits, enthusiasm, and civic pride.
- The launching of Innovation Philadelphia, a public/private partnership designed to establish Philadelphia as a world class leader on the cutting edge of the knowledge-based economy, is perhaps our most critical initiative in providing a great future for our City. Innovation Philadelphia has one simple mission: to place us ahead of the curve — to retain, grow, and attract 22<sup>nd</sup> century enterprises.

Innovation Philadelphia is focused on job creation and the expansion of our tax base, and thanks to the leadership of its CEO Richard Bendis, and Judith Rodin, chair of the Board of Directors, we are off to a great start.

- Later this month we will receive state funding for a Biotechnology Greenhouse -- an initiative that will create new businesses by taking advantage of the \$800 million in research activity at our City's universities and medical centers. The Biotechnology Greenhouse Corporation of Southeastern Pennsylvania will work in concert with

Innovation Philadelphia, the University City Sciences Center, and Ben Franklin Technology Partners to incubate new businesses and put our region on the map as a pioneer in the biotech, pharmaceutical, and life science industries. Our Workforce Investment Board, under the leadership of PECO Energy President Ken Lawrence, will be working with employers to provide a trained workforce prepared for the employment opportunities Innovation Philadelphia creates.

- Our Commerce Department, with outstanding leadership from Jim Cuorato, stepped up its efforts to keep our workforce strong and corporate citizens in town by launching a Center City Office Retention Program.

This year the Department will also work aggressively to boost international trade and forge global economic partnerships through trade missions to China, South Africa, Korea, and Greece. We need your support to maximize the benefits of these missions.

This is a partial list of activities since I spoke with you last February. Thank you to the Greater Philadelphia Chamber of Commerce, the Delaware River Port Authority, Greater Philadelphia First, and the Penns Landing Corporation who worked with our Commerce Department and PIDC to give life to many of these initiatives.

These snapshots of progress testify to the fundamental soundness and vitality of our City, and despite a tough economic climate, we are poised for sustained growth. In a very real sense, we have only just begun.

In the coming year,

- Liberty Properties Trust will break ground on the first new skyscraper in our City in more than a decade.
- A high-quality retailer will take over the space formerly occupied by J.C. Penney at The Gallery, and we will break ground on three major neighborhood-based shopping centers featuring national retailers.
- Two local developers -- Lubert-Adler and Philadelphia Management -- will convert dilapidated buildings into over 1,000 market-rate apartments in joint ventures with Temple, Penn, Drexel, and Thomas Jefferson.
- Keating Development will complete its spectacular renovation of The Phoenix at 1600 Arch Street, and Tony Goldman's development of the 13<sup>th</sup> street corridor will be punctuated with the opening of his first major restaurant.
- On the waterfront, the Simon Property Group will begin construction on its 330 million dollar Family Entertainment Center, which will include an expanded Please Touch Museum and a new dynamic people friendly outdoor theatre. This marquee project -- the Comcast Pier at Penn's Landing -- will make Philadelphia the new standard by which waterfronts are judged. Special thanks to our labor community, which along with DRPA, provided the last piece of the financial puzzle to make this project a reality.

This progress in Philadelphia is occurring despite the abrupt end to the longest economic expansion in our nation's history and despite the escalating costs, and emotional trauma, caused by the tragic events of September 11.

Just think about it: there was a time – not that long ago – when national economic downturns hit our City more severely than the nation as a whole.

This time is different. While other cities are reducing public services, raising taxes, freezing tax reductions, and struggling to cope with spiraling unemployment, we are sustaining economic growth, maintaining our fiscal integrity, and strategically investing for our future economic prosperity.

- Our rate of job loss from November 2000 through December 2001 was less than half of the rate nationwide. The latest available unemployment data show an unemployment rate for the Philadelphia metropolitan area almost a full percentage point below the national average.
- We are maintaining all current levels of City services.

Our City is proving remarkably resilient. Last week it was reported that the hospitality community in Philadelphia has recovered from the downturn in convention and tourism business faster than any other city in America. Traffic at our airport now stands at more than 90 percent of its pre-September volume, and our hotels reached a higher occupancy rate in December 2001 than in December 2000.

Tremendous credit should be given to leaders in the hospitality community who along with Comcast, DRPA, the Greater Philadelphia Tourism and Marketing Corporation, the Philadelphia Convention and Visitors Bureau, and other important corporate citizens fashioned the weekend hotel package and that great commercial featuring the slogan "Philly is more fun when you SLEEP OVER."

Nonetheless, we must find new ways to support the hospitality industry, which provides our city with 43,000 jobs and a payroll in excess of one billion dollars. This industry, which we have meticulously cultivated, is an employment-producing engine, a catalyst for economic growth. Now is the time to recognize its importance to us and our economy. Now is the time for all of us in this region -- business leaders and labor leaders, civic leaders and political leaders, the Mayor and City Council -- to lock arms and mobilize support on behalf of expanding the Pennsylvania Convention Center.

The Center now supports 7,000 jobs; with expansion, it will support 10,000. This year, we have 28 citywide conventions coming to town; with expansion, we could host over 50. Expansion would almost double our convention business and catapult the entire hospitality industry to a new level of prosperity: *if we build it, they will come; and when they come, jobs will follow!*

This is the proverbial no-brainer. Our center is among the finest in the country, but Boston and Washington DC -- our prime competitors -- are expanding their facilities, and in this business, you grow or die.

Let me assure you: our labor community will be a valuable ally in expanding our Convention Center. We have made real progress pursuant to the Project Labor Agreement we signed last year, and Bob Butera, the CEO at the Center, Billy Corazo, and many others deserve recognition for our progress. The leaders of every union in our convention center have assured me they will work to resolve any outstanding issues, including the issue of costs. We cannot expand our Convention Center and the related businesses it attracts unless we are customer-friendly and cost-effective.

Another segment of our economy which is a source of strength and growth are our minority- and female-owned businesses. They account for more than 41,000 jobs with an annual payroll in excess of 790 million dollars.

This important segment of our economy has tremendous potential, and I believe strongly that our City and region will benefit significantly through greater inclusion of this emerging group of employers and service providers. I therefore encourage the larger business community to take full advantage of the expertise represented by the 29,000 minority- and female-owned businesses. Our City government is working to make better, more extensive use of this valuable resource, and I urge you to do the same. Working with talented and competitive minority- and female-owned businesses supports good public policy and makes sound economic sense.

We are periodically reminded of the need to protect and enlarge our City's middle-class population. My confidence is buoyed by the fact that last year, Philadelphia experienced its hottest residential housing market in 80 years – and not just in Center City and Chestnut Hill but in neighborhoods like Northern Liberties, the Italian Market, Fishtown, University City, Manyunk, East Falls, Yorktown, and others.

I am confident that in the 2002 we will see substantial increases in market-rate housing developments for middle-class families. We will build on the success of Westrum Development and Pulte Homes, which just finished a 58-home development in Fox-Chase that sold out in three months; the last units sold for over \$250,000.

Our Neighborhood Transformation Initiative is a vital part of our strategy to expand our middle class and fortify our tax base. Consider this:

- Where T.J. Maxx stands today, there was once a contaminated wasteland.
- The new \$15 million FedEx Distribution Center stands on the site of what was a nine-acre polluted swamp.

Combined, these two new Philadelphia businesses employ over 1,200 people.

This, too, is neighborhood transformation! We must do more of it. Our Neighborhood Transformation Initiative is a key part of our strategy to create a business- and job-friendly environment.

Creating a business- and job-friendly City demands improving our schools. I am grateful to Governor Schweiker for the courage and perseverance he displayed during our recent school negotiations -- as well as for his unprecedented commitment to request \$75 million for our schools in his FY03 budget. We now have a total partnership -- not just an economic

partnership -- but a partnership for substantive, long-term education improvement and reform.

The important reforms we made in the past two years will provide the foundation required to dramatically improve the quality of education in our schools. We must now accelerate our most promising reforms: smaller class sizes, greater accountability for all employees, a more demanding curriculum, a safe and orderly school environment, the use of instructional technology to facilitate learning, and strategies to engage parents more fully in their children's education. The potential now exists to do just that.

My agreement with the Governor unfortunately does not answer every question or legitimate concern. It does not, for example, represent a permanent solution to the School District's long-term financial difficulties. However, we are building a needed and indispensable bridge to the future. If that future is to be bright, our great state must abandon the real estate tax as the primary way of funding public education.

This is not just a Philadelphia problem – it is a Pennsylvania problem, with cities, suburbs, and rural communities all feeling the burden. I am encouraged by the many new voices – including the State Board of Education, Greater Philadelphia First, and members of the School Reform Commission – which have recently joined the chorus on behalf of revamping the State's school funding system.

We need the support of the business community in this effort. Ending our reliance on the real estate tax to fund public education throughout the Commonwealth would enable us to improve funding for schools and dramatically enhance educational outcomes. This is not an opportunity that comes along very often: we must seize the day!

In asking for your help, I am reminded of last Wednesday's announcement of the business community's expanded commitment to helping our School District. I was heartened by this development, and I offer thanks to the Chamber, Coca-Cola Bottling Company, the United Way, and Lockheed Martin.

Corporate involvement is critical to the success of our public schools. We need your help in Harrisburg, and we need your help in the classroom. I add my voice to that of former Governor Ridge and urge you to:

- Work with the School District to expand the Adopt-A-School Programs.
- Provide incentives for employees to volunteer in our public schools.
- Encourage workers to become mentors.
- Make sure parents and other caregivers have the time to visit with their children's teachers.

Our agreement with the Commonwealth, our advocacy for a new education funding mechanism, and my appeal to you to create education-friendly employee policies all take aim at the same goal: to bring our children the benefits of literacy and liberty. No matter the obstacles, we will meet our obligation to the children of Philadelphia.

The budget I submitted to City Council last week makes prudent and targeted investments – in quality programs for young people, neighborhood transformation, job creation, and strategies to make Philadelphia fertile ground for growth of the knowledge-based economy.

The Five-Year Plan accompanying the budget proposes an important restructuring of the City's tax reduction program. Let me assure you: my commitment to meaningful tax reduction remains firm. In fact, the budget I submitted to City Council calls for a continuation of the wage and business tax cuts outlined in last year's Five-Year Plan, notwithstanding a new \$45 million for schools and \$21 million to fund post 9/11 security costs. For the fiscal year beginning July 1, 2002, there is no curtailment of tax reductions.

However, the Five Year Plan proposes an important change. Let me explain:

Out of an abundance of caution, we propose to reduce the overall tax reduction program by approximately 50 million dollars over the five-year period. While we continue the tax reductions scheduled for FY03, we propose -- beginning in FY04 -- freezing the wage tax at FY03 levels and accelerating the reductions in the gross receipts portion of the business privilege tax. In fact, by FY07, under our restructured tax reduction program, the gross receipts tax will be only half of what it was when our tax reduction program began in 1996.

We are targeting the gross receipts tax because it is the City's most onerous, anti-business, and anti-job tax. Consider: A company with gross receipts of five million dollars and a profit margin of one percent pays 12,000 dollars in gross receipts tax -- 24 percent of its profits. This is not the way to encourage business growth!

My resolve is firm: if the economy recovers and there are no further unexpected blows to our budget, we will responsibly restore the \$50 million reduction and reduce the dreaded gross receipts tax even further! After careful consideration and a full discussion with our Council of Economic Advisors, chaired by Philadelphia Federal Reserve Board Chairman Anthony Santomero, we concluded that accelerated reduction of the gross receipts tax offered the greatest immediate benefit to the local economy.

Please keep this fact in mind: the earliest we will reduce scheduled reductions in the wage tax is July 1, 2003 -- approximately 18 months from today.

Our priorities are clear, our will is strong, and our focus is riveted on the investments we must make to realize our vision for a better Philadelphia: creating jobs, transforming neighborhoods, fortifying our economy, and offering our children the opportunity to live, love, learn, and become the responsible citizens who will lead Philadelphia through the challenges of this new millennium.

Let me end my remarks by referring to the wise advice of Louis Gerstner, the CEO of IBM, who once observed that the time had come to give our allegiance to the Noah Principle. The Noah Principle states: "There will be no more prizes for predicting rain. Prizes only for building arks."

Ladies and gentleman: In Philadelphia, I have heard many, many predictions of rain. Our time and energy are much better spent building arks. Let's get on with it.

Thank you and God bless you.