COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, November 18, 1997
9:30 a.m.

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BILL 970580 - An Ordinance creating the Franklin Plaza Tax Increment Financing District and approving the project plan of PAID for the redevelopment of the Franklin Plaza Tax Increment Financing District.

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PRESENT:

COUNCILMAN JOHN F. STREET, Chair
COUNCILWOMAN ANNA C. VERNA, Vice-Chair

COUNCILWOMAN HAPPY FERNANDEZ
COUNCILMAN JAMES F. KENNEY
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK RIZZO
COUNCILMAN ANGEL ORTIZ
COUNCILMAN FRANK DiCICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN RICHARD T. MARIANO
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COUNCILWOMAN MARIAN B. TASCO

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PRESIDENT STREET: Can I have your attention, please.

This is a Council Committee of the meeting of the Committee of the Whole, a Public Hearing.

Today we will take testimony on Bill No. 970580, an Ordinance creating the Franklin Plaza Tax Increment Financing District and approving the project plan for the Philadelphia Authority for Industrial Development for the redevelopment of the Franklin Plaza Tax Increment Financing District.

And today we have at least two witnesses that are scheduled to testify.

Our first witness will be Mr. William P. Hankowsky, from the PIDC.

Mr. Hankowsky, I believe you have a prepared statement.

Does every member of Council have a copy of that statement? Is there any member who does not have Mr. Hankowsky's statement?

Is there any member of the Committee who wishes to make any statements before we proceed with the public testimony?

Please proceed.

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MR. WILLIAM P. HANKOWSKY: Thank you, Mr. President. And I want to thank you and all the other members of the Committee of the Whole for scheduling this hearing on the schedule which we have requested in order to facilitate the development of SmithKline's new office building.

Good morning. My name is William Hankowsky. And I am the President of the Philadelphia Industrial Development Corporation, appearing today on behalf of both PIDC and the Philadelphia Authority for Industrial Development, PAID.

With me is Bob Fina, the Senior Vice-President of PIDC. Also in attendance with us today are representatives of SmithKline, who are available, should there be any questions for SmithKline.

I am here today to provide testimony in support of Bill 970580, regarding the creation of the Franklin Plaza Tax Increment Financing District.

The creation of this district is an effort to provide the economic incentives that will induce SmithKline Beecham Corporation to expand its

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United States headquarters in the City of Philadelphia.

SmithKline is proposing to develop a six-story, 150,000-square-foot office building, including parking, to accommodate the expansion of SmithKline's U.S. corporate headquarters that will, at a minimum, create 500 new jobs in the City of Philadelphia. This building should be considered Phase One of the SmithKline development.

The building would be constructed at a significant premium, in terms of construction cost, to support up to an additional 11 floors, which can result in an office building of 425,000 square feet, that could house, when completed, up to 1,500 employees.

It should be noted that SmithKline is not committed to these additional phases at this time. However, it is highly likely that if SmithKline continues to grow as a corporation, the additional floors and the employment would occur. And that's, in fact, why they are spending the additional premium to have that available to them as an option.

The actual TIF district will

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constitute approximately 1.4 acres, bounded by Vine Street on the north, 16th Street on the east, Franklin Plaza driveway on the south, and 17th Street on the west.

It abuts the existing SmithKline building, which houses -- and I should note this is a mistake. It is not 500 employees. Their current building houses 2000 employees. So they will be growing to 2500 employees, as a function of this transaction.

One of the public motivations to assist SmithKline to develop in Franklin Town is to ensure that these existing jobs do not leave Philadelphia.

SmithKline's decision to locate in Philadelphia was preceded by analysis of other sites, including two in suburban Philadelphia and one in Great Britain.

As you are aware, SmithKline is one of many national and international businesses that we are, with your help -- that is, City Council's help -- motivating to call all or a portion of their business be located in Philadelphia.

Firms like PNC Operations Center, the

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Crown Cork & Seal corporate headquarters, new hotels, Loews, and Marriott.

The Commonwealth of Pennsylvania has offered significant public financial incentives for SmithKline to initiate development at 16th and Vine.

The Commonwealth is offering a $2 million Pennsylvania Opportunity Fund Grant, up to $500,000 in a Pennsylvania infrastructure Development Program Grant; a Job Training Grant from the Commonwealth of up to 500,000 to be matched with a similar amount from the Private Industry Council; and the use of the Pennsylvania Employment Tax credits of $1,000 per employee, per year, over five years, which could have a maximum value of $5 million.

The City of Philadelphia's contribution, pending City Council action, would be to utilize 80 percent of the new real estate property taxes generated from the project.

I want to emphasize that we are not TIFing any other taxes. We are not TIFing U & L or BPT or wage or any of the others.

This would result in a tax increment

financing loan of $4.7 million. Over the 20-year term of the TIF, the city would receive approximately $36 million in net new taxes, or about $1.8 million per year, on average, from this Phase One development, and the school district would receive $11 million in net new taxes, or approximately $550,000 per year on average.

Should SmithKline decide to build the maximum office building -- that's the 425,000 square feet -- 17 floors, we would receive 98 million in additional tax revenue from the project over the 20 years. The district would receive 24 million in new tax revenue. And the TIF fund to service the TIF note would be approximately 27 million.

As I indicated before, though, this is SmithKline's option, and not a commitment, that additional phases.

In closing, I am pleased to state that the TIF district's approved to date represent a net increase in the city's and the school district's and tax revenue.

Each TIF would generate more tax revenue to the city and the school district's tax revenue. Each TIF would generate more tax revenue

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to the city and district than the district would otherwise generate even after subtracting out the TIF funds.

We respectfully request City Council's favorable consideration of this ordinance and its approval at your meeting of December 11.

In accordance with the state TIF statute, we would request that you not approve the legislation prior to the three weeks expiring after this public hearing.

Let me close by simply making one final comment. We believe this is a terrific project that anchors one of the city's great corporate citizens, that causes to be built the first new office building in Philadelphia in the last decade, and adds 500 new jobs to our employment base.

So, as a result, we would ask for your favorable consideration. And I would be pleased to answer any questions you might have at this time.

Thank you.

PRESIDENT STREET: Thank you very much.

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The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Yes. Just one question. Is it correct to assume that if SmithKline decided to go to Phase Two, you would come back to Council, if they wanted a TIF on that?

MR. HANKOWSKY: No. The project plan, in fact, lays out that if they went to Phase Two, they would receive a TIF value of 80 percent of that new real estate taxes for the remaining term of the 20 years.

So let's just say in Year 10 they did the expansion, they would get 80 percent for ten years.

So we're not requesting that you would set up a new district and give them another 20. They would only get whatever is left of the term of the net new real estate taxes on the expansion.

COUNCILWOMAN FERNANDEZ: Thank you.

One other thing. I was reading in this Pennsylvania Employment Tax Credit, and looking at the backup information we just got, I think it is interesting to note that they say that a business --

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again, this would not pertain here because they are adding so many jobs -- but I was trying to figure out how it would affect potentially other businesses coming to the city.

The rules here say that you can get this thousand-dollar-per-employee state tax credit if you add 25 new employees who, interestingly enough, have to earn an average hourly wage rate of at least 150 percent of the federal minimum wage, excluding benefits. I thought that was an interesting piece that they added.

It can be either 25 new employees or increase the number of full-time employees by 20 percent. So for a big corporation, it is adding 25.

But, for example, if you had a small business, as long as you increase by 25 percent and paid these decent wages, you would qualify.

Is that your understanding?

MR. HANKOWSKY: That's right, Councilwoman, you would qualify.

And as I -- as we discussed at the briefing just the other day, though, this program is not a -- you are not automatically eligible for the

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credit.

So the state -- you have to apply to the state, and they have to approve an application. And so they, in fact, use this. I believe they have $25 million worth of credits this fiscal year, which they spread across the Commonwealth.

But, in fact, you are absolutely -- your analysis is correct. And we find it to be a terrific program.

So we think it would be great if it was just a matter of right, if it would just encourage people to add jobs.

And, you are right, they are looking for -- there is various terminology in the business, but what are called quality jobs. So they are not -- that's the 150 percent of minimum wage requirement.

COUNCILWOMAN FERNANDEZ: I am noting this, Mr. President. In the Select Committee on Business Taxes, we kept trying to figure out a way to give some credits and incentives for people who come and bring new jobs to the city.

So I am glad that the state found a way to do it, you know, using their funds, with, it sounds to me, like some really good guidelines.

MR. HANKOWSKY: Right.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

Mr. Hankowsky, I would like to make reference to a letter that I received from you yesterday, dated November 14, in response to a memo that I sent to you dated October 2, 1997.

In your response to my memo, which raised a number of questions, the first of which was, why does this project need a TIF, your response is that there are a number of reasons, one of which is that the increased development and operating costs of the city imposed a 10 to 20 percent premium over costs in a suburban location.

Could you explain what the increased development and operating costs are that are present in the city and not in the suburbs?

MR. HANKOWSKY: Yes. They are, in fact, of the two components we mentioned, development and operation.

On the development side, the option that SmithKline had available to it in Philadelphia was the site that -- they controlled the site of this project, which requires a high-rise building.

And, as I mentioned in my testimony this morning, in order to accommodate future expansions, requires an additional construction premium that they have to invest in today, that they may or may not use into the future.

The suburban options would have been low-rise, suburban-like office buildings of a couple of stories that, basically, are just less expensive to construct.

COUNCILMAN NUTTER: Would this have been on land that they owned in the suburbs?

MR. HANKOWSKY: Yes. These are on properties where they have campus-type environments, where they have research buildings or other facilities currently, and they could have added an office building on that campus.

So they were not acquiring -- they had no need to acquire additional real estate to do that.

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COUNCILMAN NUTTER: But they own this site, also; is that correct?

MR. HANKOWSKY: They own this site, also. That's correct.

So land costs, to some extent, was a neutral in the analysis.

In terms of operating costs, in terms of generally operating office space in the city versus in the suburbs, it is more expensive to operate office space in the city.

That generally deals with, in some cases, labor costs. High-rise buildings are more expensive to operate, again, than low-rise buildings because you have got elevator systems and other systems that just cost you more to operate.

There are, in addition to the -- I mean, obviously we are TIFing real estate taxes here. But, as you know, if you are located in the city, you are liable for the Business Privilege Tax.

In some cases with regard to the wage tax, premiums are paid to keep valuable employees, to make up for that delta.

So it is both sort of the operating

costs of the building and certain operating costs related to the business, and then the development cost of, basically, high rise versus low rise.

COUNCILMAN NUTTER: But isn't it true that, in some part of the final analysis, some of the decision here came down to a square footage differential?

Do I understand that the square footage costs that we're talking about here was maybe the difference between $21 a square foot and $19 a square foot?

Did I get that information either from you or at a briefing that we had with the Mayor?

MR. HANKOWSKY: I'm not sure -- I don't recall using those square foot numbers myself.

You are right, that is another way to do it, where sometimes it is taken down to, on a -- this is often the way the analysis is done by companies and developers and others, where you take the whole project and you say, in the end, let's try to compare apples to apples.

And one way to do that is to take the

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per square foot cost, what's called all-in, so it is both the base rent, which in effect is amortized in the cost of the building, and the operating expenses, and say, what's that number versus a comparable number in another location.

And there is a delta -- there was a delta between that analysis, vis-a-vis a Center City location and a suburban location.

Off the top of my head, I'm not sure if it was $2 a square foot. I'm not sure that's the exact number.

COUNCILMAN NUTTER: I think that may have been a part of the discussion in my office.

MR. HANKOWSKY: Maybe it was.

COUNCILMAN NUTTER: Okay.

In the briefing with the Mayor, the Mayor responded to the question in my memo regarding who asked for the TIF.

And my recollection in the briefing was the Mayor making a statement that, clearly, SmithKline asked for the TIF.

Your response to my memo in your letter dated November 14, though, says that the TIF was proposed by PIDC, while Liberty Property was in negotiations with SmithKline over the site.

Could you try to provide some clarification to those two conflicting statements?

MR. HANKOWSKY: Yes.

I think the conflict is over, when SmithKline was looking at this and Liberty Property Trust was looking at this, we were posited the question of, we think it's going to -- at that point their analysis was, "We think there was a delta, a cost delta, in the city versus doing it in the suburbs. What can you do about that?"

So they asked kind of the generic "What could you do about it" question. And we said that we thought the tool that might work effectively here was a TIF.

So in that respect, we proffered the tool. Because this was not a question of -- which we have occasionally talked about in various venues -- access to capital. That is to say, it is not the case that SmithKline can't borrow money or Liberty Property Trust can't borrow money. They can borrow money, if they want to borrow money.

But that if they went to the markets or if they used, as an example, the Hide One Away

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Program, it really wouldn't provide any effective savings to close the gap between the differential costs.

COUNCILMAN NUTTER: Well, I understand that.

MR. HANKOWSKY: So we proffered the tool. They asked the question of, "What could you do?"

COUNCILMAN NUTTER: I was just trying to understand why the Mayor would say that the president of the company called him and said, "The only thing we want to talk about is a TIF," and then your response is that PIDC offered it.

I mean, those two things are inconsistent. I was just trying to understand.

MR. HANKOWSKY: No. No. I think the sequence of events was, they first came to us, PIDC, and said, "Here is what we're thinking about. What do you think we can do?"

We had the conversation where, "We think the tool would be the TIF."

The president of the company called the Mayor and said, "We really would like to think about trying to do this. Would you be in support of a TIF?" That's the sequence.

COUNCILMAN NUTTER: The contemplated Phase Two and Phase Three portions of this project, were they also dependent on whether the project received the TIF designation versus the opportunity to be in the suburbs?

MR. HANKOWSKY: The answer to that is yes.

Because SmithKline's analysis was, taking out what happens if we develop over time 425,000 square feet in the suburbs, and what happens if we develop over time 425,000 square feet in the city.

So that the -- and there will be a premium. There will be a construction premium when they do Phase Two or Phase Three, as you maybe could visualize.

To then come back and begin to add the additional floors on top is a more expensive construction technique to do this over time, than if you had, again, sort of a classic suburban, two-story building, and just added a wing to the side.

And though there was some discussion

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about, couldn't we get 20 years of -- if we did it in the tenth year, could we get then from that point 20 years for the expansion.

Our position was, no, we are prepared to talk about a district one time. And then sort of, it's on you the risk of when you make the decision to do it.

If you decide it in the nineteenth year, you get one year worth of value.

COUNCILMAN NUTTER: Okay. And did I understand from your testimony that the only taxes that are being, I guess, quote, unquote, TIFed in this project are the real estate taxes?

MR. HANKOWSKY: Yes.

COUNCILMAN NUTTER: Not the others?

MR. HANKOWSKY: Yes. And only 80 percent of them.

Again, an attempt to -- as I think we talked about in the letter that we provided, it was an attempt to sort of equal a value that roughly equaled this delta, this cost delta.

COUNCILMAN NUTTER: Councilwoman Fernandez raised the issue about, I guess it is a state tax credit for new jobs. And this project, I think you indicate in some of the materials, that there are 500 new jobs?

MR. HANKOWSKY: Yes.

COUNCILMAN NUTTER: Are these 500 people who are to be hired, or is this 500 people who are being relocated, who already work for SmithKline, who will be housed at this particular facility?

MR. HANKOWSKY: In terms of the benefit to the city in Phase One, it is -- a portion is moving in and a portion are hires.

So we, the city, get 500 new jobs that aren't physically working in the city today, aren't physically paying the wage tax today.

A portion of those people --

COUNCILMAN NUTTER: I guess these are people who work at the suburban location?

MR. HANKOWSKY: Or who work in England. Wherever they are bringing them in to consolidate this operation.

COUNCILMAN NUTTER: For the moment let's leave the England people out.

Are you making the assumption that all of the people who work in the suburban location,

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that none of them live in Philadelphia presently?

MR. HANKOWSKY: I probably am making that assumption.

And there are a few that probably do, but it is a few.

COUNCILMAN NUTTER: Okay. So now you are saying that those --

MR. HANKOWSKY: But from the state tax credit standpoint, the ones that -- if somebody is working in Upper Providence comes to us, they don't get a tax credit because it is not a new hire in the state.

COUNCILMAN NUTTER: But the benefit to the city is that they are now working in the city, even though they maybe living in Upper Providence, or wherever they pay -- and I have lost track of the suburban wage tax rate they pay. But it used to be 4, 3, 1.

MR. HANKOWSKY: Right. I lost track, too.

COUNCILMAN NUTTER: In your analysis, the chart that you provided, showing all of the various TIF transactions so far, how did you derive the Tax Revenue column? Where does that come from?

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What does that mean?

MR. HANKOWSKY: The Total Tax Revenue column?

COUNCILMAN NUTTER: Yes.

MR. HANKOWSKY: The Total Tax Revenue column is all taxes that will be generated by the project to the city.

COUNCILMAN NUTTER: And what are they?

MR. HANKOWSKY: In terms of wage, real estate, U & O, BPT. If it is a hotel, hotel tax.

So it is showing, here is what this project is going to generate as tax revenue. And then the second column is, this is the dollar value out of that value that, in these various TIFs, was, quote, TIFed, was taken and used to service a TIF note.

COUNCILMAN NUTTER: That's what your TIF portion column is?

MR. HANKOWSKY: That's right.

So what's in that column varies by whatever we did in the transaction.

For example, as you pointed out this

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morning, in this transaction, it will just be the 80 percent of real estate.

If we TIFed U & O, then that's in that -- whatever. That's in that column.

Or if we TIFed 1 percent sales on a couple of the hotels, we did the 1 percent sales.

COUNCILMAN NUTTER: What's the limit on what can be TIFed in a deal? And is that a --

MR. HANKOWSKY: Statutorily?

COUNCILMAN NUTTER: -- it is a deal-by-deal decision?

MR. HANKOWSKY: Well, you start with, statutorily, the state act lists which taxes are TIFable.

So, for example, under no circumstances can you TIF the wage tax, amusement tax, parking tax, hotel tax, liquor by the drink. So there are taxes you can't TIF. But the statute doesn't authorize it.

COUNCILMAN NUTTER: So that leaves you with real estate, sales?

MR. HANKOWSKY: U & O, BPT.

Just the 1 percent city sales, not the state portion. So that's what are available.

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When we look at a transaction, we are looking at -- there are sort of one of two scenarios we are looking at.

We are either looking at what I call today's scenario, the SmithKline scenario, or there is an issue of trying to level the playing field of making this transaction competitive with an alternative, such that the firm elects to do it here.

And then you are sort of looking at trying to come up with what portion of what tax stream, or streams, might equal that amount.

The other scenario is a scenario where you are dealing with an access to capital problem.

This is more analogous to the hotel transactions, where the private market will do 50 percent of the debt, equity will do 20 percent, and we are trying to do 30 percent of the financing.

In which case, now we are looking at the TIF stream in terms of equalling the debt service on that gap, which is a different calculation.

COUNCILMAN NUTTER: My last question

is, when this was announced I believe sometime in the summer, either July or August --

MR. HANKOWSKY: It was warm. Right.

COUNCILMAN NUTTER: -- did you know then that this was a transaction that would be received or reviewed favorably?

Or was there an assumption that because of the magnitude of the transaction or because the Administration just wanted to do it, that it would automatically happen?

MR. HANKOWSKY: We make no assumption that Council will automatically approve any legislation.

COUNCILMAN NUTTER: But you announced that a TIF was going to be a part of this financing deal.

MR. HANKOWSKY: That's right. That's right.

What often happens in these transactions -- and for SmithKline as a good example -- with a publicly traded company, is, when they get to a point where they -- even if the transaction is not complete, everything is not done and in place, but they have elected to make a business decision, and they plan to follow a course of action, even if it has a series of contingencies, they are basically forced by SEC rules or other rules to make it public, and particularly to the degree that outsiders know something about it.

And so SmithKline was both dealing with wanting to make clear to stockholders, to employees, and to others that they had made a decision about the business expansion plans that they wanted to pursue.

I believe that, simultaneously, they announced a research project of some sort building in Great Britain. So they were talking about, here is our next facility game plan for us. And, yes, there are various things that are going to have to happen to make that happen. But they needed to go public.

And versus going public, you know, with a press release, and then a bunch of questions. A press conference was held to say, "Okay, here is what they are doing."

And, yes, we did say that a TIF was required as part of the transaction.

COUNCILMAN NUTTER: Prior to any

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discussion with the Council in general, or members in particular?

MR. HANKOWSKY: I believe that we had -- I believe the Mayor had spoken to Council President, but probably just within days prior to the announcement at that point. Because they were waiting to tell us what decision they were going to make.

But, that's right. I think that was the only -- that was the communication.

COUNCILMAN NUTTER: It is often very difficult to deal with these transactions when you read about something that has either been proposed or essentially included in the financing prior to any discussion about it.

And it does give the impression that there is an assumption that this will happen. It has been represented, apparently, to people that it will happen. And they make reasonable decisions based on what they are told, that this is a part of their transaction.

So it is a little difficult, on a personal level, to deal with transactions that seem to already be done, and then subsequently ask for

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approval.

And I really don't like doing business that way.

MR. HANKOWSKY: Right.

Well, generally our policy -- I'm not disputing your comment -- I just want to articulate it -- is, we are always clear to all parties we deal with, with whatever components of a package we are dealing with, that it is, whoever's approvals are necessary, that they are conditioned on those approvals, whether Council, whether they are PIDC's loan committee and board, whether they are a state agency that's providing financing.

And we try to advise, prior to anything being public, the district Councilperson involved and the President's office.

But I hear what you are saying in terms of generally informing all of Council.

COUNCILMAN NUTTER: All right. The only other thing I will say to you, and then I will conclude -- and I appreciate the President's indulgence -- is that, once again, this is a situation where I will commend your efforts and your creativity to try to help a good corporate citizen.

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And I think I have told you and I have stated publicly last week that my questions and concerns about this deal have nothing to do with the SmithKline company and what it is that they want to do. It does not matter to me who would be in this particular transaction.

But it is a further irritant, I guess, that we make great strides and great efforts to do these types of transactions, when I receive letters not from yourself, but other components of our economic development operation around here, and specifically in this case the Redevelopment Authority, that when we are trying to do a project, a small project, out in 52nd Street, in the Parkside community, and I receive responses back from them that say, well, we would like to do the project, but we have no money.

And it is a recurring theme around here that for certain projects there is always funding available, and for other projects we have to search desperately throughout the universe to find any funding for them. It is not fair and it is not right.

And I would like to see a little more

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effort go into smaller neighborhood projects with the same creativity that goes into the large projects.

Thank you.

PRESIDENT STREET: Thank you very much.

Mr. Hankowsky, can you give us a little bit of an idea what the competition might be for a company like SmithKline, say, in New Jersey or in any other?

Is it fair to say that this is a company that could probably move anywhere in the entire world?

MR. HANKOWSKY: Oh, it is absolutely correct, Mr. President. And the world is true.

I mean, they --

PRESIDENT STREET: You mention in your testimony about they considered a site in London.

MR. HANKOWSKY: That's right. They are headquartered in London. They are a British-owned firm and headquartered there.

And though I have no inside information about SmithKline's thought processes necessarily, I think it is fair to say that there were at least elements within the firm that were -- that might well have argued the case of, since we are headquartered in London, why don't we expand in London. So that's clearly an option.

Your comment about New Jersey -- and whether I, as a matter of public policy, necessarily agree with what's happening in the United States today -- I face, I guess, the reality of having to deal with it, which is that it is an extremely competitive process, where states and governments are aggressively putting packages forward to all kinds of companies.

And I think, Mr. President, over the course of the last decade, we can think about everything from arenas and sports teams that New Jersey tried to lure, the PNC Operation Center.

There have been competitions with Baltimore. I have had competitions with Atlanta. So it is very competitive.

There are often tax relief, tax abatements, grants, low-interest loans, all sorts of tools that various governments put forward.

PRESIDENT STREET: So the fact that

this company has decided to stay here and expand here must basically mean that it has decided that it wants to be in Philadelphia.

MR. HANKOWSKY: I think it is fair to say that SmithKline asked us the question of, "If you could help us make a case that this is a good business decision economically, we would like to make the decision that it is Philadelphia."

And that's what this legislation allows them to do.

PRESIDENT STREET: Well, Mr. Hankowsky, based on what I know about what happens -- or at least I think I know about what happens -- in New Jersey and in other areas, if they really were going to the location where they got the best purely economic deal, I have never known us to be able to compete with those people, particularly New Jersey, on a dollar-for-dollar basis.

Now, is that true or not?

MR. HANKOWSKY: That is true.

PRESIDENT STREET: Because I remember when we were trying to do the stadium project, we absolutely, unequivocally, could not have competed.

MR. HANKOWSKY: That's right.

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PRESIDENT STREET: And in many respects -- and I am missing the name now. What's his name? The owner of the --

MR. HANKOWSKY: Ed Snyder.

PRESIDENT STREET: Yes. Ed Snyder basically decided he would stay, at an economic disadvantage to him.

MR. HANKOWSKY: That's right.

PNC did the same, I think, as you will recall.

PRESIDENT STREET: Is there any way of knowing and calculating just what that economic advantage or disadvantage might be?

Because what happens is, we are obligated to look at these things strictly from a taxpayer point of view.

But it would also be helpful to know, as a part of our public record, some of the details of the other offers that are made to these people as they make these decisions.

We can only go so far. We only have so much money. The state is only willing to put in so much money.

But I think it would be helpful if we

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were to know -- and I am not necessarily even talking about Council members knowing, because we sometimes do know, but the members of the general public don't know -- the extent to which sometimes our businesses have to go in order to stay with us, given the economics of these deals.

MR. HANKOWSKY: That is an extremely constructive suggestion. And we could do that, yes.

PRESIDENT STREET: And I think it would be helpful to everybody if we could have that kind of information so that it could be made available to the members of Council, so we could have it prior to taking a vote on it, so that the tax-paying and service-consuming general public will be able to get a very well-rounded view of this transaction and other transactions.

Do I correctly understand here that the taxes TIFed will be made available as a loan to the project?

MR. HANKOWSKY: Well, yes. What will happen is, there will be a loan -- in order to make the project work, there will be a loan of 4 point --

PRESIDENT STREET: 7 million.

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MR. HANKOWSKY: -- 7 million that will be made by Liberty Property Trust. And then the TIF revenue stream, as it occurs, services that loan. That's correct.

PRESIDENT STREET: Okay.

MR. HANKOWSKY: So we don't put the money up front; we do it over time.

And, again, Mr. President -- which I think, I know yourself in terms of just years on Council, would have empathy for -- this is a technique that we think is much safer for the city than -- we used to look at like guarantees. And then the bills would come, and we would have to do it.

This way we absolutely cap our exposure. I mean, it is the taxes, real estate taxes, and that's what it is. And we know we are done, and we never touch the General Fund for this transaction for the next 20 years.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you,

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Mr. President.

Are there members of SmithKline, representatives of SmithKline, here today?

MR. HANKOWSKY: Yes, there are.

COUNCILMAN KENNEY: Would you raise your hand.

I would like to take this opportunity to thank you, and thank you for your corporate commitment and your corporation's commitment to continuing and remaining in this city, with all the discussion today about you being able to go anywhere you like.

The 500 new jobs are critical to this city and its current history of job loss. And I think that the taxes generated by this deal and the work that was done by PIDC, as usual, is an excellent opportunity for us to capitalize on the use of money.

And I want to make sure the record is clear. This money is not coming from the General Fund. This is money that we are foregoing because of improvements to a building that would have increased the property taxes.

If the project were never done, there

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would be no improvement to the building, there would be no increased property taxes, and we would have nothing to TIF.

So I think in a comparison of deals like this, with neighborhood projects, it is basically comparing apples and oranges.

Because the real estate taxes available in smaller development projects in the city don't compare with the taxes generated by improvements to large office buildings, which are creators of jobs.

In addition, it would seem to me that the large number of people who are going to be working in this building in Phase One, and hopefully into other phases, will be people of Philadelphia neighborhoods, who will get on public transportation or in their car in the morning and come in to work, work all day, be paid, pay their taxes, and continue to improve and stabilize their neighborhoods.

So I don't know if anybody has ever told you this -- maybe the Mayor has, because I think he has probably been very, very involved in this -- but thank you.

And please carry back to your

corporate leadership my thanks, at least, for your continuing commitment to this city. And I really do appreciate everything you have done to stay here.

Thank you.

PRESIDENT STREET: Thank you very much, Councilman.

I don't think all the people in the room are here to testify on the Franklin Plaza TIF. Somehow I have the feeling that there may be one or two people who are here for something else.

I would like to announce that there will be a public hearing on the Section 8 Program that will take place immediately after this hearing.

This is a very important hearing that we have to do. The timing on all of it is set forth in state enabling legislation.

We will be a while longer. But hopefully we will get started with the public hearing that is of most interest to most of you who are here very shortly.

I would like to ask the members of our staff if you will get copies of Mr. Hankowsky's testimony, make a couple hundred copies, and pass them out to the members of the general public who are here.

Since they are here, they might as well know what we are talking about. Because you are going to be hearing this for another 15 or 20 minutes.

Can I get somebody to make copies of his statement?

And after you read the statement, you may want to testify. Although we are not encouraging that.

MR. HANKOWSKY: We have 20 copies to start, Mr. President.

PRESIDENT STREET: That's not nearly enough.

MR. HANKOWSKY: I know. But we brought them in case.

PRESIDENT STREET: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Mr. President.

Mr. Hankowsky, I have a few questions regarding employment ops for Philadelphia residents. Because I am not really clear whether I understood the answer that you gave Councilman Nutter.

I understand that 500 new taxpayers will be moving into the city for employment. But does that allow, in Phase One, for Philadelphia residents, for any of those 500 jobs, for people that are not working for SmithKline right now?

MR. HANKOWSKY: I believe that the split is approximately 200 jobs are moving in and 300 jobs are being created.

The majority of the 500 will be new jobs, jobs that are open. SmithKline hasn't actually decided how many are moving in and how many they are filling, though 500 in number.

But there will be new jobs that someone will get hired for.

COUNCILWOMAN MILLER: Okay. So I would like to hear more information on the job-training plan.

MR. HANKOWSKY: Yes.

COUNCILWOMAN MILLER: You know, if I had a constituent that knows that these jobs are going to be there, and maybe they can't compete for Phase One, but they may be able to compete for

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others, what would be the critical path, what skills specific and competencies would one need to fill?

Because the average job it says is $60,000?

MR. HANKOWSKY: Yes. Right. Good jobs.

COUNCILWOMAN MILLER: Yes. Right.

So what would you tell someone? How can I tell someone?

MR. HANKOWSKY: What we would be pleased to do is perhaps provide, through the President's office, at the point where it is finalized, actually how both the state and the Private Industry Council job-training process will be established.

Actually, SmithKline's human relations people are working with those agencies right now to actually develop the training programs.

And, obviously, the right way for somebody to access those jobs is to get in that training regimen. Because SmithKline will then sort of create the curriculum of which competencies, as you indicate, you would need in order to fill those jobs.

These are mainly office jobs. I just want to be clear. They are basically office jobs in nature. This is not a research facility. These are headquarter functions.

COUNCILWOMAN MILLER: I understand they are office jobs. But most office jobs --

MR. HANKOWSKY: I'm not saying they aren't available.

The competencies are office-job competencies.

COUNCILWOMAN MILLER: -- they don't pay $60,000. So I thought it was some special training that someone would need.

MR. HANKOWSKY: Well, 60 is the average over all 500, which we got from SmithKline as a way, then, to compute the wage taxes.

So some jobs will pay more than that and some will pay less than that. But the average comes out to be 60.

COUNCILWOMAN MILLER: All right. I have no more questions, Mr. President.

PRESIDENT STREET: Thank you very much.

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The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Mr. President.

Is there any way to determine the number of jobs that would go to current Philadelphians of the 500?

MR. HANKOWSKY: Oh, at this juncture, as I sit here this morning, there is not.

As I said, SmithKline is both determining the exact number of new hires that they will be creating, versus moving people in other positions into positions and working through that, the training programs that will be established with the Private Industry Council and with the state. That will get clearer over the next several months.

And, again, as to point out, this is a new building being constructed. So that these hires will occur over the next couple of years, as this building gets available for people to move into it.

COUNCILMAN COHEN: Well, I am also, Mr. Hankowsky, concerned about the word "jobs."

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What does it mean?

It means one thing to the City of Philadelphia. Whether the person lives out of state, out of county, the city will get a certain wage tax.

But that doesn't necessarily translate into jobs for Philadelphians. Because those people may come from anywhere.

Isn't that true?

MR. HANKOWSKY: That's true.

COUNCILMAN COHEN: And I think we have to separate those two concepts. We don't really know how many jobs it will be for Philadelphians.

The second concern I have -- and that's one major concern I have. The second major concern is, in the area of, what is the city's basic policy towards TIF financing in general?

Does it mean every time a business comes in, that we are going to be putting the burden of real estate taxes on ordinary citizens by relieving, through this tax increment financing provision, businesses of the kinds of taxes that homeowners have to pay?

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A homeowner that fixes up his home, adds additions, has to pay real estate tax on the additional value of the home; isn't that right?

MR. HANKOWSKY: Well, there are -- there is both the existing abatement program for home improvements, and I believe there is also legislation currently within City Council, in fact, to take a hard look at amending that legislation, such that there would be a greater incentive for homeowners to do improvements and benefit from that.

COUNCILMAN COHEN: Well, I'd like to suggest we take a hard look at TIF. Because I'm concerned, absent a statement by the city indicating the circumstances under which they would grant this kind of tax relief, it looks like any company is eligible for it no matter what its financial position is.

Originally when we talked about tax abatements many years ago, we talked in terms of making it possible for a company to open a new business, when it might otherwise not be able to do that, without aid.

Now, SmithKline, as far as I know, is

a very good company from the point of view of reputation as a business. And, secondly, it is an extremely wealthy company. It is in no sense in need at all of any additional financial help in order to expand.

What it seems to me to be doing is taking advantage of the fact that there is competition among different areas in order to headquarter; you know, get the headquarters. And it is extracting a bargain from the City of Philadelphia at a pretty heavy cost to the residents.

Now, what would be your reaction to that statement?

MR. HANKOWSKY: That it is not correct.

COUNCILMAN COHEN: Well, go ahead.

MR. HANKOWSKY: That's my reaction.

SmithKline at no point posited this as in any way extraction.

SmithKline posited a question to us. And the question was, "We're going to expand. We have a variety of options on where we can expand. We own real estate in London, in the suburbs and in the city."

"We have done an analysis, we have looked at the costs. It is more expensive for a variety of reasons."

"Is there anything you could do to help us make an argument to ourselves, to our Board of Directors and our stockholders, that doing it in Philadelphia was not to our disadvantage?"

So if they were extracting, they could have said, "Give us 100 percent of the real estate taxes, give us the U & O taxes, give us the BPT."

And in fact, instead, they said, "We think it would come to approximately 80 percent, when you did the calculation of the delta in the cost, in order to make that happen."

As has been indicated by other Council members this morning, they basically could have gone anywhere.

The notion of the TIF process is that these tax streams don't exist today. So we're not tapping into the current revenue base of the city. We are not TIFing, for example, the current real estate taxes generated by the land. You can't do

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that.

If there was an existing building, you can't TIF that. It is only the new taxes generated by the project that you TIF.

And, again, we are not TIFing all of them; we are only TIFing some of them. So there are net new dollars to the General Fund that won't be there if the project doesn't occur here.

So the question of juxtaposing that with the issue of homeowners -- and you are correct, Councilman Cohen. Again, I believe, over the course of many years we have talked about abatements a lot.

And there is no question that the current legislation, meant to assist a homeowner in doing home improvements, is not a very user-friendly piece of legislation.

In fact, only handfuls of people ever use it. And we all know what happens. People basically try not to get building permits, so they don't get assessed, so they don't pay it, which is kind of a silly place to end up.

And I know, as I said, I believe there is either legislation introduced, but as not

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yet had a hearing, to take a hard look at that.

But in dealing with that, it is clearly a value of public policy. But I don't think it is a question of contrasting this to that.

COUNCILMAN COHEN: Well, I will only belabor this with one further question.

The other day we had a hearing in the Council chambers that got into the field of pornography. And there was an explanation between hard-core and soft-core pornography.

I think the explanation here may be there may be a deference between hard-core extraction and soft-core extraction.

But it seems to me that when a company doesn't need, doesn't need the financial assistance of a TIF, it ought not to get it.

I think Philadelphia has enough other attractions as a major area for a company to be headquartered in, so that it doesn't have to rely on the little extra financing that TIF will provide.

According to your statement, it isn't a great sum of money. But it is enough money to be of concern.

The Mayor just issued a statement

that the surpluses that we have been getting the last few years are going to evaporate and there are going to be new heavy pressures on the city.

It seems to me that when you give away future income, it is not a healthy thing to do in view of the increased burdens that may be placed upon Philadelphia.

So I just urge everyone to give very serious consideration.

I would like to see more assistance going to the residents of the city, rather than to these big companies that are coming in for the purpose, you know, of making large profits.

Thank you, Mr. President.

PRESIDENT STREET: Councilman Cohen, let me fuss with you for just a little bit.

You are going to get 500 new jobs here.

COUNCILMAN COHEN: Well, they may not be Philadelphians.

PRESIDENT STREET: But they are going to be 500 jobs of people that will be working in the city, right over there in the 5th District, right there on Spring Garden Street. 500 new jobs.

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The worst thing that has happened to me in 18 years in this city, in this City Council, is to have people come up to me and say, "All I want to do is go to work. I just want a job."

Now, I will tell you that I have watched these things carefully. If this company wanted to, it could be holding us up for even more.

If SmithKline said to us today, "We need another 5 million, or else we're going to build this thing over in London, or we're going to go to Jersey," do you know what we would have to do? I am telling you, we would have to give it the 5 million.

They are not asking us for everything that they could get out of us. And I appreciate that. And they aren't the only ones who have done it.

People who decide to keep their businesses in the City of Philadelphia and expand their businesses in the City of Philadelphia do it because they want to, not because they have to. They just don't have to anymore.

We live in a different world. We live in a world of mass communication. We live in a

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world where people can communicate everything they need to communicate instantly over computer lines that you and I don't even know where they live.

We don't even have to rely on a fax machine anymore. We now have E-mail. I mean, there is a whole new world out there.

And for this company to be talking about creating 500 new jobs and putting itself in the position where it can expand and go up on Spring Garden Street in the City of Philadelphia, which has the tax problems that we have, which has all the other problems that a big city has, is a wonderful thing for us.

And I know that they have not asked us for everything that they could have gotten out of us.

And what we would have done, if they had asked for another 5 or 10 million, what we would have done is come in here, we would have complained a little bit, but we would have had to give it up.

And so whereas I share your concern, the 500 people that get these jobs and maybe the 1500 or a thousand additional other people that have an opportunity to get these jobs, are going to be

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people who are tied to this city and its wage tax and all the other advantages and disadvantages of this city for a long, long time.

And do you know, senior citizens who fall within the PACE guidelines never have to pay another real estate tax increase ever on their primary residence? This Council saw to that. And that's very important.

I mean, we try to do things for the hard-working, tax-paying residents of this city.

You were among the people that have been proposing that for a number of years. And we didn't have a big fanfare.

This Council passed the bill. We went to Harrisburg, got the state enabling legislation so that our senior citizens are immune from increases in real estate taxes. That's very important to that community.

And for us to be able to get 500 additional jobs, with the prospect of another thousand additional jobs, and basically for $4.7 million of real estate taxes that we forego collecting is a real serious bargain for this city.

And having been in a position in the

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last 15 to 20 years of looking at every single economic development, significant economic development, project that has come through this city, I tell you that this is about as good a bargain as we are ever going to get.

And, you know, we have to ask the questions we are entitled to ask them. But, in the final analysis, we have got to do what we have to do here. And we have to thank a corporation in this city for not just taking us for every little thing that it could have.

Because I know that SmithKline could have gotten more out of the Mayor and Mr. Hankowsky and this Council because of the significance of the development and because of the options that they have.

And for them to come here, and when we look at our bottom line we see $4.7 million, and 500 jobs, anybody who questions what we are doing here, I invite you to take a look at the next big economic development project that's going to come through this Council.

And we're going to approve that one, too. Because, unfortunately, we don't have the edge in job creation. Not in this region, not in this country.

There are people that are competing with us all over this world. Because that's just the way it is, and we can't change it.

And, you know, I think that while we appreciate those sentiments -- and you and I have been on the inquiring side of these deals for many, many a year -- I think this one is about as big a win as this city is going to ever get. It certainly is as good as I have seen for us.

And maybe some other businesses out there will come, and maybe they will do better. But I'm not real optimistic about this.

COUNCILMAN COHEN: No, but I think we are in a situation where we are permitting these very large businesses to force different governments to compete with each other.

And I think the price will continue to escalate. And somehow the ordinary citizen who lives in the city, it seems to me, is not benefitting.

Because the benefits are largely to increase the tax revenue. And then the tax revenue is used for purposes which are often very difficult to say benefit the people in the community.

And I am concerned about our getting involved in this bidding warfare with other communities. And that's the reason I say we have got to look at these things very, very carefully.

PRESIDENT STREET: Well, Councilman, who do you think is going to spend the tax revenue that gets generated from this development?

How much is it, Mr. Hankowsky, on the first part of it?

COUNCILWOMAN VERNA: 1.5 million.

PRESIDENT STREET: The total over the 20-year period, the city will receive $36 million in net new taxes, or $1.8 million a year, on the average, in Phase One.

The school district will receive $11 million in net new taxes, or $550,000 a year on average.

Who will spend that money? That's money that will go into our budgets.

And it is unfair to suggest that -- you know, we will put out $4.7 million. All the rest of the money going into this project is our money, some of which coming back to the city from the state.

We will generate this money, tax dollars, hard tax dollars, for the city that goes into the General Fund.

Now, nobody is going to tell me that that amount of tax revenue was going out there on Spring Garden Street. We will have to provide city services, but it is going to go into the General Fund.

The school district needs this money. The city General Fund needs this money. Money will be used to pay for police, it will be used to pay for a number of other city services. But I think that's where the balance comes in.

And it is unfair to suggest that regular city residents won't benefit from this, when you have all of this tax revenue that's going into the city's General Fund. It is going there because we have this wage tax.

And it doesn't matter whether the people live in the city or don't live in the city. They are going to pay the world's highest local wage tax. And we are going to spend it right here on

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this Council.

COUNCILMAN COHEN: Mr. President, I raise these questions because I think there are a lot of answers that have not been given that have to be given.

For example, we went through a tax lien sale to increase large sums of income to the city.

We asked, and this City Council passed, a resolution requesting the Mayor of the city to present an economic plan for the spending of that money to indicate how it is going to be used for the benefit of the neighborhoods.

We haven't heard that. We expected that by September. That was what our resolution called for.

It seems to me that all citizens are crying for tax relief, at every level. And it is very difficult to explain in that atmosphere why a very wealthy corporation is getting a benefit.

Yes, it is true, there are certain long-range benefits that may come from this legislation.

But I am fearful that what this is

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doing is perpetuating an attitude of tax relief for large businesses, while the ordinary citizen gets very little in the way of tax relief.

I am not disputing the overall benefit of the business coming to Philadelphia. But I would like to see it come because SmithKline has benefited from its many years in Philadelphia.

When it started in Philadelphia, it was a very small company. It is a national company. And, increasingly, I would like to see businesses come to Philadelphia because it is good for them and it is good for the city, as well.

Thank you very much, Mr. President.

PRESIDENT STREET: Thank you.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Mr. President. One more comment, and it sort of follows Councilman Cohen's.

I would like to know -- and I know this is a policy decision -- if this Council could move in talking to the Mayor, whomever, on dedicating a portion, a percentage, of the profits from these TIFs to neighborhood development funds.

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I'm not saying that they don't get funded anyway out of the operating budget, but we just need more money. And that's my comment.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

Mr. Hankowsky, just so that the record is clear -- and I think my colleague is out of the room, Councilman Kenney -- there was some discussion, I think, after my rather extensive questioning of you about the nature of neighborhood economic development.

And I think the Councilman possibly could have misunderstood my comment to you, that the same level of commitment and effort needed to be made with the neighborhood deals as in this particular one.

Let me say again, for maybe the fifth time, I don't have a SmithKline problem. I am glad that they are here, hope that they expand.

The issue is one of -- and it is not

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comparing apples to oranges; it is apples and apples or oranges and oranges -- it is that, as we do these deals, there seem to be problems in getting neighborhood projects done.

Now, we don't have to have a debate about it today. And I'm not a big betting person, but the likelihood that a person who lives at 52nd and Parkside, the likelihood of them getting one of the $60,000 jobs is a lot slimmer than getting a job at a neighborhood economic development project at 52nd and Jefferson. That's the reality.

And so as we do what we do -- and whether it is for people moving from the suburbs into the city or people who live in the city -- I want them to have those jobs.

But there is another group of people out there that will never have access to those jobs, for various reasons. But they can do other things.

And to the extent that we can create economic development, job opportunities for the other group, we need to spend some time and attention working on that, as well.

That was the substance of my statement. We should not allow ourselves to be in an either we are doing SmithKline or we are doing something else. We need to do both.

And we have the capacity to do both, if we have the will to do both. And that was what I was talking about.

And I think you understood that. I think Mr. Fina understood that. But I don't want the record to be confused because someone else may have misunderstood it. That's what I was saying.

Lastly, we started out this discussion talking about, based on your letter, that there was a cost premium in the city, out of the city.

I need to know what efforts are being made -- this is not the first deal to come along, hopefully, as Council President indicated, it won't be the last. If we do nothing, these differentials will continue to exist.

And so what are we doing to try to reduce them as much as possible? And, secondly, what, if any of them, are a function of our city being a part of the Commonwealth of Pennsylvania?

What restrictions or problems are created at the state level that we can also possibly seek relief on? This is not the last time we are going to face this problem.

MR. HANKOWSKY: Right.

Very briefly, there has been some significant amount of attention to some of those costs.

So there was workers' compensation reform two years ago, I believe, that somewhat lowered the cost of those premiums in Pennsylvania versus other states. And they were severe, severely different and more expensive here.

So there was movement in that direction, but it is not necessarily still a level playing field.

Electric deregulation, which I know you all thought about recently with some degree of hearings, is also, I think, a step in the right direction.

PECO has historically been the third-most-expensive utility in the country. So, again, every one of these costs doesn't matter in every deal. Some companies use a lot of electricity, that's a big issue. Others have a lot of employees, it's workers' comp.

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The action that this Council has taken over the last several years to begin move a slow movement down in both the Business Privilege Tax and Wage Tax is also one of those costs.

I think the activity currently underway by Councilwoman Fernandez' Committee, which was an attempt to sort of, let's look at some of these taxes, because we may have tax policy today that simply isn't reflective of the economy today.

So, for example, I think, whether you are an expert on the BPT, there is, for example, a manufacturer schedule that allows the costs of goods sold to be subjected from the gross receipts. A logical thing for that business.

But they are not comparable for information system companies, because we just haven't thought about it. So there are a variety of fronts that need to be looked at.

COUNCILMAN NUTTER: But ultimately isn't our tax policy, though, primarily driven by the taxes that we have, the taxes that we are authorized to have --

MR. HANKOWSKY: Yes.

So if you are asking me the core

question, tax reform is a critical issue.

COUNCILMAN NUTTER: -- and any other taxes that we may want to have or not have?

So what are we doing at the state level to change it?

We can tinker with this stuff as much as we want to. Ultimately, it almost does nothing.

MR. HANKOWSKY: It doesn't solve the macro problem. It can solve micro problems for individual transactions.

COUNCILMAN NUTTER: Because we still end up having these hearings about these financings, and who is getting what.

And I am going to ask again, what is being done to solve the larger core problem of our tax structure?

We cannot solve that problem sitting in this room.

MR. HANKOWSKY: No, we can't.

COUNCILMAN NUTTER: We don't control that.

So what is being done?

MR. HANKOWSKY: I'm not sure that I am --

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COUNCILMAN NUTTER: It is either something or nothing. It is simple.

MR. HANKOWSKY: I think at the moment there is not much energy on tax reform.

COUNCILMAN NUTTER: Okay. That's the answer to the question. Thank you.

PRESIDENT STREET: Councilwoman Miller.

COUNCILWOMAN MILLER: Mr. President, I need to be excused for other Council business. And I would like to leave my vote of yes on this bill.

PRESIDENT STREET: Thank you very much.

Is there anything else for Mr. Hankowsky?

Mr. Hankowsky, can you just sit on the side and be available?

I understand that we have a representative of the Chamber of Commerce, Greater Philadelphia Chamber of Commerce, Ashley Andrus.

I understand that the Chamber of Commerce is opposed to this project. Just kidding. Just kidding.

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MS. ASHLEY ANDRUS: Thank you, Mr. President. My name is Ashley Andrus. I am Manager of Public Policy for the Greater Philadelphia Chamber of Commerce.

And my remarks closely resemble those of Mr. Hankowsky, so I will summarize them.

But just say that the Chamber is in full support of the implementation of this project plan and the creation of a Franklin Plaza TIF District on the basis of the prior success of the use of TIFs both in the City of Philadelphia, as well as nationwide.

Of course, the rise in the market value of the property in question and what the increase would be in our tax revenues is clearly important, as well as the creation of the new jobs in the city.

And, finally, I just want to add my remarks. We too salute SmithKline for making this commitment to the city.

They have been a corporate leader for a number of years and are really showing their continued support of the city. And I think it is important that we recognize their commitment that

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they have shown.

And in an ever-competitive marketplace among cities and states for corporate business, I think it is important that we go forward with a TIF and make incentives available to corporate leaders like SmithKline that have shown the commitment that they have shown.

Thank you very much.

PRESIDENT STREET: Thank you very much.

Are there any other questions or is there anything else?

Is there anyone else in the chamber who wishes to testify on this bill, Bill No. 970580?

Seeing no one, this brings us to the end of our Public Hearing. We will now go into our Public Meeting.

(Public Hearing adjourned.)

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

of the

COMMITTEE OF THE WHOLE

- - -

Tuesday, November 18 1997

- - -

Public Meeting conducted by the Committee of the Whole, held in Room 400, City Hall, Philadelphia, Pennsylvania, on the above date, to consider action on the following:

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PRESENT:

COUNCILMAN JOHN F. STREET, Chairman
COUNCILWOMAN ANNA C. VERNA, Vice-Chair

COUNCILWOMAN HAPPY FERNANDEZ
COUNCILMAN JAMES F. KENNEY
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK RIZZO
COUNCILMAN ANGEL ORTIZ
COUNCILMAN FRANK DiCICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN MARIAN B. TASCO

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PUBLIC MEETING

PRESIDENT STREET: The Chair recognizes Councilwoman Verna for a motion.

COUNCILWOMAN VERNA: Thank you, Mr. President.

PRESIDENT STREET: Just before Councilwoman Verna makes a motion, we do not need a Rules suspension; am I correct?

COUNCILWOMAN VERNA: Yes.

PRESIDENT STREET: I thank you.

The Chair recognizes Councilwoman Verna.

COUNCILWOMAN VERNA: I move that Bill No. 970580 be reported out of Committee with a favorable recommendation.

(Duly seconded.)

PRESIDENT STREET: All in favor let it be known by saying aye.

Those opposed say nay.

The ayes have it. This bill will be reported from this Committee with a favorable recommendation.

I thank you for coming.

To those of you who are here for the Section 8 hearings, they will begin promptly.

PUBLIC MEETING

Please stay in your seats and be available. We appreciate your patience. Thank you.

(Public Meeting adjourned at 10:35 a.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Tuesday, November 18, 1997, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COMMITTEE OF THE WHOLE

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DEBRA A. WHITEHEAD, RPR