

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 COMMITTEE ON COMMERCE AND
4 ECONOMIC DEVELOPMENT
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7 Room 400, City Hall
Philadelphia, Pennsylvania
8 Thursday, December 2, 2010
12:45 p.m.
9
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PRESENT:

11 COUNCILMAN W. WILSON GOODE, JR., CHAIR
COUNCILMAN FRANK DiCICCO
12 COUNCILMAN BILL GREEN
COUNCILMAN CURTIS JONES, JR.
13 COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
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BILL 100756 - An ordinance amending Chapter
16 17-1300 of The Philadelphia Code, entitled
"Philadelphia 21st Century Minimum Wage and
17 Benefits Standard," by broadening the
definition of the "City financial aid
18 recipients" who are subject to that Chapter to
include certain persons or entities who lease
19 property or equipment from persons or entities
who receive City assistance, under certain
20 terms and conditions.
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2 COUNCILMAN GOODE: Good
3 afternoon. This hearing is called to
4 order. This is a public hearing of the
5 Commerce and Economic Development
6 Committee on Bill No. 100756. My name is
7 W. Wilson Goode, Jr., Chair of the
8 Committee.

9 I note that a quorum is
10 present. Committee members present
11 include, to my left, Councilman Bill
12 Green, Councilman Curtis Jones. To my
13 right is Councilwoman Maria
14 Quinones-Sanchez, Councilman Frank
15 DiCicco. Also present is Vice-Chair of
16 the Committee, Councilwoman Blondell
17 Reynolds Brown.

18 The title of Bill No. 100756,
19 amending Chapter 17-1300 of The
20 Philadelphia Code, entitled "Philadelphia
21 21st Century Minimum Wage and Benefits
22 Standard," by broadening the definition
23 of the "City financial aid recipients"
24 who are subject to that Chapter to
25 include certain persons or entities who

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2 lease property or equipment from persons
3 or entities who receive City assistance,
4 under certain terms and conditions.

5 The first witness is Duane
6 Bumb, Senior Deputy Commerce Director for
7 the City of Philadelphia.

8 (Witness approached witness
9 table.)

10 COUNCILMAN GOODE: Good
11 afternoon, Mr. Bumb. Please identify
12 yourself for the record and proceed with
13 your testimony.

14 MR. BUMB: Good afternoon,
15 Chairman Goode and members of the
16 Committee on Commerce and Economic
17 Development. My name is Duane Bumb. I'm
18 Senior Deputy Director of Commerce. I'm
19 here today to testify on Bill No. 100756.

20 I distributed copies of the
21 testimony.

22 Bill 100756 would authorize the
23 amendment of Chapter 17-1300 of The
24 Philadelphia Code. Currently, The
25 Philadelphia Code mandates that

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recipients of City financial assistance
in amounts greater than \$100,000 must pay
their employees the City's minimum wage
for five years after receiving the
assistance. The goal of this amendment
is to extend the City's definition of
"City financial aid recipient" to include
persons or entities that lease property
or equipment from a City financial aid
recipient. This would include commercial
tenants in a development where the
developer/owner has received financial
assistance from the City or a City
agency.

For example, if a developer
receives more than \$100,000 from the City
in support of a neighborhood commercial
center, any retail tenants leasing space
in that development would be required to
pay their employees the City minimum wage
for a five-year period. The legislation
does not distinguish between those
tenants who may be receiving a portion of
the benefit provided by the City's

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financial assistance and those who do not.

The intent of this extension is to increase the application of the City's minimum wage and to ensure that employees and workers receive the benefits of City financial aid. The compliance wage rate, which is 150 percent of the federal minimum wage, and the benefits, which are equal health benefits to all full-time employees and full-time -- and time period for compliance, which is five years, will remain the same as for the original legislation.

The existing Chapter of The Philadelphia Code is known as the "Philadelphia 21st Century Minimum Wage Standard." The purpose of the Chapter is to assure that as many employees as possible within the City of Philadelphia earn an hourly wage that enables them to live with more dignity and increase economic self-sufficiency. The legislation applies minimum wage and

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benefits standards to entities that receive City direct assistance in the form of grants, loans or loan guarantees, tax incentives, in-kind services, waivers of City fees, or real property in the amount of more than \$100,000 in any 12-month period.

The Administration is supportive of Bill 100756 as an appropriate broadening of the original definition of "City financial recipients." The Administration agrees with the bill's underlying premise that the City benefits when the number of employees that earn a living wage are increased.

An important feature of the Code is the allowance for partial or complete waivers of the regulation in cases where the requirement creates an economic hardship for the aid recipients, provided that the waiver will enable employees to advance into permanent jobs paying the new wage standard or better.

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No waiver may be granted for more than a period of more than one year, which allows for review of entities' economic situation over time. This provision acts to assure recipients receive full benefits without potential harm to the entity.

In the case of the neighborhood commercial center example I noted earlier where the center owner received City direct assistance, a retail tenant may be able to receive a waiver for one year. After that one-year waiver, the tenant would be required to reapply every year for five years to maintain an exemption. The annual reapplication process will prevent tenants from estimating future labor costs. If a waiver is not granted, the minimum wage requirement may place a hardship on certain tenants that may not be beneficiaries of the City's financial assistance but are constrained by narrow profit margins. We would recommend that the legislation be amended to exempt

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those leases of property or equipment
where it can be determined that the
impacted tenants did not receive a
material benefit from financial
assistance.

Thank you for your
consideration of these comments. I'd be
happy to answer any questions. And I
also did bring with me a proposed
amendment to the bill that would provide
certain exclusions for the bill, which in
fact sort of lift from the existing
legislation for smaller businesses and
for businesses who employ 25 or fewer
employees.

COUNCILMAN GOODE: Thank you
for your testimony, Mr. Bumb. The
amendment is included in the Committee's
package and it also is at the table. So
we have it.

Councilman Jones.

COUNCILMAN JONES: Thank you,
Mr. Chairman, and thank you for bringing
forth this amendment to your original

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idea to try to make it more meaningful to people around the City.

And good afternoon, Mr. Bumb, and thank you for not couching this in terms of winners or losers. I really appreciate that. I don't want to hear that anymore this year.

In effect, we have always had these types of covenants in federally funded projects, where the federal government has given assistance to developers, businesses and projects and the like, correct?

MR. BUMB: Yes.

COUNCILMAN JONES: So this is just trickling to not just the fact that they have to deal with sometimes low and moderate employees but also the quality of that by way of wage that has to be paid to them, correct?

MR. BUMB: Well, again, the sponsor is right next to you, but the intent here would have been when the City is providing significant financial

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assistance to a company or an entity and
with the objective there of providing
permanent new jobs, we always want to
make sure that those jobs are sustainable
jobs or family-sustaining jobs.

COUNCILMAN JONES: My question
wasn't the intent of the legislation. It
was more that this is nothing new, this
is an extension of some of the regs that
we've always kind of had.

MR. BUMB: This is consistent
with other sort of requirements, whether
they are state or federal regulations
that put certain sort of restrictions on
wage for certain sorts of activities
based on their funding source, that's
right. Generally those are prevailing
wage type of requirements.

COUNCILMAN JONES: In my
history, having run an economic
development corporation in another life,
that a lot of times everyone would
benefit except for the person actually
working in the business, and I think that

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2 this allows for some of that benefit and,
3 therefore, disposable income to be spent
4 in and around by Philadelphia residents.
5 So I'm interested in seeing if, in your
6 opinion, this will, as we leave a
7 recession, not hinder development in your
8 mind at all.

9 MR. BUMB: I think that with
10 the amendments that were proposed, I
11 think that we've provided adequate
12 protection for small businesses that may
13 not have the ability to -- who are either
14 entrepreneurs or small non-profits to
15 have the ability to sort of pay the City
16 minimum wage in the initial years.

17 COUNCILMAN JONES: All right.

18 Thank you, Mr. Chairman.

19 COUNCILMAN GOODE: Thank you,
20 Councilman.

21 Any other questions for this
22 witness?

23 (No response.)

24 COUNCILMAN GOODE: Seeing none,
25 our next witness is Unite Here.

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2 (Witnesses approached witness
3 table.)

4 COUNCILMAN GOODE: Good
5 afternoon. Please state your name for
6 the record and proceed with your
7 testimony.

8 MS. HUNT: Nicole Hunt.

9 Mr. Chairman and members of the
10 Committee, thank you for giving us the
11 opportunity to provide our testimony on
12 Bill No. 100756 today.

13 Unite Here represents over
14 6,000 workers in the Philadelphia region,
15 including hotel, gaming, stadium, airport
16 and school cafeteria workers.

17 Even the School District of
18 Philadelphia pays less than the living
19 wage of 10.88 to over 2,100 public school
20 cafeteria workers and noontime aides, or
21 85 percent. Close to 2,000 are paid only
22 9.52 an hour, and the School District
23 adds injury to insult to the 1,600
24 noontime aides, who are paid 9.52 and
25 cannot receive the District's medical

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2 insurance no matter how many hours they
3 work.

4 Local 634 has gone without a
5 contract for over a year. In bargaining,
6 we have asked that the School District --
7 we have asked the School District to
8 bring all its workers up to City minimum,
9 but they have countered that they are not
10 covered by the City ordinance. We need
11 your help to enforce this living wage
12 standard.

13 MR. DUGDALE: Thank you. My
14 name is Antony Dugdale with Local 274,
15 Unite Here.

16 The future of the economy in
17 Philadelphia is being driven really by
18 two sectors, hospitality and ed and meds,
19 or universities and hospitals.
20 Universities and hospitals tend to
21 recruit many employees from outside
22 Philadelphia, while hospitality jobs go
23 to the folks who live in our
24 neighborhoods, Southwest, South, North,
25 Kensington, Northwest and even the

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Northeast. That's where close to 90 percent of Unite Here's members live.

From '96 to 2006, hospitality was the City's number one fastest growing job creator, and we predict that over the next ten years, hospitality will again become the number one job creator, especially with the opening of the Convention Center expansion. Improving these hospitality jobs is the number one way to improve the standard of living in Philadelphia's neighborhoods. But what kind of jobs are we creating and what has the City done to demand high standards for these jobs? Very little.

Despite the important role that hospitality plays in our City's economic future, there are currently no comprehensive City laws that provide hospitality workers with a path into the middle class or with the promise of a good job that will allow us to support our families. Unfortunately, many hospitality employers now pay workers

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less than 10.88. The number one way for us to strengthen our neighborhoods is to improve these jobs.

Our employers frequently receive public subsidies, whether it be direct tax income such as the School District, management contracts at a City-owned facility or public subsidies for the construction of a new hotel.

This bill ensures that the living wage not only applies to the direct employees of the entity receiving the subsidy, like the developer's own employees, but would open the door to apply the living wage also to the operators and subcontractors who will run a facility once it opens; i.e., the concessions or the hotel workers. We understand that applying this law will be complicated and fact dependent, especially for existing facilities. So this law alone is not going to solve all of our problems, but we will need to continue working together to find

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2 creative ways to strengthen the quality
3 of hospitality jobs. But this bill is an
4 important first step, and we urge your
5 support.

6 COUNCILMAN GOODE: Thank you
7 for your testimony, Ms. Hunt and
8 Mr. Dugdale.

9 Any questions for these
10 witnesses?

11 (No response.)

12 COUNCILMAN GOODE: Seeing none,
13 thank you very much.

14 MR. DUGDALE: Thank you.

15 COUNCILMAN GOODE: Philadelphia
16 Security Officers Union.

17 (Witness approached witness
18 table.)

19 MR. RODRIGUEZ: Good afternoon.
20 Thank you for your time and attention to
21 this issue.

22 I brought copies of my
23 testimony.

24 So my name is Fabricio
25 Rodriguez, F-A-B-R-I-C-I-O,

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R-O-D-R-I-G-U-E-Z. I am the Campaign
Director for the Philadelphia Security
Officers Union. Our union supports Bill
No. 100756. The recent reaffirmation of
the Philadelphia 21st Century Minimum
Wage and Benefits Standard is a testament
to our City's voters and their values.

Time and again, Philadelphians
have spoken up for good wage and benefit
standards in City dealings, contracts and
resources. This sentiment should be
extended to persons and entities that
lease property and equipment from our
City.

The Philadelphia Museum of Art
is probably one of our City's most
valuable assets. The land and building
alone are worth \$10 million. That's
according to the Philadelphia Museum of
Art's recent financial statement, annual
financial statement.

The City's taxpayers are
generous, because we don't charge the
Philadelphia Museum of Art any rent on

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2 the property, but the Museum meanwhile,
3 even though we're very generous with
4 them, there are a lot of workers at the
5 Philadelphia Museum of Art that are not
6 being paid the standard. We know there
7 are custodians and some cafeteria workers
8 that are earning as low as \$9 per hour.
9 Security guards' wages run between \$9.50
10 and \$10 an hour, and there are even some
11 direct Museum employees that earn only
12 \$10 an hour. This amendment would again
13 reenforce to employers like the
14 Philadelphia Museum of Art that our City
15 requires a higher standard.

16 In fact, I would say that I'm
17 sure some folks in this room remember I
18 was here in March talking about this bill
19 and our union's support for it. Just by
20 this being in existence, it's already
21 helped our union move a little bit closer
22 to getting our first contract. We came
23 and testified our support for this law.
24 The Museum leaders were in the room, and
25 because of that, they affirmed that they

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2 planned to uphold at least that standard.

3 So it gave them the signal about which
4 direction they had to go.

5 We're still fighting to get
6 that contract. We're aiming to have it
7 wrapped up hopefully by the end of the
8 year, but we do thank this body for
9 standing up for good wages and benefits
10 and helping us make a little bit of
11 progress over there.

12 Thank you.

13 COUNCILMAN GOODE: Thank you
14 for your testimony, Mr. Rodriguez.

15 Are there any questions for
16 this witness?

17 (No response.)

18 COUNCILMAN GOODE: Seeing none,
19 is there anyone here from SEIU?

20 (No response.)

21 COUNCILMAN GOODE: Seeing none,
22 is there anyone here to testify on this
23 bill? Brian Cohen, Liberty Property
24 Trust.

25 (Witness approached witness

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2 table.)

3 MR. COHEN: Mr. Chairman and
4 members of the Committee, thank you for
5 allowing me to speak before you today.
6 My name is Brian Cohen. I am a
7 Vice-President at Liberty Property Trust
8 heading up all of our development and
9 leasing within the City of Philadelphia.
10 I'm here today to convey Liberty Property
11 Trust's concern regarding the proposed
12 legislation --

13 COUNCILMAN GOODE: Excuse me,
14 Mr. Cohen. Do you have copies of your
15 written testimony?

16 MR. COHEN: I have one copy.

17 COUNCILMAN GOODE: Okay. Thank
18 you. Please proceed.

19 MR. COHEN: Sure.

20 I am here today to convey
21 Liberty Property Trust's concern
22 regarding this proposed legislation and
23 its potential to have unintended
24 consequences of negatively impacting
25 economic development and employment --

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2 COUNCILMAN GOODE: Excuse me,
3 Mr. Cohen. Have you read the
4 legislation?

5 MR. COHEN: I have read through
6 the legislation.

7 COUNCILMAN GOODE: Have you
8 read the amendment?

9 MR. COHEN: I have not seen the
10 full amendment.

11 COUNCILMAN GOODE: Did you read
12 the original ordinance?

13 MR. COHEN: Yes.

14 COUNCILMAN GOODE: Okay. Thank
15 you. Please proceed.

16 MR. COHEN: -- (continued)
17 unintended consequences of negatively
18 impacting economic development and
19 employment in the City of Philadelphia in
20 its current form without additional
21 amendment.

22 Liberty Property Trust has a
23 long history of developing large
24 buildings within the City, including
25 Center City high rises for corporate

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headquarters, large warehouse and manufacturing buildings, buildings for call center and back-of-house operations, laboratory buildings and flex industrial building. Many of these projects have received some form of City financial assistance, such as the ten-year as-of-right tax abatement.

In our 30-year history of development in the City, we have developed projects totalling more than 6.8 million square feet occupied by companies which employ in excess of 20,000 people. The jobs represent a mix of new employment to the City and retained employment. The companies which occupy these buildings have a wide range of employees, including low-wage employees, which would not comply with the 150 percent minimum wage requirement. However, all of the companies which occupy these buildings do pay the City wage tax.

We believe that many of these

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projects could have been severely jeopardized if the proposed legislation were in place at the time of development, resulting in the projects either not occurring, the projects requiring additional or significant financial assistance from the City or the projects being significantly scaled back in size and, therefore, the number of jobs.

During a fragile time in the national economy and City economies after experiencing tremendous job losses and with unemployment at its highest level in decades, the proposed legislation could not only have the unintended consequence of jeopardizing job growth but also result in further job losses.

COUNCILMAN GOODE: Thank you, Mr. Cohen. Mr. Cohen, are you or -- is Liberty Trust or has Liberty Trust ever been a City financial aid recipient, as defined by the original ordinance?

MR. COHEN: Yes.

COUNCILMAN GOODE: And does

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2 Liberty Property Trust pay all of its
3 employees \$10.88?

4 MR. COHEN: Yes, Liberty
5 Property Trust does.

6 COUNCILMAN GOODE: So you don't
7 have any employees of Liberty Property
8 Trust that do not abide by this standard?

9 MR. COHEN: Correct.

10 COUNCILMAN GOODE: Then exactly
11 what is the problem?

12 MR. COHEN: The problem is the
13 tenants within our buildings. It is our
14 understanding through reading the
15 legislation that buildings which we
16 develop and get financial assistance
17 for --

18 COUNCILMAN GOODE: So you pay
19 at least \$10.88, but you don't believe
20 your tenants should pay at least \$10.88?

21 MR. COHEN: I don't believe
22 that our tenants, all of their employees,
23 will pay \$10.80, correct.

24 COUNCILMAN GOODE: That's not
25 what I asked you. I said you pay \$10.80,

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2 but you don't believe that all your
3 tenants and lessees should pay \$10.88 per
4 hour?

5 MR. COHEN: I do not believe
6 every employee of those tenants should
7 pay \$10.80.

8 COUNCILMAN GOODE: Why not?

9 MR. COHEN: It's a
10 market-driven decision by those
11 companies.

12 COUNCILMAN GOODE: What's a
13 market-driven decision?

14 MR. COHEN: Market-driven
15 decision is looking at the competitive
16 landscape of what those companies could
17 pay employees elsewhere.

18 COUNCILMAN GOODE: Are you
19 familiar with living wage ordinances in
20 New York, Chicago, Los Angeles,
21 Baltimore, Washington, DC and several
22 other jurisdictions around the country?
23 Have you read those ordinances?

24 MR. COHEN: No, I have not.

25 COUNCILMAN GOODE: So how are

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2 you talking about market-driven issues
3 and competitiveness when there actually
4 are living wage ordinances across this
5 country? We actually are one of the last
6 cities in this country to do a living
7 wage ordinance. We did it in 2005. So
8 actually what you're saying doesn't make
9 a whole lot of sense unless you've
10 actually examined living wage ordinances
11 in those other cities. But I thank you
12 for your testimony.

13 Are there questions from any
14 other members of the Committee?

15 (No response.)

16 COUNCILMAN GOODE: Thank you
17 very much.

18 MR. COHEN: Thank you for your
19 time.

20 COUNCILMAN GOODE: Is there
21 anyone else to testify?

22 (No response.)

23 COUNCILMAN GOODE: Seeing none,
24 we will move from our public hearing into
25 our public meeting to consider Bill No.

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2 100756.

3 The Chair recognizes
4 Councilwoman Reynolds Brown for a motion
5 on the amendment to the bill.

6 COUNCILWOMAN BROWN:
7 Mr. Chairman, I make a move for a motion
8 on the amendment to Bill No. 100756.

9 (Duly seconded.)

10 COUNCILMAN GOODE: All in
11 favor?

12 (Aye.)

13 COUNCILMAN GOODE: Those
14 opposed?

15 (No response.)

16 COUNCILMAN GOODE: The
17 amendment passes.

18 The Chair recognizes
19 Councilwoman Reynolds Brown for a motion
20 on Bill No. 100756, as amended.

21 COUNCILWOMAN BROWN:
22 Mr. Chairman, I move that Bill No.
23 100756, as amended, be reported out of
24 the Committee with a favorable
25 recommendation and further move that the

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2 rules of Council be suspended so as to
3 permit first reading.

4 (Duly seconded.)

5 COUNCILMAN GOODE: All in
6 favor?

7 (Aye.)

8 COUNCILMAN GOODE: Those
9 opposed?

10 (No response.)

11 COUNCILMAN GOODE: It's
12 approved. Bill No. 100756, as amended,
13 is reported out of the Committee with a
14 favorable recommendation and a suspension
15 of the rules to allow first reading at
16 our next Council session.

17 Thank you very much. This
18 concludes our public hearing and public
19 meeting.

20 (Committee on Commerce and
21 Economic Development Committee concluded
22 at 1:10 p.m.)

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2 CERTIFICATE

3 I HEREBY CERTIFY that the
4 proceedings, evidence and objections are
5 contained fully and accurately in the
6 stenographic notes taken by me upon the
7 foregoing matter on December 2, 2010, and that
8 this is a true and correct transcript of same.

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13 -----
14 MICHELE L. MURPHY
15 RPR-Notary Public
16
17
18

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20 transcript does not apply to any reproduction
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