Interview with Walter D'Alessio

June 7, 1977

Responding to your first question, my background and work experience prior to coming to PIDC -- I am a city planner by training and background. I trained at Penn State originally and then at the University of Illinois. I worked at several planning jobs before coming to Philadelphia, primarily in Pittsburgh, working for the Allegheney County Planning Commission and also in the midwest -- Akron, Ohio, Wichita, Kansas and in parts of Illinois when I was in graduate school there.

I came to Philadelphia in 1960 to become the Coordinator for Center City projects for the Philadelphia Redevelopment Authority. I stayed there until 1972. I eventually became Executive Director a couple of years before I left. I moved from the Redevelopment Authority to PIDC as Executive Vice President in the fall of 1972 and have been here since.

Let me talk about the Redevelopment Authority -- from about 1958 or so through about 1973 or '74 it was probably the most active and largest agency of its kind in the country. Largest in terms of projects and activities. There were larger staffed organizations. But primarily because of a very highly developed comprehensive plan that had been prepared for Philadelphia when Ed Bacon was at the City Planning Commission, and through the involvement of Ed Bacon, Bill Rafsky, and some others at that time we were probably the most accomplished grantsmanship city that you could find in the United States. We were better at getting money for projects than most others. The reason it worked as well as it did is that we knew what we wanted to do. We had a very carefully developed plan. We had a sequence that we wished to follow. Not just the Center City. As a matter of fact if you go back and look at the dollars we spent, we actually got more urban renewal money and spent more dollars in the neighborhoods -- the areas like Nicetown, Haverton, East Poplar, Southwest Central and on and on through the city than we did in Center City, although everyone who looked at the activity in Philadelphia tends to look downtown and says well you did Society Hill and Independence Mall -- what else did you do? What did you do for the poor people? What did you do in neighborhoods? What did you do to create jobs? They tend to look at the larger efforts in those communities in less than complimentary terms. Easwick is usually maligned as a project that never
really met its promise. But it really did. You have 10,000 new families living in the area and several hundred acres of industrial land -- about 100 of it developed and there has been a very strong program in that area which is probably better than any project in the country. It gives you a new town within town. Other communities in the late '60's and early '70's made an awful lot of noise about doing new cities within their cities. During the same period of time, starting about 1958, Philadelphia virtually did the same thing in Eastwick and unless you go there today --

(WMP: Is it public housing?)

There is no public housing in Eastwick. It was all conventional sales and rental housing. There was a very strict program for integration of that housing that required a certain percentage of the units to be sold to non-whites, which sort of hindered the early stages of development because a lot of the whites moving into the area were South Philadelphians, who were simply moving into a new neighborhood in many cases leaving what they thought was a racially impacted area and became concerned that they were moving into an area that could develop those same characteristics. So the efforts to integrate in the early stages was probably one of the most significant drawbacks to the development of Eastwick. But interestingly enough, it began to develop very well after the first several residential streets -- row houses, primarily, -- was developed and appeared successful and they were getting about 30-35 percent non-white families in there and it began to work quite well. Now nobody even raises the question any longer. It is just simply development that goes forward in an integrated fashion. Mostly apartments are being built at the moment. Some additional twins and some higher cost singles. It has been a very successful project. It is viewed by people outside the city as being very successful. Philadelphia tends to think of it in negative terms. I think one of the real problems of it stems from the fact that Philadelphians tend to keep images seemingly forever. The Eastwick area meant swamps and places that looked sort of like the Ozarks or something like that with people living in shacks and things of that nature and that's where the hoodlums buried the bodies back in the meadows and that sort of thing. It had a very negative connotation. But you went in and filled it with about 12 feet of hydraulic fill out of the Delaware and compacted it and built all new streets, all new sewers, all new water -- back there you've got the newest utility system in the city and the highest capacity one in the city. Yet people still think of Eastwick in a negative way. We should have called it something else from the beginning. We should have done something to counteract that original image.
(WMP: Do you know who owned that land out there?)

By the time we got into it there was no single large ownership left. It was all small ownership. A lot was absentee ownership. The people who were living there were relatively small in number -- I think only 500 people were relocated as part of the project. And there is an additional count beyond that which were squatters. And there was muskrat trapping down there. It was an interesting place. We would send our survey crew down and they would happen on people in canoes back in little inlets fishing, trapping, and doing things like it was another world. We also had a lot of problems. The few people we did move were fiercely independent. The protected their properties literally with guns. We had guys shot at trying to do surveys and things of that sort. There were packs of wild dogs that roamed the area who would attack our guys during the survey. You would go down there for an evening meeting and you honest to God would believe that you had gone down into West Virginia or someplace. You couldn't believe that you were two minutes from the airport and ten minutes from home. You were in another world. And late at night when those people would come out and meet with you in the evening after having several beers getting home from wherever they were -- and come out and discuss their properties with you -- the discussions were not always entirely rational and pleasant. It was the real frontier.

I have digressed, but I only wanted to make the point that the renewal programs in Philadelphia were by those in the business were largely felt to be the most extensive and most comprehensive -- they had one of everything in it. They had university expansions -- Penn, Drexel, Temple, all expanded with the urban renewal process. We had hospital expansions -- the University of Pa. hospital, Pennsylvania Hospital, Jefferson Hospital, all expanded through the urban renewal process, plus several others -- Einstein and Southern did as well. They had major housing elements -- a lot of the public housing sites in the city, for better or for worse, were acquired through the urban renewal process. The big conservation projects that we had in West Mill Creek, where the sewer caved in -- we had to pave the whole thing over and then build a residential community around it -- Haddington, in that same area, which is probably one of the most solvent communities in West Philadelphia -- all were part of the process. We assembled industrial land, which nobody did in those days. Four hundred acres in Eastwick, about a hundred acres in Franklin, up by Spring Garden St. So there was everything -- it was a complete approach to city development and an unusual one and as I say, it was a sort of a textbook approach which was largely appreciated outside of Philadelphia moreso than within because of the typical thing -- not unusual
I guess in any city -- you have the views of the program boil down to a relatively small number of controversial projects and you focus in on those and say here's what is wrong with urban renewal -- you move a bunch of people out of Society Hill so that a lot of rich folks could move in. And it tends to focus the program on negative elements. They are the ones that are interesting to the media. They are the ones that create a stir. And it tends to lose sight of what the real importance of the program is to the city. And what it is -- it is not only the physical places -- expanding universities, hospitals, etc. But it is jobs being developed -- the construction industry itself in the city just boomed during those years with the development opportunities that were created by urban renewal. If you hadn't had government assemble those sites -- the development couldn't have taken place. They were held in multiple small ownerships.

(WMP: Was Philadelphia one of the first big cities to have urban renewal?)

We had the first project in the country -- which was East Poplar. We had the largest project in the country, which was Eastwick. So we were sort of a series of firsts. Our laws to permit urban renewal in Philadelphia came from enabling legislation in the state of Pennsylvania -- a 1945 act which allowed cities to create Redevelopment authorities. And we did create one right away in Philadelphia but it didn't do much until 1949 when the first federal housing act was passed, which created the funding to do things. Otherwise we would have just had city resources to work with.

(WMP: What was the organization behind the idea of the Redevelopment Authority?)

The whole idea of the redevelopment authority came originally interestingly enough from public housing interests, who wanted a device to assemble sites for public housing, which was started about 1939. There were housing interests in the city at that time, but also through the planning interests and I'm not sure who would have been involved or what the organization would have been. It was probably the predecessor to the Citizen's Council on City Planning or something like that that said in effect we have housing needs in Philadelphia. We have an Authority which you can set up to manage and operate housing, but that authority cannot assemble sites for itself. It has got to out in the private market and buy them. The city had the power of eminent domain but not for those broader purposes. It could condemn for a school or a street or a public facility but it couldn't condemn for the general
purpose of creating housing opportunity or that sort of thing. The original idea for the statute in Pennsylvania is generated largely from the interest of subsidised housing groups.

(WMP: the man who put it through in Harrisburg was Edward Hopkinson, the senior partner of Drexel and Co., which is part of the house of Morgan. He was the Chairman of the Planning Commission.)

Ok. We want to talk about PIDC. PIDC is another kind of Philadelphia-bred institution which is now copied throughout the country. It was formed in 1958 and it was formed largely to reflect the urban renewal program, because in urban renewal people who were involved at that time included interesting people like Albert Greenfield, who opposed it originally.

(WMP: I shouldn't break in here, but I wrote the original proposal for PIDC. I was City Representative and Director of Commerce at the time.)

Is that right? I found an old report a couple of months ago, searching through the files, that was sort of the first written thing that I could find anywhere that talks about PIDC -- the need for an organization like PIDC. I'm just curious what the date was on it. 1957 this was. Pretty heavy stuff for those days. Now everybody does something like that, but 20 years ago.... PIDC, from my understanding of conversations with people who claim to have been involved in discussions of those things, was in part a reaction of the fact that the renewal program was creating a lot of inflation of industry in the city. The renewal programs in large part were focused in areas where old obsolete industry was located. Some of the highway plans at that time -- the Delaware Expressway was on the map. So was the Schuylkill Expressway extensions and a whole bunch of other things. And I assume from what I was told that one of the primary interests was providing some alternative locations and incentives for relocating within the city rather than being the buyer of last resort for some of those companies that were in old obsolete buildings and couldn't sell them -- they could just pick up the money that we brought to them with the urban renewal program and say fine, goodbye, I'm going to Delaware, Bucks, Montgomery, Jersey.

(WMP: Was the airport area the first good land made available to PIDC?)

I assume the airport land was. That was in 1960 and that really was the guts of PIDC's operation. I guess when they
hired Graves and started in '58 they were getting themselves organized, talking to the banks about the unique facets of financing mortgages, which was unique in this part of the country at the time and I guess PIDC became its primary practitioner from about 1959 -- 1959 was our first mortgage. And then it slowly caught on. The banks began to agree that the program would work. The brokers began to agree that PIDC wasn't in competition with them, but actually helped them. Generally it gained credibility up through the early '60's -- that big plot of land that was conveyed -- 650 acres of it -- bitten in four chunks out at North Philadelphia airport. Plus the revolving fund. There was a bond issue at the time. It was a 10 million dollar bond issue to set up a revolving fund to put in the streets, utilities, and prepare the sites at the time.

(WMP: did you know that Mr. Greenfield opposed the idea of PIDC and the use of the land at North Philadelphia Airport? He wanted to buy it all himself and he had no clout in City Council. But he wanted to be Chairman of the City Planning Commission under Dilworth and Dick had been sold on the idea that PIDC was good so he said to Albert if you want to be Chairman of the City Planning Commission you've got to withdraw your opposition to PIDC. And then it went through.)

A lot of things were accomplished in those days through discussions which are interesting to observe in their historical perspective. Whatever the efforts that had to be made at that point in time -- what they did create was something very unique and something whose legislative base really hasn't had a change to this day. We've added things to it since then, obviously, and we'll get into that. But the record is an impressive one. We did a thousand acres so far through that industrial land program, starting with that 650 acres in North Philadelphia. We, by the way, have 1300 acres right now on top of the thousand. So when we're finished -- if we didn't add another square foot of ground from today on we will have done 2300 acres of industrial development in the city. The current tax income -- we would get back on the northeast type land, where I have the best data, we would get back for the city on an annual basis $14,000 of tax income on real estate and wage taxes alone for each acre of industrial land that was developed. Plus we average 16 jobs per acre. So there has been a substantial improvement in the city's economy as a result of that. We've obviously had a decline over these years but it would be kind of frightening to contemplate what it might have been if those opportunities weren't presented to industry
to relocate within the city and that industrial park in the airport has got to be 90% occupied by Philadelphia firms who were displaced primarily to the Delaware Expressway area. That's where most of them came from. A lot of them we simply picked up as the Redevelopment Authority would go into this area and the state highway department went into these areas they would be followed up by PIDC people who would go in and say we know your timing for acquisition here and we know what you are going to get in terms of your condemnations, we can show you how to leverage that into a much better proposition than you could get if you just took your money and ran to the suburbs because what we can do is sell you land inexpensively, we can keep your same labor force, your same vendor relationship, we are just going to move you a few miles up the road to what is a green grass suburban type industrial park which you probably had in your mind's eye when you decided you would move and the type of thing we are going to sell you is the kind of thing you can do within the city but is suburban in character.

Since we've started doing our financing programs, which aside from land development, we did mortgage financing for real estate and equipment, we've now done -- through the end of '76, not adding on '77 yet, we've done 935 financing transactions, 572 million dollars worth of projects that we've been involved in in terms of financing and those 935 projects include existing and new employment for expansion -- about 114,000 jobs.

We have what amounts to a mortgage relationship. We borrow the money for the transactions, originally through PIDC which had an exemption from federal income taxes through the internal revenue code. We lost that exemption in 1957 -- no, '67. That exemption has been recreated through the formation of an authority. We have an authority as an affiliate -- the Philadelphia Authority for Industrial Development. We passed a state legislation to create a financing vehicle under the Authority -- a financing vehicle which was clearly tax-exempt under Section 103 under the general revenue code and we have used that as our vehicle ever since.

If you might recall, the way we got that 650 acres, the city transferred it to the Redevelopment Authority, because it was allowed to do that under the charter -- to transfer it to one of its authorities for a dollar with no bidding or any other problems that would be associated with trying to close a real property. If we bid it, whoever would pay the most -- Albert Greenfield or anybody else, would have
gotten it under the Charter. What we did with our Authority is we set it up and said ok, now the city can transfer land directly from PAID to PIDC, in effect. We used it for a financing vehicle. We used it to create certain tax benefits. Things like that.

(WMP: Nobody challenged it in court?)

There was a test case, yes. The typical test case and it was a very quick one. It survived intact with no changes and we have been operating under that act since '67. It's called the Revenue Bond Mortgage Act in the state of Pennsylvania. It was set up for us but now there are 55 counties in the state that have Industrial Development Authorities just like we do. This same thing -- PIDC when it got going quite good in the mid-'60's began to get a lot of notice from around the country because at that point a lot of other cities were beginning to experience the pinch of the flight to the suburbs so they began to look at what you can do to stem that. They discovered that Philadelphia was the only one that was operating this land developing activity and the financing activity. Now the financing activity was easy to get into because we had plowed the way. We had the Internal Revenue Code ruling; the non-profit corporation that we had established met the requirements for creating tax-exempt mortgages so we were doing that and a bunch of other cities said well, hell, if they can do it we can do it. So they all came in and got the by-laws, the articles of incorporation and so forth, and set up little PIDC's all around the country. So the Treasury Department got concerned first and went to the Internal Revenue and said there is too much of this -- it is a proliferation we never anticipated. We want some rules to be established for the management of these organizations. So they came out with some new rulings and by virtue of the rulings we were wiped out. We couldn't create financing any longer. Some of the newer organizations could. They anticipated some of the rulings. The last one that was created was the one in St. Louis, which they formed based on PIDC and that was the straw that broke the camel's back and the ruling was lost. Now that was one of the reasons that we quickly went to the idea of a state authorized authority which would very clearly be tax-exempt and would go from there. And the there was about a year between the loss of the ruling and the creation of the new authority. We used the Redevelopment Authority. The Redevelopment Authority was clearly exempt. I was at the Authority at that time. We set up a relationship with PIDC. We handled the financing for them. We created the tax-exempt vehicle for them. They did all the work over here. Put transactions together. Brought them to us. And then we did the necessary final processing. Used our umbrella, if you will, for the financing.
So that was sort of a hiatus period that lasted for about a year. We created maybe 30 mortgages under that program. And we are now in the process of transferring them all out of the Redevelopment Authority back to us.

(WMP: You have your own Authority now?)

Yes. We have our own Authority. We also have another corporation -- two other corporations. We have a PIDC financing corporation, which we established to use the program that the state provides for the Pennsylvania Industrial Authority, which is a mortgage lending program. They can loan money to us -- to our corporation -- at a 4% interest rate, which we can in turn loan to an industrial development project on a second mortgage basis. There was a $5 million project -- they can borrow $500,000 conventionally from a bank and give them the first mortgage on the million dollar property, which would give them a nice attractive rate on getting 100% of the security and 50% of the lending. And then we will loan the other half of it through the money we would borrow from the state -- the Pennsylvania Industrial Development Authority. And in those cases we take a bit of liability so we set up a separate corporation to keep all those mortgages in PIDC financing corporations.

(WMP: What was it that brought about the establishment of the state Industrial Development Authority?)

Philadelphia.

We also have another corporation which we just formed to use the SBA program -- PIDC Local Development Corporation -- so we have -- PIDC is sort of a parent corporation now and we have a number of affiliate organizations which we use for various purposes. Now all the boards are interlocking and in most cases identical. The Authority is a true authority with its members appointed by the mayor -- a five-man board appointed by the mayor. Whereas the corporation boards -- the three corporations -- have the same original PIDC board make-up, which was a 30-man board, with a 15-man executive committee and the 15-man executive committee has seven ex-officio city members -- the mayor, President of City Council, Chairman of the Planning Commission, cabinet-level officers, Finance Director, and that sort of thing, and 8 private representatives, so that there is one more vote on the private side of the Executive Committee and the 8 private members are appointed by the President of the Chamber of Commerce.
Then the 15 remaining public members, as they are called, which have a quarterly meeting responsibility -- the rest of them meet twice a month.

(WMP: the private members having one more vote -- that was my idea.)

It was important at one or two points in our history. That was primarily during the Tate period when there was a couple of votes -- when you look at the old records you see a transaction which apparently had some sort of political "muscle" behind it which would pass at a meeting when the city guys would show up all of a sudden without warning and they would have a quorum and they would vote the thing in. And then the private guys would wake up and come to the next meeting with their additional vote and vote it back down again. And Tate used to come to every meeting. Tate and D'Ortona both were very active.

(WMP: I'm glad to hear that because it was my idea that private industry should have one more vote. I never was quite sure it would be exercised.)

Well, since I've been there it really hasn't. But I can tell you the history was there where it was critical. And it went in the direction where we did the thing -- ? .

I'll talk a bit about the board for a moment because it is important to understand the participants. You can look on a piece of paper and say well, here are the seven guys from the city, here are the eight guys on the private side. And that looks interesting. But what really happened is that when you get the individuals and the personalities involved, participation is a key and critical item. And what has happened is that on the city side the key participants are the Director of Commerce and the President of City Council. George Schwartz has probably been the most active public member, understands it beautifully, has been completely fair, above board, in every thing that we have worked with and has been very supportive in City Council, where we go for everything at one time or another. Talk to Schwartz. He is a very astute guy. In this area he has no peer.

Gaudiosi and Bellinger before him have been very supportive. They come to every meeting. We're under the Director of Commerce for anything we do in the city for the most part.

Tate was very active. Rizzo is not. Rizzo will tell you though if you need me, I'll come. My primary interest in the city is economic development, jobs, and so forth, but if there is something I have to do tell me what it is. I don't want to come to meetings, though.
(WMP: did Moak get into anything?)

Moak has not been that active for the last year or so because a lot of other interests and activities and where at one time he shared at least equal interest and participation with Bellinger he does not with Gaudiosi. Gaudiosi takes the lead for the city side. Len hasn't been as active as he was. Again, basically because things are working and there is no real reason for him to give a lot of attention to it. He has been a very active member in the past. Then he took on the President of the Municipal Finance Officer's Association and a bunch of other things. He would come if we needed him. But we don't.

On the private side, Thacher has been involved all the way through. We use Thacher in a whole lot of ways aside from his formal role as a member of the board. We use him in advertising programs and committees. We use him as a representative on the area manpower planning council, which I sit on as well. We try to bring the manpower training programs closer to our economic development activities. Thacher is just involved in a little bit of everything, so he has been very good for us.

Dick McConnell, who is the Vice President of Girard, once had this job, has been extremely active all the way through.

Andy Young. If you look at a picture of Andy back in 1960 or so and you look at a picture of him now, he doesn't look much different. Smart tax lawyer. Good, supportive guy.

People like that have been active all the way through. You remember Ralph Pitman. Ralph was very active up until the week he died.

Then we have a guy who has sort of succeeded to that slot. A guy named Al Thomas, who is the Financial Vice President of Penn Mutual, who has the same kind of financial background that Ralph did. He is now our Treasurer and he is a man of some experience. Just completely fair.

So we have had a good board. We have had an occasional problem or two. A classic one was when we had Bernie Meltzer on the board because of his position with the City Planning Commission. And there were some conflicts between he and some other members of the board and finally got mad and didn't come anymore. That was the only area since I've been here where there was a faction starting to develop and there was a bit of a problem with it.
Let's talk a bit about a couple of your questions -- PIDC's program. It has changed dramatically through the years in terms of the kinds of activities we are involved in.

In the beginning we considered ourselves to be an industrial development corporation and everything was focused on industrial trades and projects. We have since -- in 1972, when I came over here one of the things that the board said is we want to get involved in commercial development. The service sector is changing and growing. The industrial sector is changing and declining and we feel that there are jobs there that we ought to be encouraging and we ought to take our programs in that direction. We made some modifications on programs, we broadened our financing capacities to go beyond industrial into commercial areas and we got ourselves involved in all sectors of commercial development. Retail, office space, that sort of thing. We got ourselves involved in financing of nursing homes. We got ourselves involved in anything really that produced permanent jobs and tax ratables, editing out anything that we felt were questionable areas for our involvement or things that might not be good for the city in the long run and we would get into things like some forms of entertainment, theaters and things of that sort and we would all of a sudden find ourselves a public agency involved in financing of a pornographic movie or things of that sort. So with some minor exceptions, we have gotten ourselves into all phases of commercial development as well as industrial development.

(WMP: What are your priorities when you decide what you want to use your land for?)

We look first at density of employment and density of development and we are fortunate to have in Philadelphia a very diverse economy so that you could have almost any form of business activity here and it would fit. And so we can adapt ourselves to almost any kind of job-producing entity. But we have said in effect that we want our land to be used most effectively. To use it most effectively we set minimums for development. Our land has a floor/ratio, as we call it, of 25%, which means that if you buy 100,000 square feet from us you have to build 25,000 square feet of building minimum. Usually you have maximums -- you can only build up to 50%. We have a maximum too in our industrial parks -- you can only build up to 50%. But we also say you can't buy it unless you build a minimum of 25%. So we are saying you can't buy more than you need because we want buildings. We want tax-ratables. And that density of development gives us more jobs per acre. If you are not going to give us 15 employees per acre, we want to know why.
Downtown, on Spring Garden St., we get about 30 employees per acre. Actually it runs higher than that, but that is our minimum. Down there, our floor/area ratio is 75%. You buy 100,000 square feet, you've got to build a 75,000 square foot building with multiple floors. So our eye has always been on jobs and tax ratables. Anything that we do we measure in terms of the favorable impact we have in those areas.

Then within that there are areas that we view as potential growth industries, where we will go out of our way to try to attract or retain. Food processing, health services, then you get into the whole series of service sector jobs. All the brokerage offices, lawyers, professional offices. Good growth areas. We tended to try in areas that we found to be substantial declining areas to adopt a policy of stabilization -- in particular, the garment industry, where we said there is no way we are ever going to return the garment industry to the same level of importance in Philadelphia that it had 20 years ago and it would be fool-hardy to try, but what we can do is to try to slow the decline and stabilize to the extent we can. Not only does the fact that we want to have viable industry in the city, but we need time for the people who are employed in the garment industry to be absorbed by other industry. The woman that works in the garment industry, running a machine, who loses her job is a pretty difficult person to place in another industry.

The impacted areas -- Black areas, or whatever else you want to call them, they are not entirely Black. We had a program that was directed to those neighborhoods in Philadelphia and it only lasted for three years. It was funded by the federal government and it was called Model Cities. Model Cities had various elements. It had primarily housing, social services, and things of that sort. They did everything to upgrade the quality of life in North Philadelphia, primarily. They had an economic component -- we never could quite figure out what it was supposed to do, but it appeared that the emphasis was on minority entrepreneur programs. Where they would go in and help a minority go into business. Usually it was a service type business -- a store of some sort. And they would take a guy who they felt had some potential as a businessman, set him up in a business, and subsidize the business. A regular monthly payment would be made to the man to help him overcome his lack of experience and usually a depressed market he was operating in. That subsidy lasted two years. They would pay 24 monthly payments and at the end of the two years it would just stop like magic and then they would go out of business like magic a couple of months later. In the meantime he looked good and drove a nice car.
The program was really discredited. The federal government came in and said we don't like the result. We're going to stop the program. We're going to require that you give the remaining 3 million dollars back and we are just going to terminate it.

The Mayor's office came to us and asked us to review it and make some recommendations and we went out to talk to the Model Cities people and found -- and asked the question have you surveyed the industry in the Model Cities area? Do you know who you are working with? Who is hiring the Model Cities residents now? What are you doing with them? No, we don't want to talk to them. They are not very well received in the community. They are largely Jewish owned business. We never liked them anyway and we'll form our own Black-owned industries. We said that's not practical. If you don't like them, fine. We said take of the $3 million you have left, put a million dollars of it into an account for grants. No salaries to be paid out of it, no expenses, what we want is access to that money to put on a grant basis, no loans, into projects that will expand businesses that are now in the impacted neighborhoods. And they said ok.

We went in and we met with -- their were garment industries, metals people, lighting fixtures, cleaning materials, any number of things. A lot of strange little businesses scattered all through the neighborhood. There were a lot of jobs involved there and they were usually around the corner from the house. It was really a sad situation because the guy who owned the facility wanted out. But we said we're going to help you meet your expansion needs right here by giving you money. We're going to actually put money into your business. We'll be an investor without any conditions. If you will expand, if you will buy that lot next door, we will put money right into it. We'll put an amount equal to what you put in. If it creates new jobs. We said our amount of equity will depend on what you are putting in and the number of new jobs being created. And what we said to ourselves was we will put a maximum of $750 for every new job he creates as a result of this expansion in his program. But we never told him that. We would negotiate. And as a result we got one new job for every $500. And we used the million dollars up in about a year's time. We did expansions of buildings up there. We helped to assemble vacant properties next door and it gets into another interesting area which is a new device for getting properties from tax-delinquent abandoned over into a usable situation without going through the sheriff's office. We had some things to help us get the property in a hurry and we had money to make it more attractive than it was anyplace else and the guy could stay right where he was and upgrade his property. It has been very successful.
There are high density employers. There are employers of minorities. The classic one -- the largest one we did -- the Somerset Knitting Mills, which was a division of Van Husen, which was run by the big guys in New York, who said we're closing up and we are going to New Jersey for half of it and the other half is going to the Carolinas -- they had 400 jobs at the time. And we went in and said before you go let us see if we can match the offer that you got elsewhere and it wouldn't make sense if you can keep the same labor force, no training, the same contracts. We can make you an offer here that ought to match what you can get elsewhere. And we did. With this grant money. We put $350,000 in their plant that they built on Spring Garden St. They built us a $7 1/2 million plant and they hired 200 more people. So we have 600 employees in comparison to what we had. And we intercepted them on their way out of town and just put money right into the project.

(WMP: Where did the money come from?)

Federal government. It was the Model Cities money originally. It was a separate line of grant money which came to Philadelphia for Model Cities activity. Now we've converted those programs. We convinced City Council to refund those programs through a community development block grant money that the city gets every year so those original programs originally funded under Model Cities now is funded under CD block grants and we have broadened the area. We now call it the intercity development program. We can take it to West Philadelphia, South Philadelphia, any area that is eligible for community development activity, which are usually impacted areas, which means high unemployment, high incidence of abandonment of housing, and all the things distressed neighborhoods have. We can spend the money virtually anywhere but the Northeast, the Northwest, and some other neighborhoods which are relatively well-off. We fund it at a level of a million dollars a year and it is just a regular thing we keep doing all the time now.

...... the general change that has been taking place in the economy and in the labor force in the city is one of movement from a manufacturing dominated economy to one dominated by the service sector and that is typical of any city in the United States. Ours changed later than most and that is one reason we are still in a difficult period today. Boston and Baltimore and some others in this area moved more quickly to a service economy than we did in terms of total employment. For a couple of reasons. We maintained a lot of jobs that were classified in the manufacturing sector. There were things like the federal direct employment like the Signal Corps Supply Center, the Marine Corps Supply Center, the Navy [2] Group, -- they were classified as industrial jobs.
They were federal jobs. Plus the kind of jobs you had at Boeing, GE, and the space industries. All classified as industrial jobs, all showing up in our industrial sector, and all being lopped off from about 1969 to the present time. We lost direct federal jobs -- 30,500 jobs from '69 to '75. When you consider the fact that our net loss of jobs in the total economy was 122,000 that is a big chunk. That didn't even include the last cut-back now at the arsenal, which is about 2,000 more jobs. Obviously there are a lot of other jobs affected when you close down the Marine Corp Supply Center -- there were about 1,000 jobs in there. Those thousand jobs produced other jobs. It was a supply center operation -- computer service people, they bought paper, file materials, they had mechanics of all sorts that went in there, they supported restaurants around the corner, they supported banks in terms of deposits, they supported the housing industry in terms of places for the people to live, and the ripple effect was incredible. So we said let's measure what those 30,500 jobs really meant. And the interesting thing we found out there -- using some figures supplied to us -- an additional 69,000 jobs were affected by those 30,500. And that is not an unusual number. We began to apply factors to it and we used factors to multiply out and say what one $10,000 new job means to your community. It is all one great interrelated movement of money and flow of activity. So we then said that the federal government, from '69 to '75, has cost Philadelphia 99,500 jobs and our net loss during that whole same period was 122,000 jobs.

Now that is just numbers. What really was happening during that same period is that manufacturing was going down. The service-sector was going up. We had a 35% increase. But even that wasn't enough to offset all those federal jobs moving out and all those manufacturing jobs going out of business.

The kinds of job losses we've had everyone says what that meant is that everybody went to the South -- not always so. The Philco-Ford plant is a good case in point. They say where did Philco go? Philco didn't go anywhere. We had two Philco plants close here. One of them manufactured television sets. You say where are they manufacturing television sets now? Japan. It didn't move from Philadelphia, it closed. Philco doesn't manufacture television sets anymore. They import them and distribute them. That's all they do.

Shoe wholesalers. One time back when Bill Rafsky was Development Coordinator we started programs because we had a
very substantial shoe wholesaling segment in our economy. The Wanamaker's people would go to buy Florsheim shoes. They didn't go to Florsheim. They went to Silverman or somebody like that in Independence Mall and bought them from them. So we worked with them for a while. What we found out was that we were working with a dying industry. There were family-owned businesses -- there was a father and a son and a grandfather, maybe, and it was too closely held and the retailers had smartened up a lot and they realized the kinds of volumes they were dealing with. The whole shoe industry became a throw-away industry moreso than a repair industry. Canvass shoes, sandals, things of that sort. And the retailers took two steps -- one, they went to the factories and bought direct to bypass that middle man. Foodfair formed its own shoe company -- Ideal Shoe Company -- and made their own canvass shoes. Not only did they bypass the middle man. They became manufacturers and sold them through their own outlets. So all of a sudden we had an industry that disappeared. There was no economic reason for them to exist anymore.

So there are things that happen because the economy is a dynamic sort of thing. It won't stand still. It won't wait to see what happens. And it is very hard to measure where it is going. Business discontinuations. Often you know what happened to that business -- the business actually was purchased by another company and now has a different name. So the city computer doesn't distinguish -- it just says there is a discontinuation here. There is no addition because that other company already existed. It's not very easy to find out what is happening.

Let me get into some other areas. We talked a bit about some of the services we provide. We get into a little bit of everything. We get involved in any kind of industry relationships with government that we feel we can work out. In fact, we go out and call on 60 industries a month with our staff. We call on everybody on a one and a half year cycle. Fifteen or more employees doing a half a million or more worth of business in the city. We show up at the doorstep every 18 months. And the idea being there is to intercept him if he is making a decision to relocate his plant or get out -- we want to talk to him before he makes up his mind and the most effective way of doing that is going knocking on doors. No other substitute for it.

The other thing we are interested in is if he has a problem and it is one that doesn't involved our normal programs of financing or expansion or land sale -- we want to talk to him about what his problems are and try to solve some of them.
It's usually little things like I need a stop sign or my light isn't working or the SEPTA buses come at the wrong time for when I leave my people off -- things like that. The kind of thing that if you were in the neighborhood in South Philadelphia you would call your ward leader.

The big problem is that the guy who is the president of the company -- you think he is a pretty sophisticated guy -- is not at all. He sits there and broods about it. He doesn't make a call. He doesn't get off his duff to do it. He complains about it. And he won't say anything to anybody unless we ask him. And I've dealt with guys that I know personally from other contacts in the past who one day when you would be talking with him about something else would just raise one of these issues. Usually they are very good at making sports coats or making shoes, or whatever else they do, but they are not so good at managing the real estate aspects of the business. They never plan ahead. They rarely think through the physical operation.

We used another device recently that has proved to be very effective. We took Paul Kaiser of Tasty Baking and we said we would like to write for you to 1700 industries in the city and we want to tell your story of how you met your expansion needs in Philadelphia. And we wrote it on his stationery with his signature and sent it to the presidents of 1700 companies. That's a lot different than getting a letter from the city. In the first week that we sent the letter we got something like 80 responses. And we are going to do more with that. We made one transaction already as a result of it. A guy who had a Philadelphia company but was headquartered in St. Louis. He was closing his business on South Broad St. and wanted to relocate in center city. And he got a hold of Kaiser and we actually negotiated a deal in about a two-day period of time.

To what extent is Philadelphia hurt by suburban industrial development? At one point in time we had a flight to the suburbs. We don't anymore in my opinion. Not in the same intensity. What is happening instead is that they are in the same boat with us (the suburbs). If industry leaves now it tends to leave the region and that has created a whole new togetherness in this thing.

(WMP: What has happened to the region?)

A couple of things. The land prices have caught up with them. The old close-in cheap ground no longer exists. We have much cheaper ground in the city now than you can find in suburban counties for industrial development. Environmental protection agency came into the picture. You can't put in wells and septic tanks any longer. You have to build fully paved roads
with the proper run-off in enclosed run-off channels. No more ditches in the side of the road. You have problems of everyone out there gets to work with a car and the goods leave in a truck and gas costs have caught up with them. The region itself has reached a stabilization point as far as growth is concerned. So there is no more feeding on each other. There is no more feeding on each other. We are all in this thing together. Delaware County -- Montgomery County has a declining population. Bucks has a declining population. All of a sudden they look a little bit like us.

I spend a lot of time getting around different cities and I was out in California last year. And what they are experiencing now in those cities and to a certain extent funny cities like Omaha -- they are experiencing the flight to the suburbs now that we had in the '50's and they are absolutely appalled by it. What is happening is that some of those great open tracts of ground have been opened up and are attracting the industry out of those cities that traditionally had moved in from other parts of the country. Everybody went to Southern California to live the good life. Now what they are seeing is the flight to the suburbs, the declining population, the reduced work force in the city, and they are coming to Philadelphia and Baltimore and Boston and cities like that to find out what we did in the 1960's, which is what they are going to try to do in the late '70's and '80's. It kind of proves the point that there are forces that are continuing to operate -- in terms of trends of growth and decline -- that you just can't reverse no matter what you do. Philadelphia will probably never be a city of two million people again. And I think it is a good thing. Maybe we shouldn't be that big. Maybe that is the right size for us.

That's one of the great problems we have in Philadelphia with the media and anybody who looks at us -- that any decline, any change to a lower number, is viewed as a decline and adverse and bad. And all I'm trying to say is I don't think that is necessarily so. While we've lost jobs, we lost more population. Now we probably would like to control that a little bit better. We'd like to keep some of those people and push some of those people out. But you will never get to that point of fine tuning, I don't think. You'd be run out of town.

(WMP: What kind of industry do you think is still going to be attracted to Philadelphia?)

People who need the locational advantages you provide by the combination of the port, the highway system, and the rail systems. Transportation -- the reason Philadelphia is here is just as valid today as it was in the very beginning and
it is more valid today than it was 20 years ago. The change -- let me digress for one minute on this point -- I want to make it in the context of why I think that Philadelphia and some cities like it are improving in terms of the growth potential for certain kinds of industries. And that is the fact that we have reached the point now where the combination, and it is called in an emerging word in the businessman's view -- internodal transportation. This is what all the business consultants talk about now when they talk about location. All that means is we want to locate someplace where you have the alternative of using rail, of using highways, of using the air systems, or using a port. There are not that many port cities in the United States or in the world. And the place where you get all four of them together is the place to be. Not on a mountain outside of Bar Harbor, Conn., where -- so the point it seems to me that we ought to make is that while we in Philadelphia look at ourselves and say we've got a lousy highway system, a lousy mass transit system, a lousy old port -- when you compare it with the alternatives, the port is actually one of the most modern on the East Coast -- it is the largest international port in terms of tonnage now. We have two container terminals. No more finger piers. The shipload of frozen fish comes in and they unload the damn thing and turn it around and ship it back out again in less than 24 hours and that is the big money in the shipping industry. You used to pull it in and three days later they would still be pulling fish out of the hold -- now it all comes out in great big containers, goes right into the refrigerator warehouse and it is all done. That's why sailors don't get into as much trouble anymore as they used to.

The problem that we face, though, is that we have finally reached a point where I think that everyplace else in the country got their transportation system for free in terms of that area. The interstate highway system we started building in 1952 -- planned it right after the war. We had a highway system. We built a turnpike -- Pa. turnpike, New Jersey turnpike, Garden State Parkway -- in this part of the country and in this particular location for some ungodly reason we got out in front of everybody and we built everything ourselves. Our industry, our users, pay for those every day. We paid for it all. Along comes the interstate highway system -- we've got ours in place. All we were supposed to get is I-95 and I-76. We can't even get those things completed. Those were the only free highways we are getting in Philadelphia. You go to Omaha, you go to Minneapolis, you go to practically any city in the United States -- a free highway system is in place with no tolls, no outlay of local cash, other than some
shares, which was like 10%. We continue to pay, as long as those damn bonds are outstanding -- and penalize our industry for being here by having to pay those tolls to run those trucks. So we start off at a disadvantage. We did beautiful things in this country -- we went in and built a highway system, an interstate highway system to serve Appalachia because this is the way we move industry into the area. All it did was make it easier for everybody to get out. And so in effect they actually didn't achieve what they wanted with the highway system and I think they hurt the Northeast and the upper Midwest by building the interstate highway systems. Now that is not to say that they shouldn't have done it -- it is beautiful. But they are not going to build another one like it. But what we should have done as part of our system is taken the Pennsylvania turnpike instead of building I-80 north across the state, which nobody in Philadelphia or Pittsburgh can use. The problem in my view was that the interstate highway system in a developed area like Pennsylvania should have picked up and converted the toll roads to be part of the interstate system, retired the damn bonds.

Let me just talk another minute or two. What's happening to the waterfront? The industry doesn't want to be on the water but they want to have access to shipping. The way you do that is through the container terminals. Nobody wants to have their own relationship with the longshoreman's union. Everybody says we will have Lobino do that and we will simply use it as a public shipping point.

(WMP: There are other reasons to be on the waterfront -- there are massive amounts of water used in the manufacturing processes.)

But we are able to meet that almost anywhere in the city now. Inland. Mrs. Paul's, who uses vast quantities of water to make frozen batter covered fish sticks -- we can supply that in Southwest Philadelphia. It is all regulated now. You can take any amount of water out of the city's water systems that you want to pay for, but you can't take any amount of water out of the river. You're controlled by the Corps of Engineers and other things.

Let me make one other point about the waterfront that I think is important -- the need for being on the waterfront is no longer a burning desire. In fact, most industries view a riverfront location as actually being a nuisance because it is difficult to maintain. You are constantly putting in bulkheading and that sort of thing and it is expensive. No industry, if they can avoid it, wants to have a direct relationship with the shipping unions. They want to make that someone else's problem. None of them can afford to do
bulk handling facilities that can be provided by financing through the Port Corporation and people like that who can get the longterm tax refinancing for the great big container cranes. So what everybody is coming to is that the same volume of shipping or even more being handled in much smaller areas. The ship spends much less time in port now than it did before. It doesn't maneuver into that finger pier, which is like teaching your wife to drive a car and learn how to park it. It is very complicated and relates to lots of accidents that we have had in the port. Some of them more spectacular recently because they are still not handling those locations as well as the container terminals do. And so you are abandoning finger piers. You see them being used for tennis courts now. Most of them are warehousing. No ships pull into those. You are using the waterfront in Philadelphia more for recreational uses, more for housing -- Penn's Landing is heading in that direction. The piers 3, 5, and 7 going north up to the Ben Franklin Bridge have nothing but proposals for housing right now. Everybody wants to build housing there. It's a good use because there is something exciting about water. It is a pleasant place to be.

I think there will be less and less of the waterfront actually used for industrial purposes so it actually increases in terms of importance because it is being handled efficiently, the areas are smaller, it is cheaper. There is an incredible difference between now and 20 years ago, largely as a result of federal efforts more than ours.

I'll just repeat sort of a point which is that I think that we have bottomed out in terms of the economy in Philadelphia, the kinds of things we are interested in at PIDC and things that we will not see great upward growth of economic activity or population of the city but I think we will see a stabilization and probably a more sensible economic entity. And if we could get in some metropolitan approaches to some things, like transportation and hopefully education and health services and some things like that would make even more sense as an economic entity. In terms of regional transportation -- regional approaches to highways too and for the port -- I-95 and its completion through Society Hill is just as important to Bucks County as it is to us. But we never come together on it. We go and fight the State Highway Department. They don't. Because it is completed in Bucks County. If they ever thought about it they might fight to get it completed. This idea of trying to cross-commute between suburban communities is a very important element in their view of how you move people. Maybe we could help them with that if they could help us with some things down here. The commuter connection
in Market Street East is going to be very important to the suburbs. It will be the first time you will be able to ride on one train from the upper northeast suburbs to the upper northwest suburbs without even changing.

Retailing in Philadelphia is extremely strong. We have a major 35 million dollar department store being built downtown. No city in this part of the country has had one in 50 years. That is a very unusual thing. Now Gimbel's wasn't doing that because they are Philadelphia minded. They are actually owned by a British firm and they are no longer this family thing. The British came in and moved the project faster than the Gimbel family did. They made the final decision. Rouse -- suburban shopping center developer -- he built Plymouth mall, Cherry Hill mall, Exton -- he is building 200,000 square feet. That Magic Pan restaurant thing was for his Gallery. Another 30 million dollar investment. His original survey -- they didn't believe it and went out and did it again -- they came out so good in terms of volume that they would expect to do. They found in Philadelphia, which is very rare, that the downtown shopper spends about twice as much money per shopping trip as the suburban shopper and shops more frequently. This bodes well for additional downtown retail development.

Our current plans are to attract more service jobs to our economy through the encouragement of further downtown office and retail development and the attraction of additional investment to such growth areas as the health service industry. This strategy will hopefully offset the loss of manufacturing jobs in our economy and will provide an alternative to the types of employment needs that have been met in Philadelphia by such industries as the Garment Industry in the past.

I appreciate the opportunity to talk with you.