How to Accelerate Residential Growth in the Downtown Core

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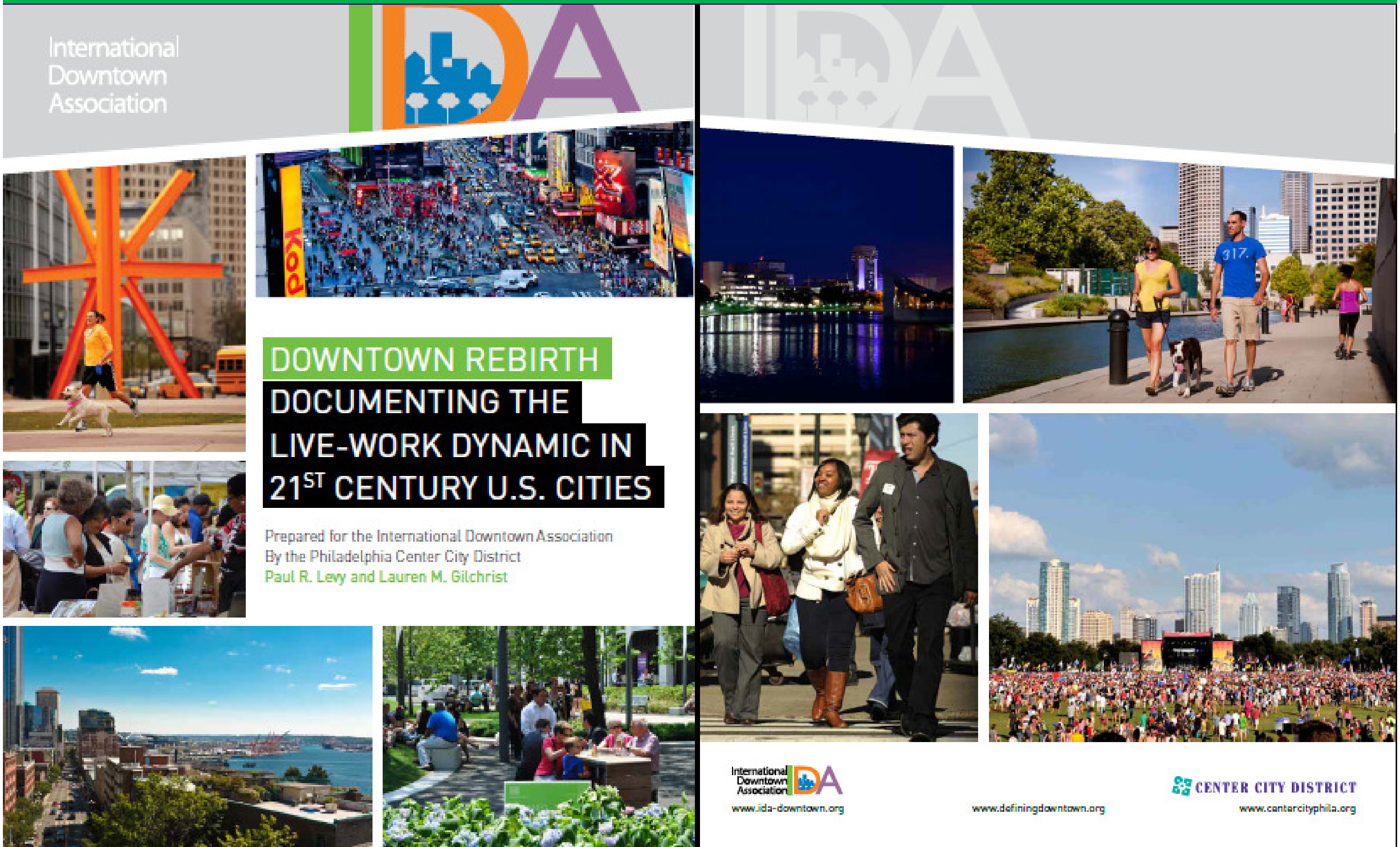
IDA
INSPIRED LEADERS SHAPING CITIES

6 years ago - *Downtown Rebirth: Documenting the Live Work Dynamic in 21st century U.S. Cities*



Still live on our website: www.definingdowntown.org

DEFINING DOWNTOWN

Documenting the Live-Work Dynamic

Thriving downtowns, town centers, and anchor institution districts have become major engines for creativity, innovation industries, and future job creation for their broader regional economies. This website provides several data resources for downtown managers and civic leaders to benchmark progress on their path to sustained growth and development.

The Report

"Downtown Rebirth" features an analysis of downtowns and employment centers in America's 150 largest cities for jobs. The report explores the impact of the trends of diversification and densification in employment centers and provides a new way to quantify changing demographic and economic trends.

City Maps and Data

City Maps and Data

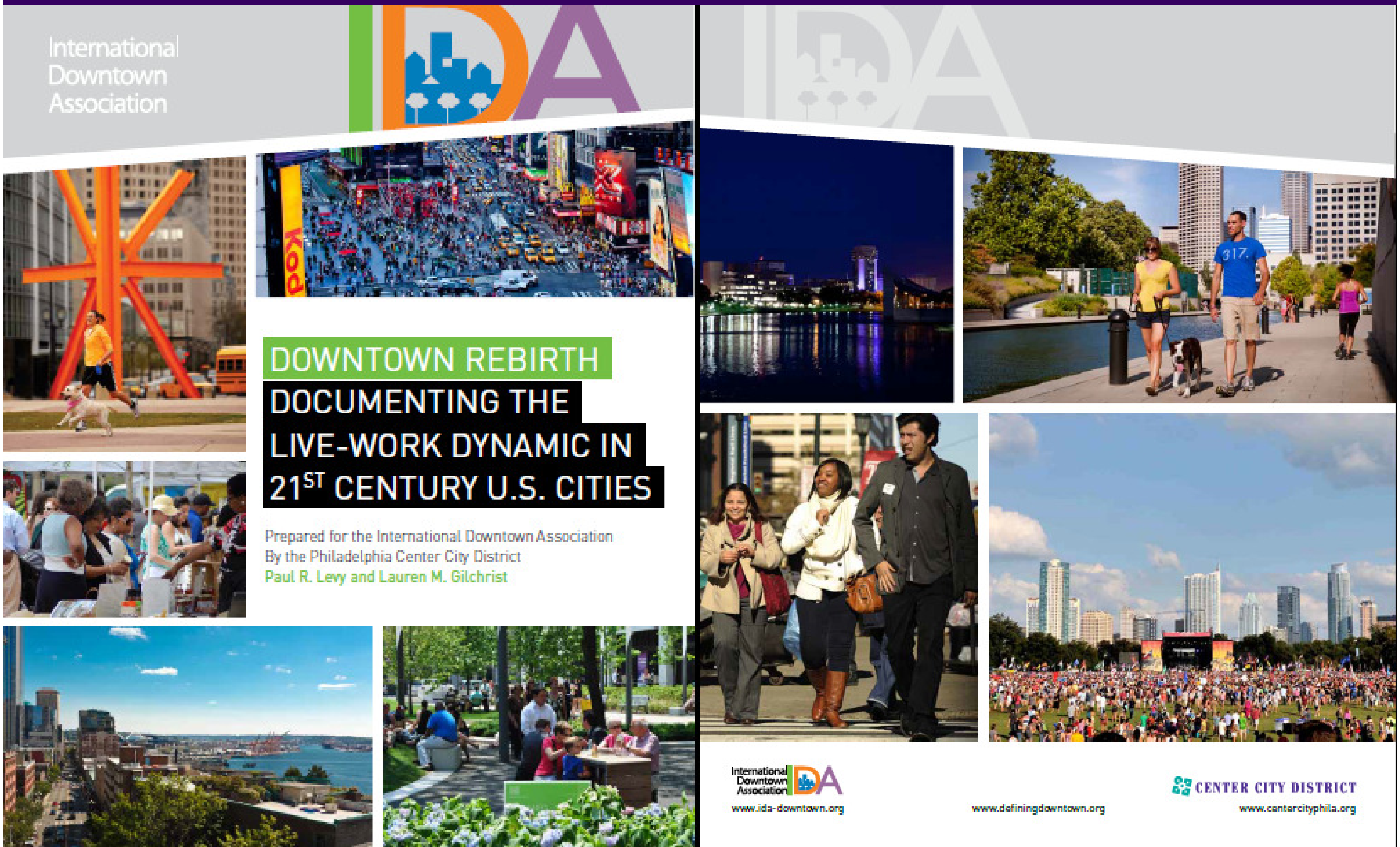
Examine detailed geographic boundaries along with demographic and economic data for 53 employment nodes in 27 cities. Learn More >>

Project Partners

International Downtown Association IDA

This report was made possible through support from the International Downtown Association, the Center City District of Philadelphia, and countless cities across the United States. Learn More >>

While all cities were experiencing downtown housing revivals



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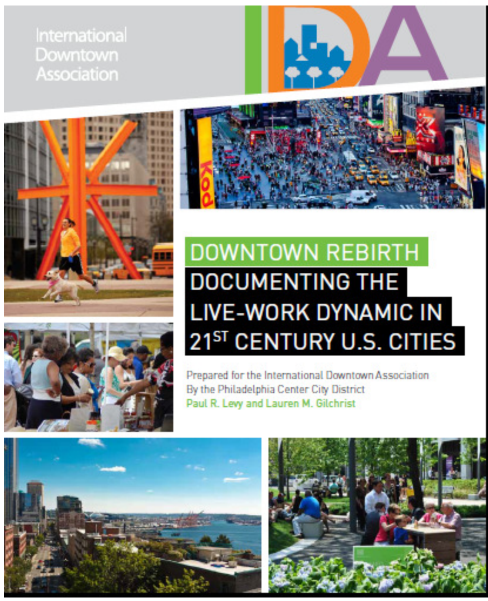
One size does not fit all: context matters
Bob Eury 2000: City of Houston, 1.9 million people



International Downtown Association

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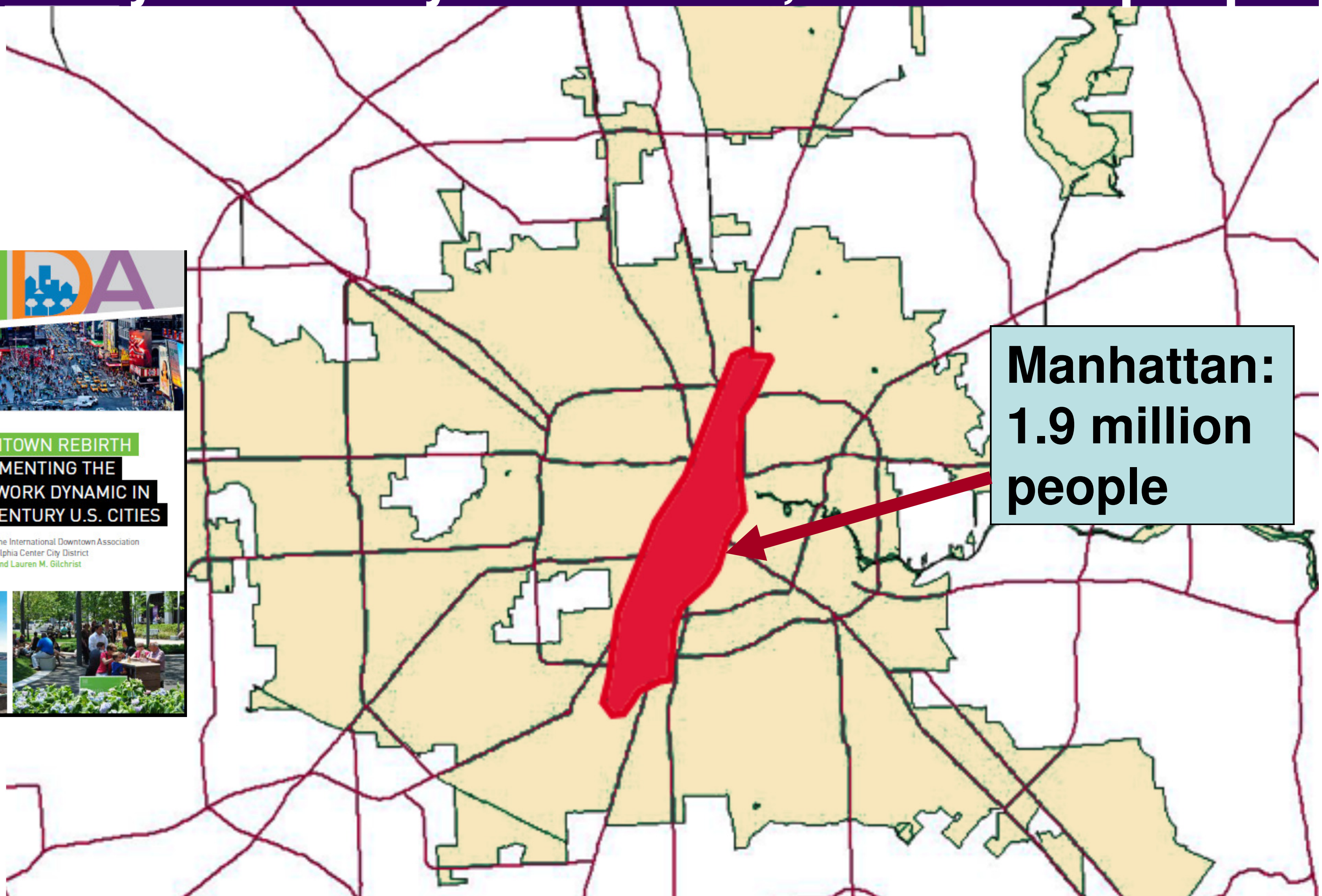
DOWNTOWN REBIRTH

DOCUMENTING THE LIVE-WORK DYNAMIC IN 21ST CENTURY U.S. CITIES

Prepared for the International Downtown Association
By the Philadelphia Center City District
Paul R. Levy and Lauren M. Gilchrist



Sprawling cities like Houston Texas: 650 square mile
Harris County:1300 square miles

There are dense "island" cities

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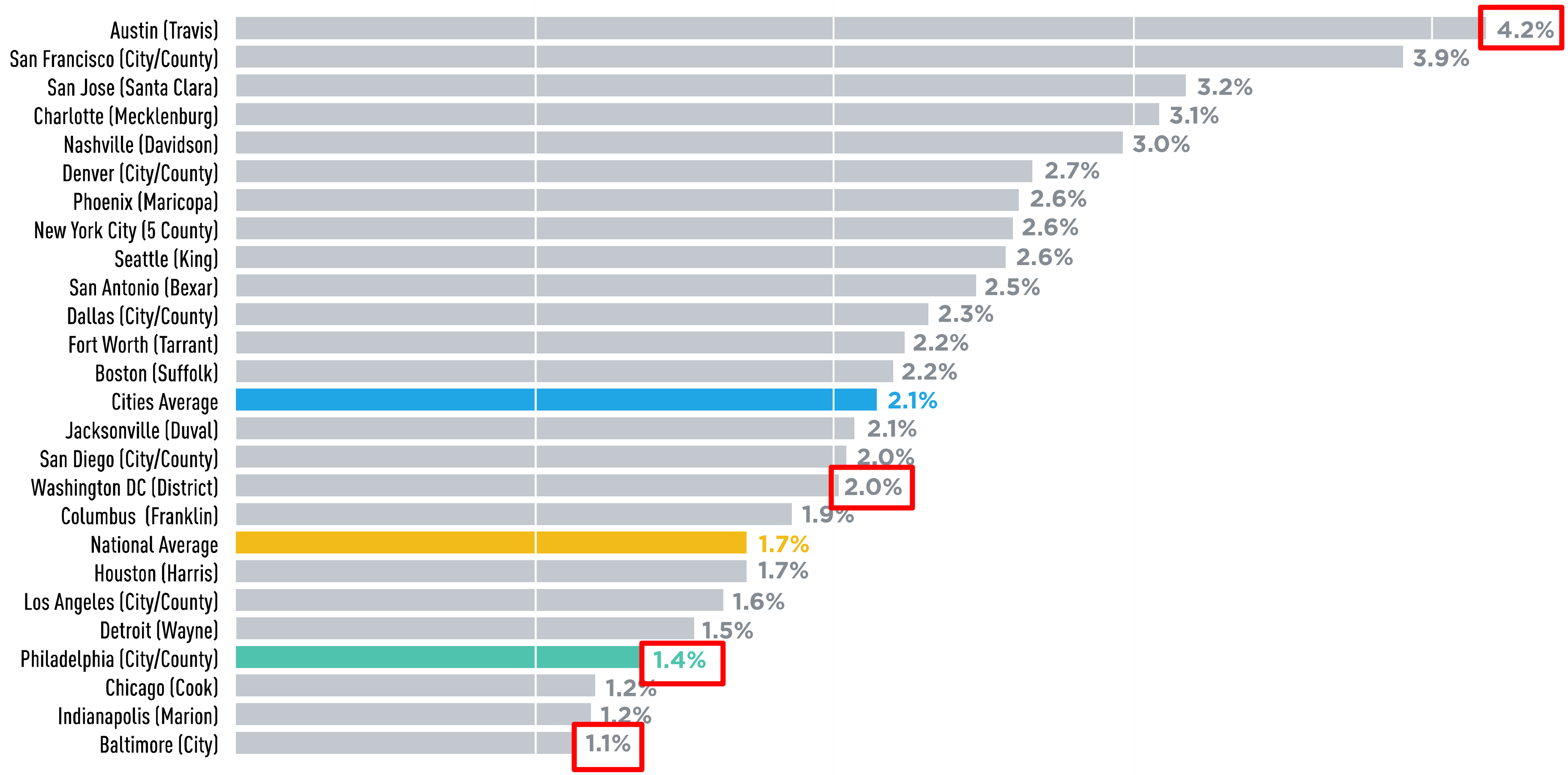
Constrained "peninsula" cities

Cities have outperformed the national economy
But there are fast & slow growth cities

FIGURE 5: AVERAGE ANNUAL PRIVATE SECTOR JOB GROWTH, 2009-2018



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

All cities are adding downtown housing: San Diego

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Fort Worth

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Denver

Minneapolis

Indianapolis

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Milwaukee

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Atlanta

Baltimore: Context matters, One size does not fit all

Philadelphia: old city, broad range of housing types

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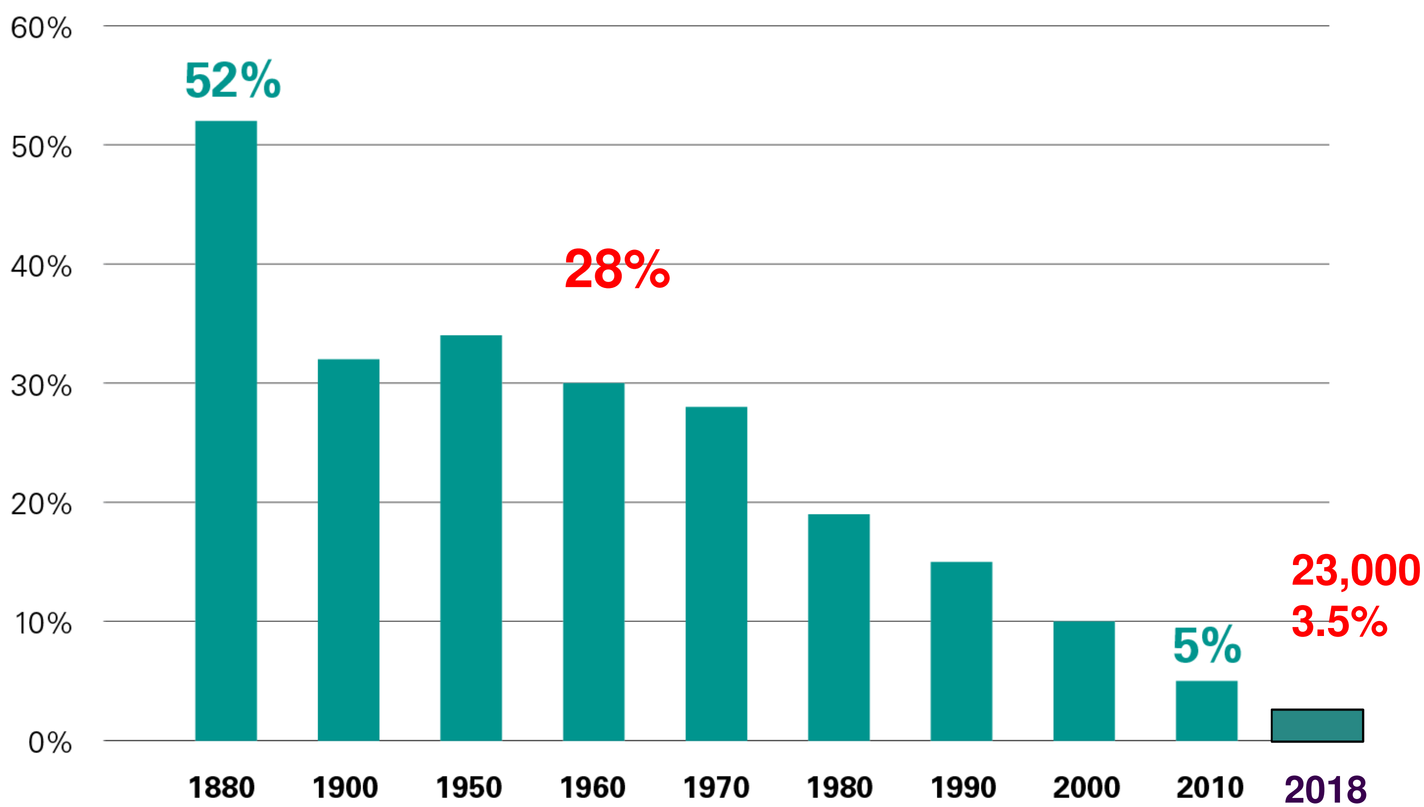
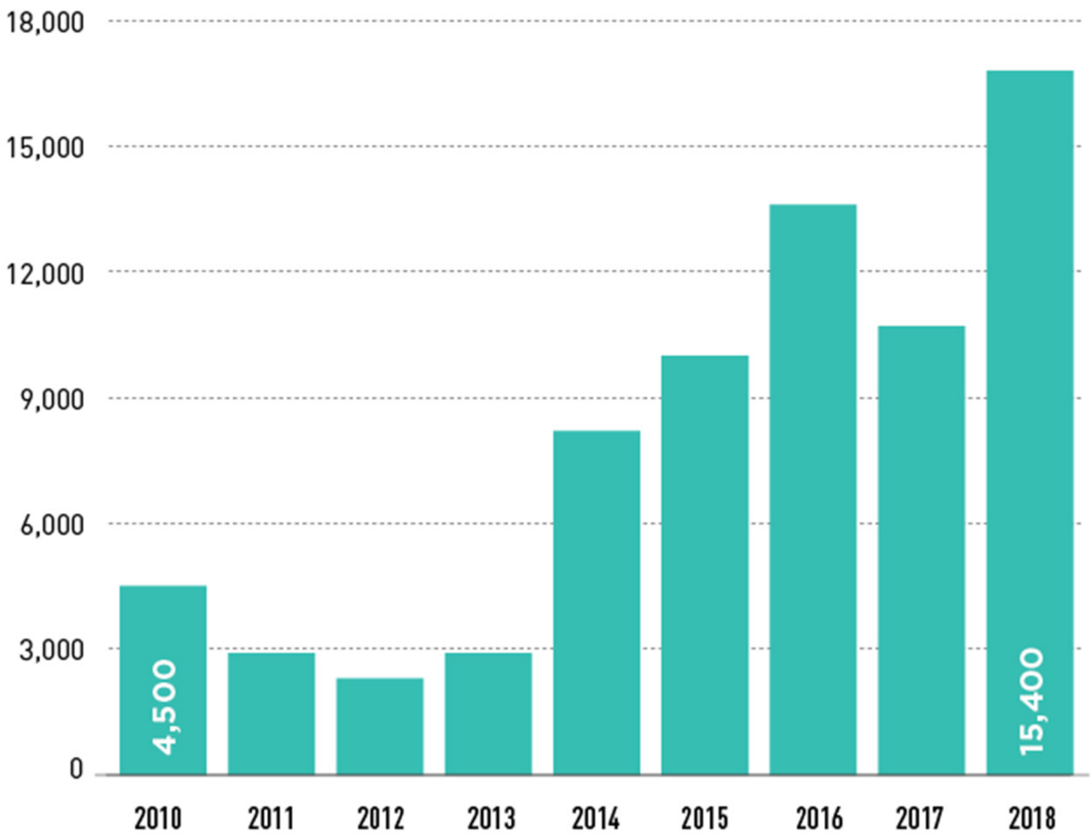
A former manufacturing city steadily lost jobs

Total Employment in Philadelphia: **1880 - 2018**
Percentage Share of Jobs in Manufacturing Sector



Recent acceleration in job growth

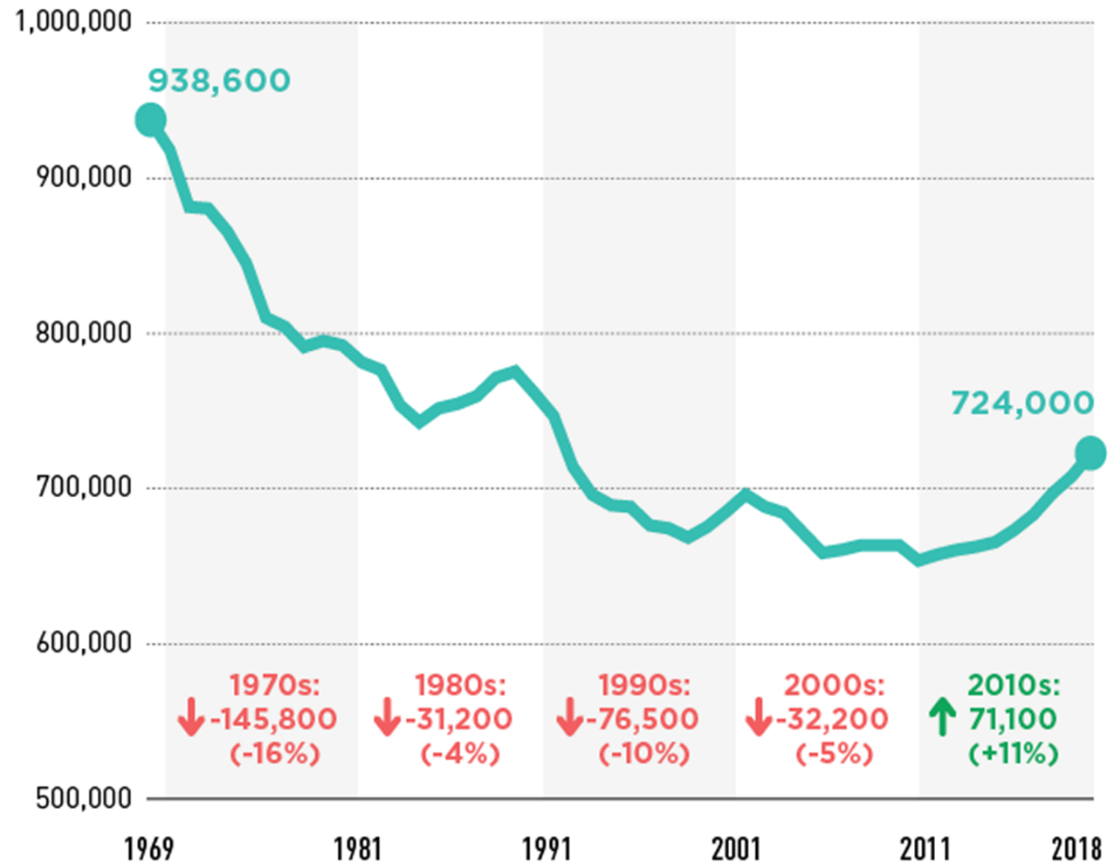
FIGURE 2: TOTAL JOB CHANGE FROM PREVIOUS YEAR, 2010–2018



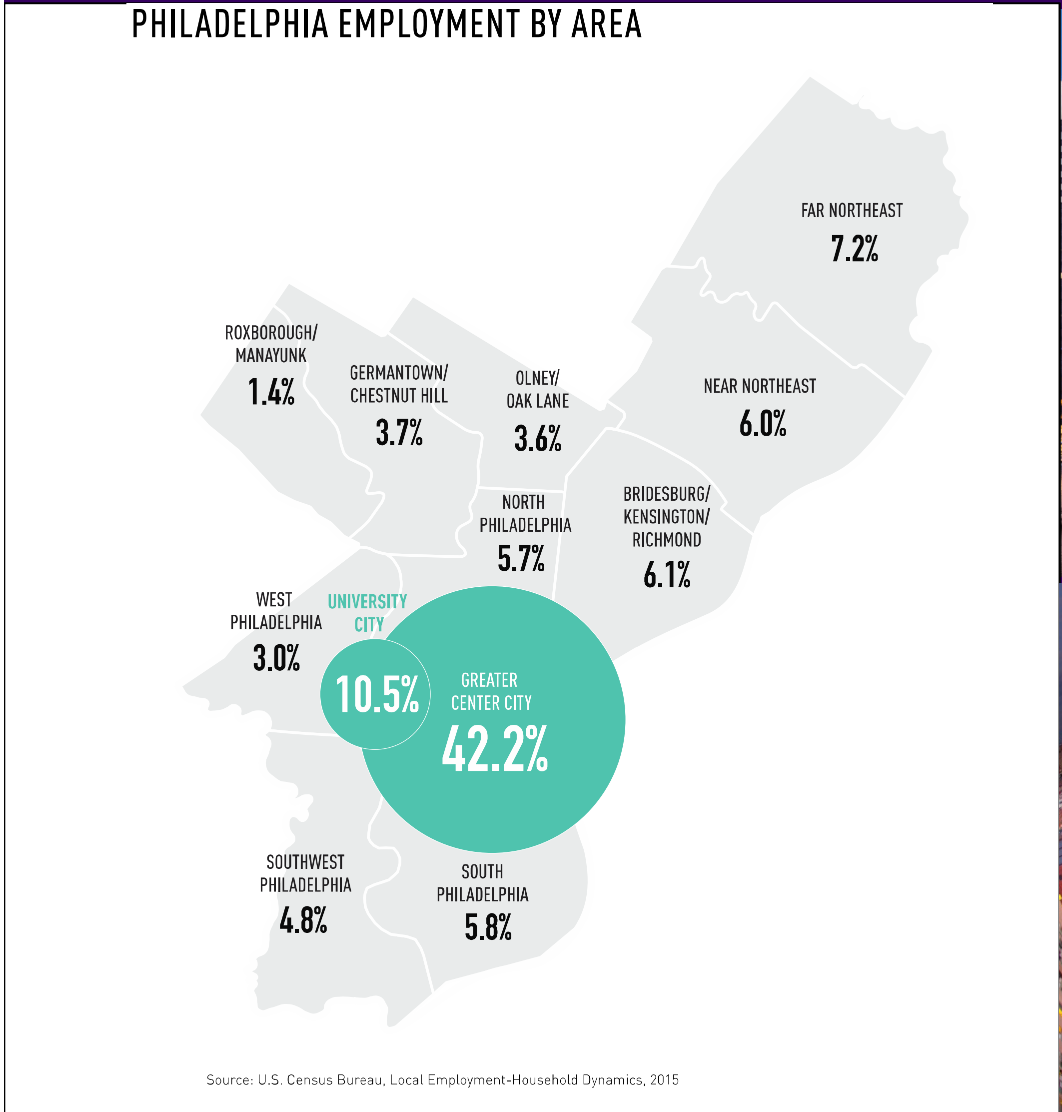
Source: Bureau of Labor Statistics, Current Employment Statistics

Rebounding from a long decline

FIGURE 1: PHILADELPHIA TOTAL JOBS, 1969–2018

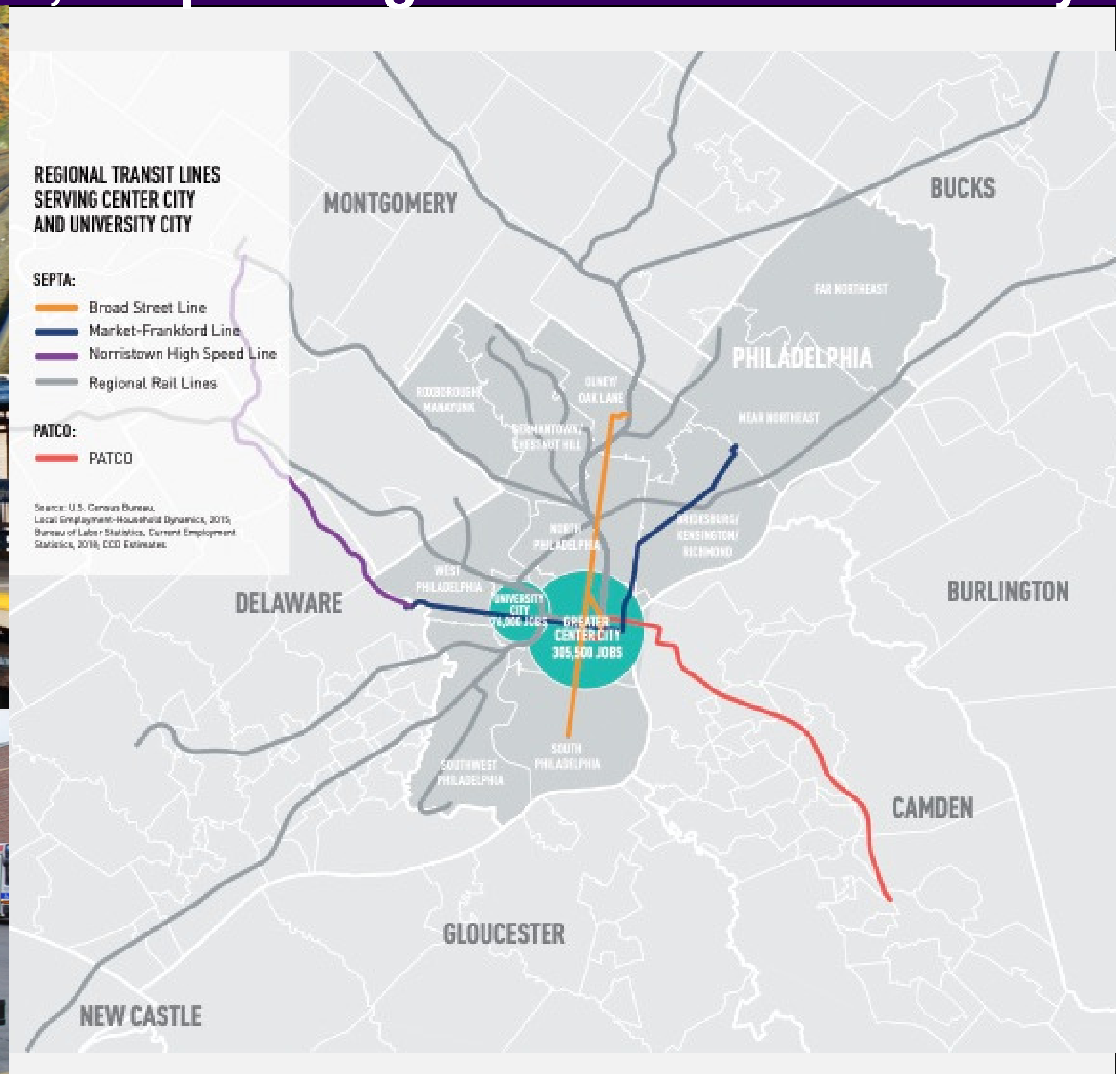


42.2% of all Philadelphia jobs in Center City
10.5% of all jobs in adjacent University City



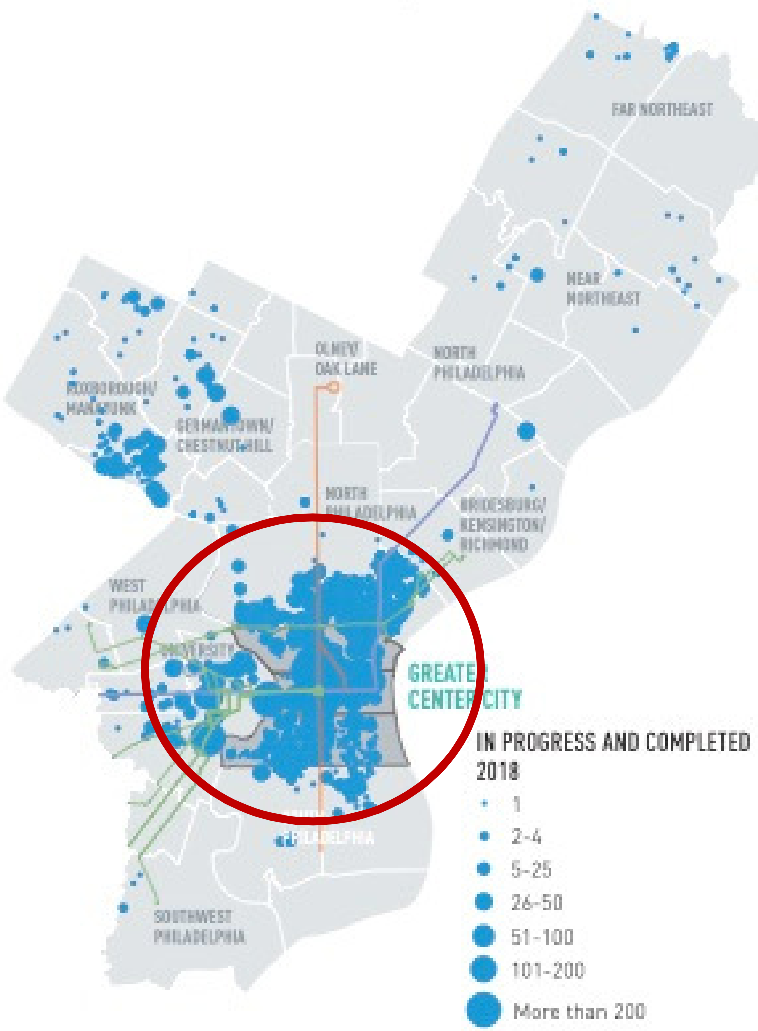
53% of all jobs concentrated at center of regional transit system

Brings 300,000 passengers downtown each day

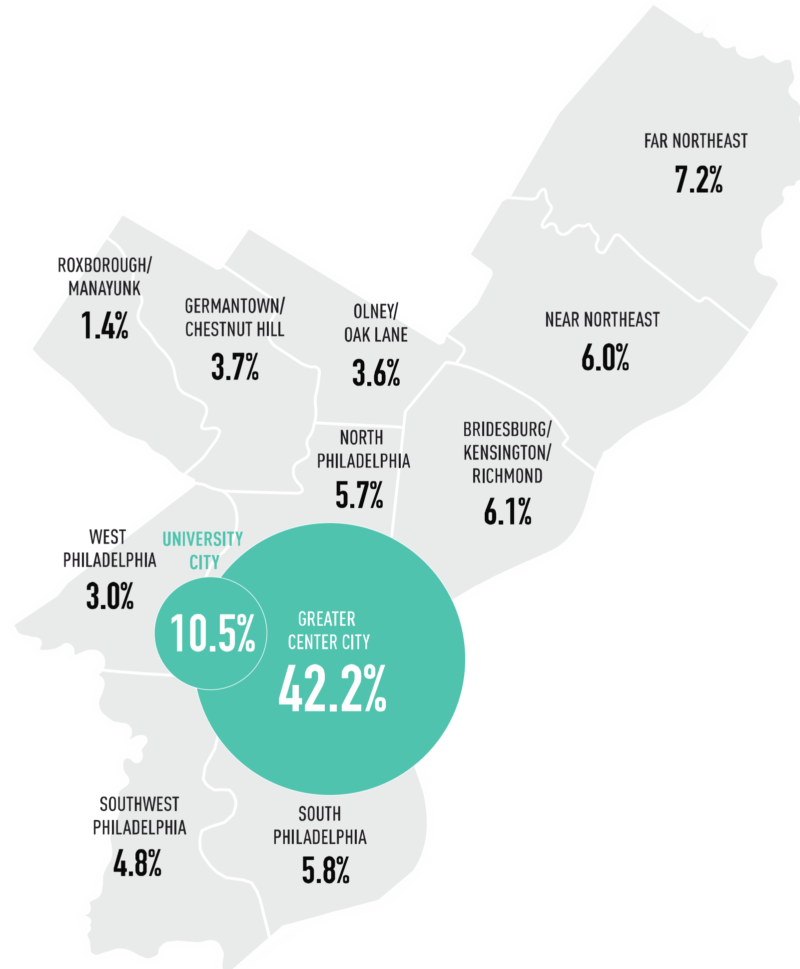


81% of new supply in city in 17% of city's geography
This is where the numbers work

FIGURE 8: HOUSING COMPLETED OR UNDER CONSTRUCTION CITYWIDE, 2018



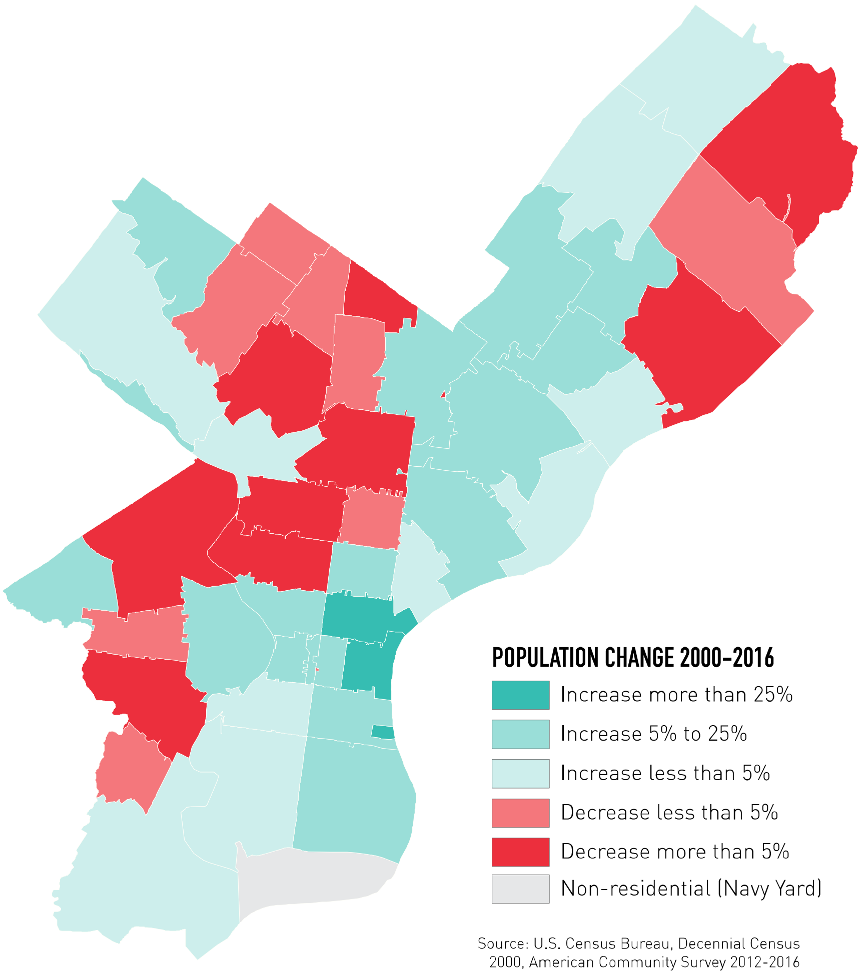
PHILADELPHIA EMPLOYMENT BY AREA



Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2015

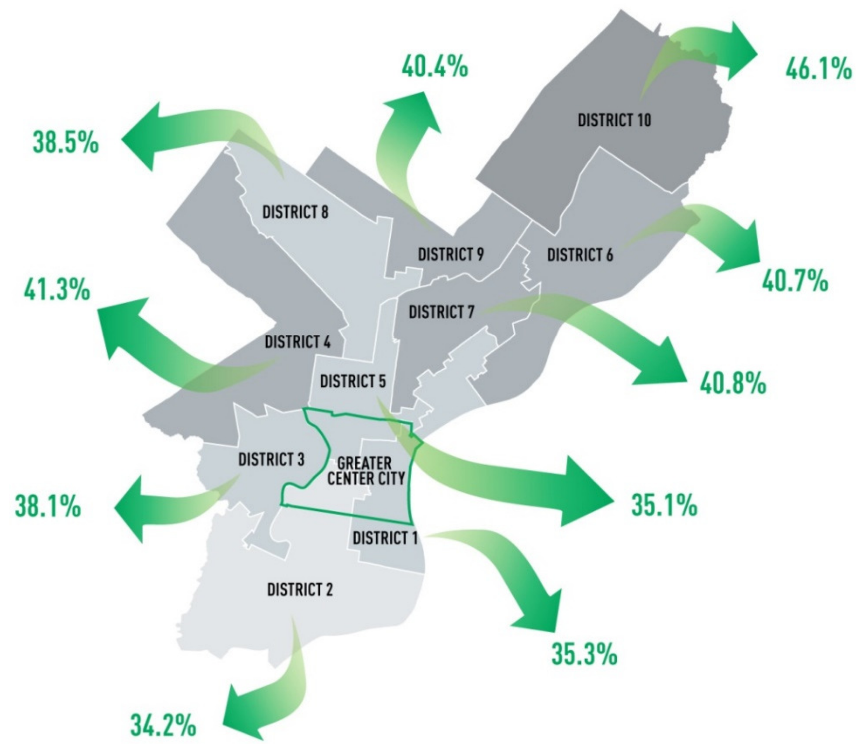
38% of zip codes (outside CC) still losing population
40% reverse commute to suburbs each day

GURE 19: PHILADELPHIA POPULATION CHANGE, 2000-2016



Source: U.S. Census Bureau, Decennial Census 2000, American Community Survey 2012-2016

PERCENT COMMUTING TO JOBS OUTSIDE CITY OF PHILADELPHIA, BY CITY COUNCIL DISTRICT



Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2014

Gentrification: limited 15 out of 372 neighborhoods

The Pew Charitable Trusts / Research & Analysis /
Philadelphia's Changing Neighborhoods

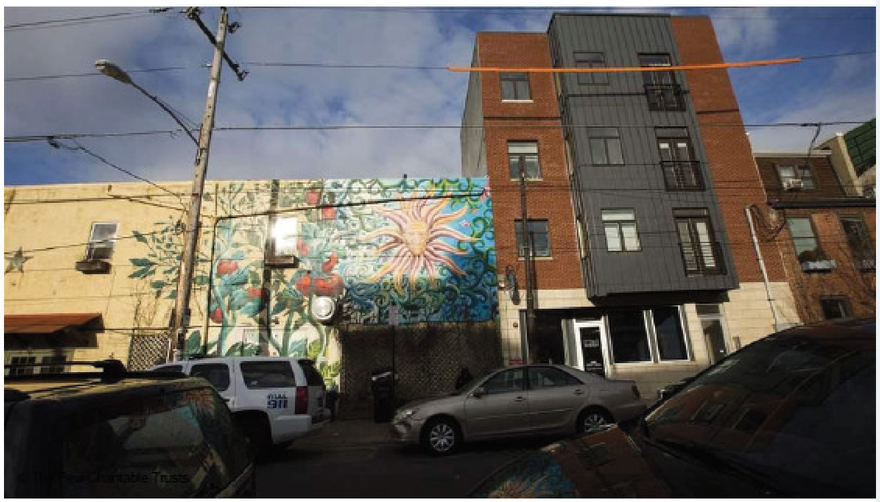
REPORT

Philadelphia's Changing Neighborhoods

Gentrification and other shifts since 2000

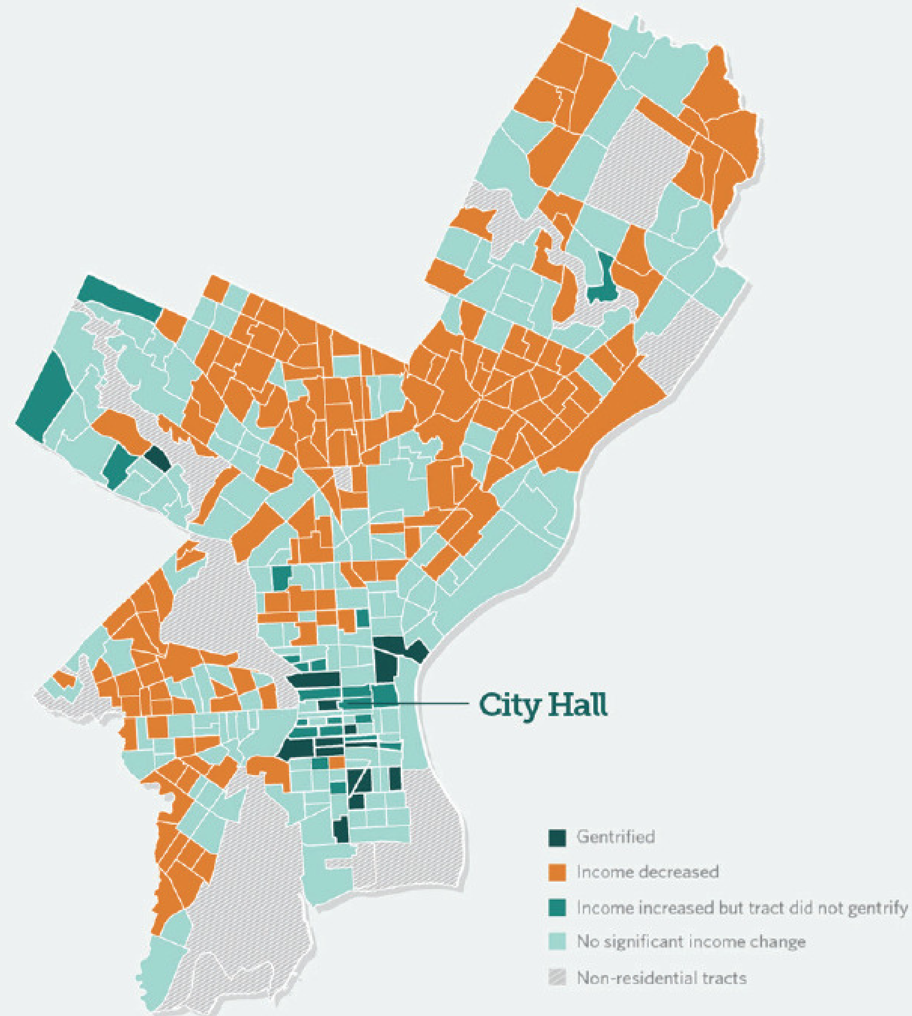
May 19, 2016

Philadelphia Research Initiative



Using an income-based definition of gentrification, only 15 of Philadelphia's 372 residential census tracts were found to have gentrified from 2000 to 2014.

Income Change in Philadelphia Census Tracts, 2000-14



Downtown renewal in historical perspective

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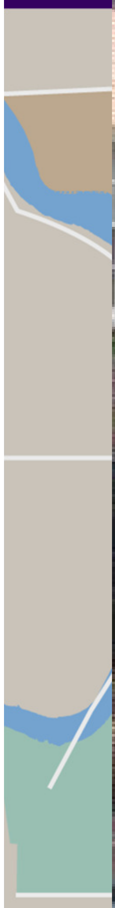
1956 Housing renewal starts:



Followed immediately with new construction

As the manufacturing city steadily declined

The new post-industrial office district expanded Along with health care & educational institutions

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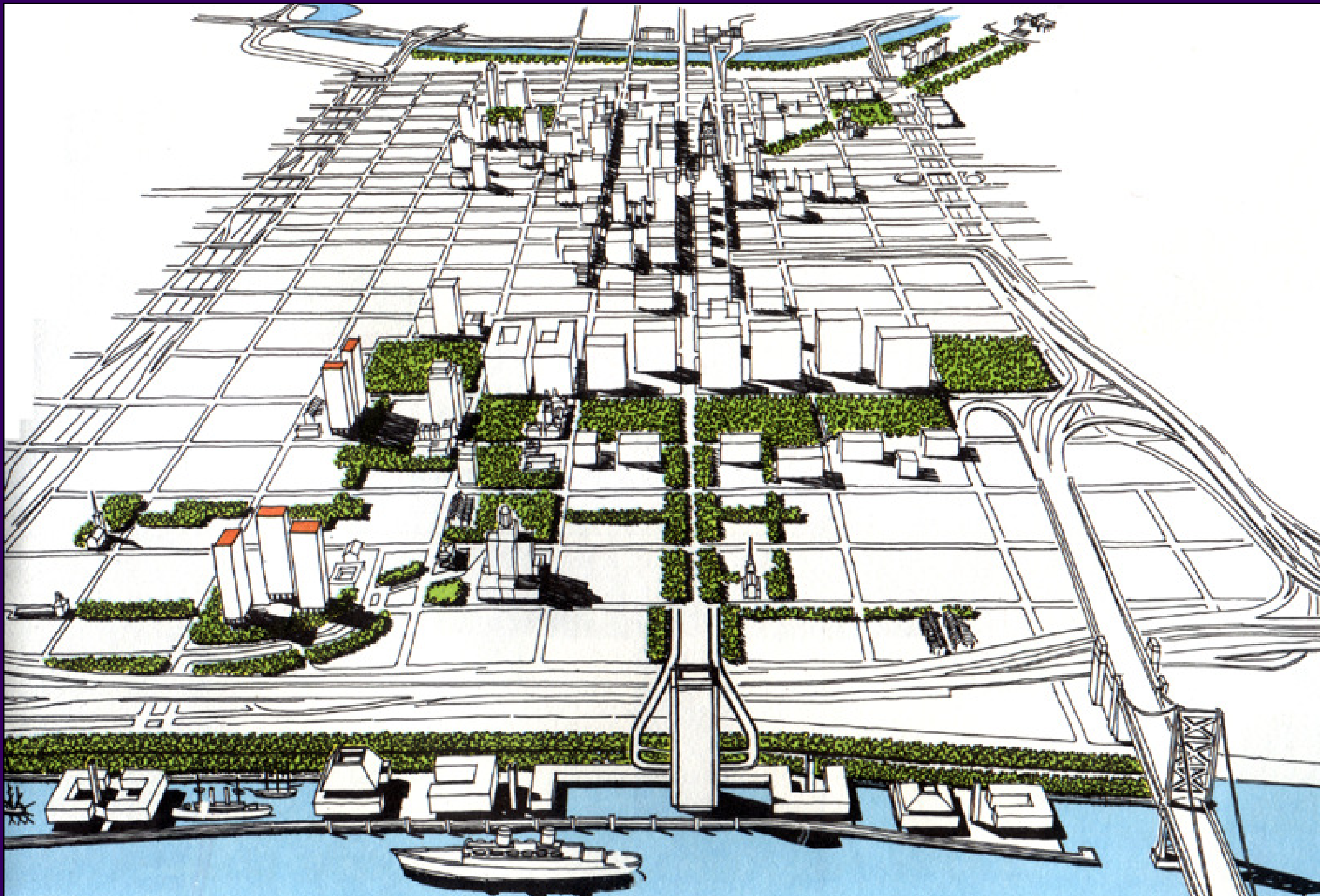
1963 boundaries of Center City quite distinct

Outside these boundaries: working class, lower income communities

Framed by highways in the 1963 plan



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Renovation began to spread outward in 1970s
"Stay in the city" trend of recent college graduates

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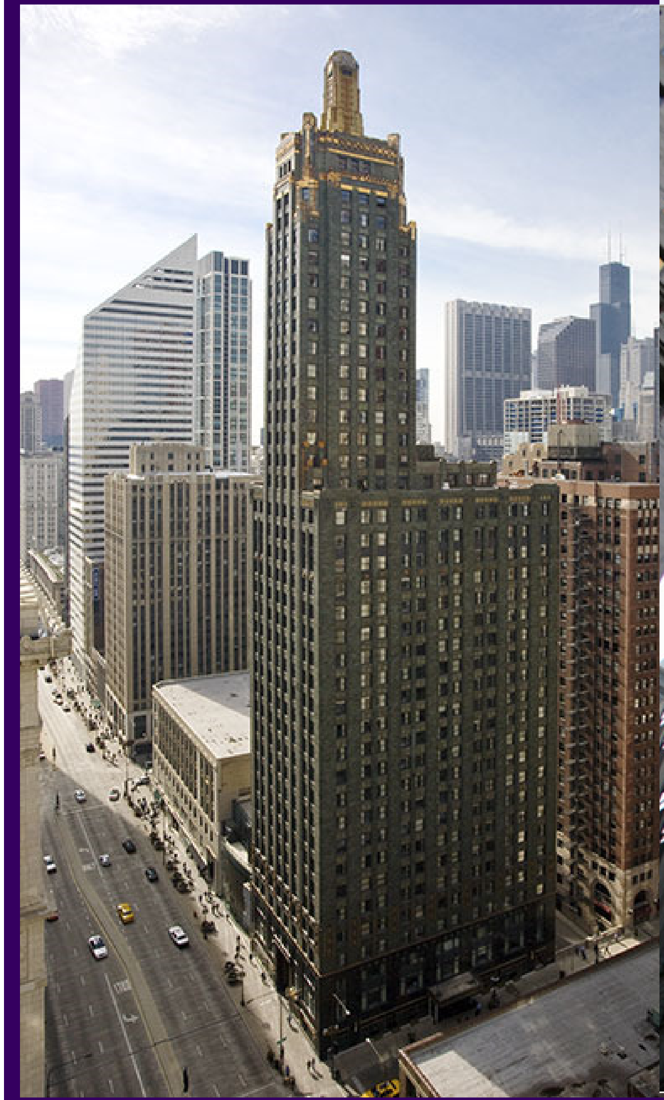
Present story starts in 1996
CCD had been operating for 5 years
4.5 million sf vacant Class "C" office space
Within core of business district

Nearly all cities have this inventory built 1890 -1920s
New York & Baltimore



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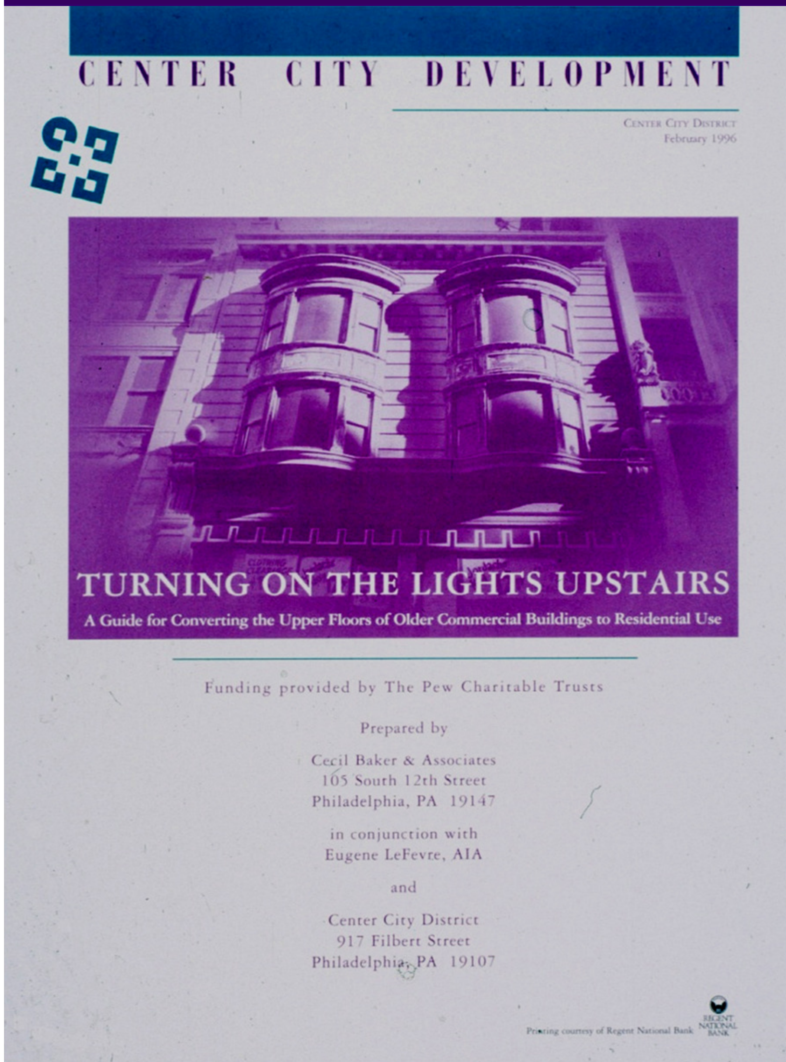
Dallas & Minneapolis

Plus older warehouse & industrial buildings

We looked at 4.5 million sf vacant Class “C” office as a depressant to commercial rents

Depressant to retail vitality



- Retained architect & developer to evaluate buildings for residential
- Survey to determine best buildings; floor layout, window size & exposure
- Detailed economic analysis of 10 buildings: evaluation for code compliance, cost-estimate, pro-formas.

Recommended 10 year residential tax abatement Approved 1997

- Extraordinary costs of converting from vacant office or industrial to residential use
- 10 year abatement on improvements
- Available city wide

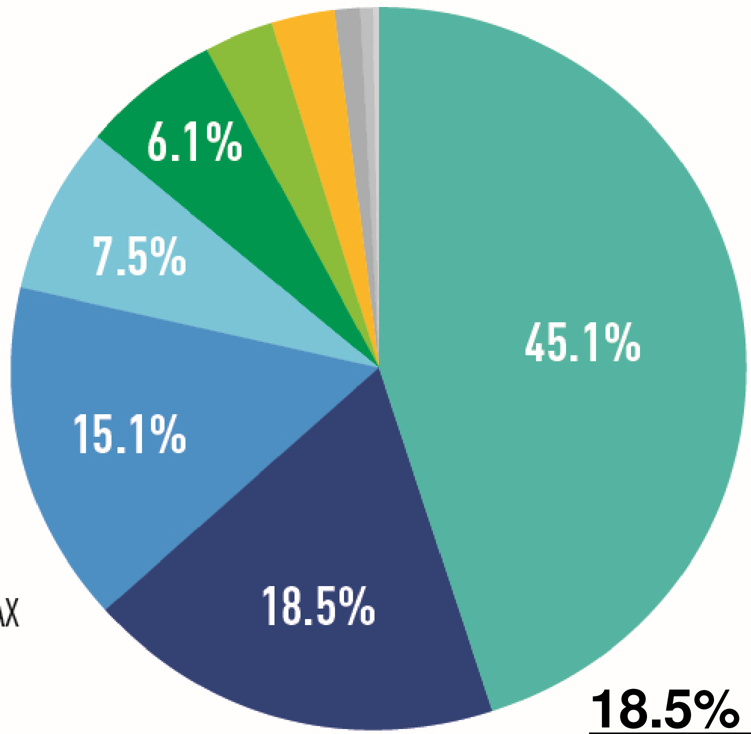
10 year residential tax abatement
Original ordinance sunset in 5 years

60.2% Municipal tax revenue from wage & business taxes
18.5% comes from Real Estate tax

FY18 GENERAL FUND: LOCAL TAX REVENUES

45% of RE tax goes to City; 55% to schools

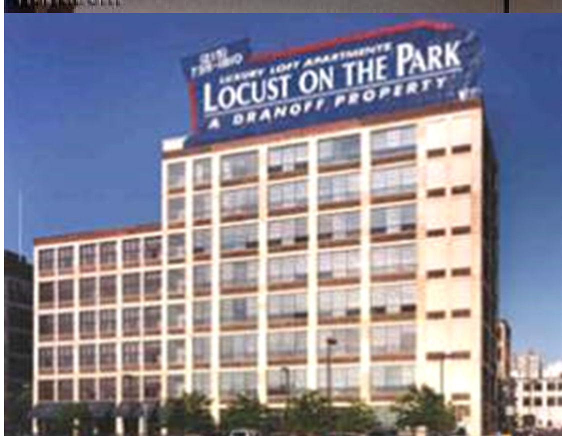
45.1%	WAGE & EARINGS
18.5%	REAL PROPERTY
15.1%	BUSINESS INCOME AND RECEIPTS
7.5%	REAL PROPERTY TRANSFER
6.1%	SALES (ALL)
3.2%	PARKING
2.8%	PHILADELPHIA BEVERAGE TAX
0.9%	NET PROFITS
0.7%	AMUSEMENT
0.1%	OTHER



<u>18.5% PHL from RE TAX</u>
92% Boston
42% NYC
32% Washington DC

Case study of one of first conversions:

Case study of one of first conversions: Vacant industrial building



Vacant building paying <u>$25,651</u> in RE taxes
Blighting influence for over a decade

$17.2 million spent to create 162 apartments. Project continued to pay $25,651 in RE taxes on unimproved value; City forgoes <u>$530,000</u> in RE taxes on improvements for 10 years.

- Project created 250 construction jobs & generated $<u>514,000</u> in city taxes during construction
- Project created 10 permanent jobs which generate <u>$16,000</u> per year in new wage taxes.

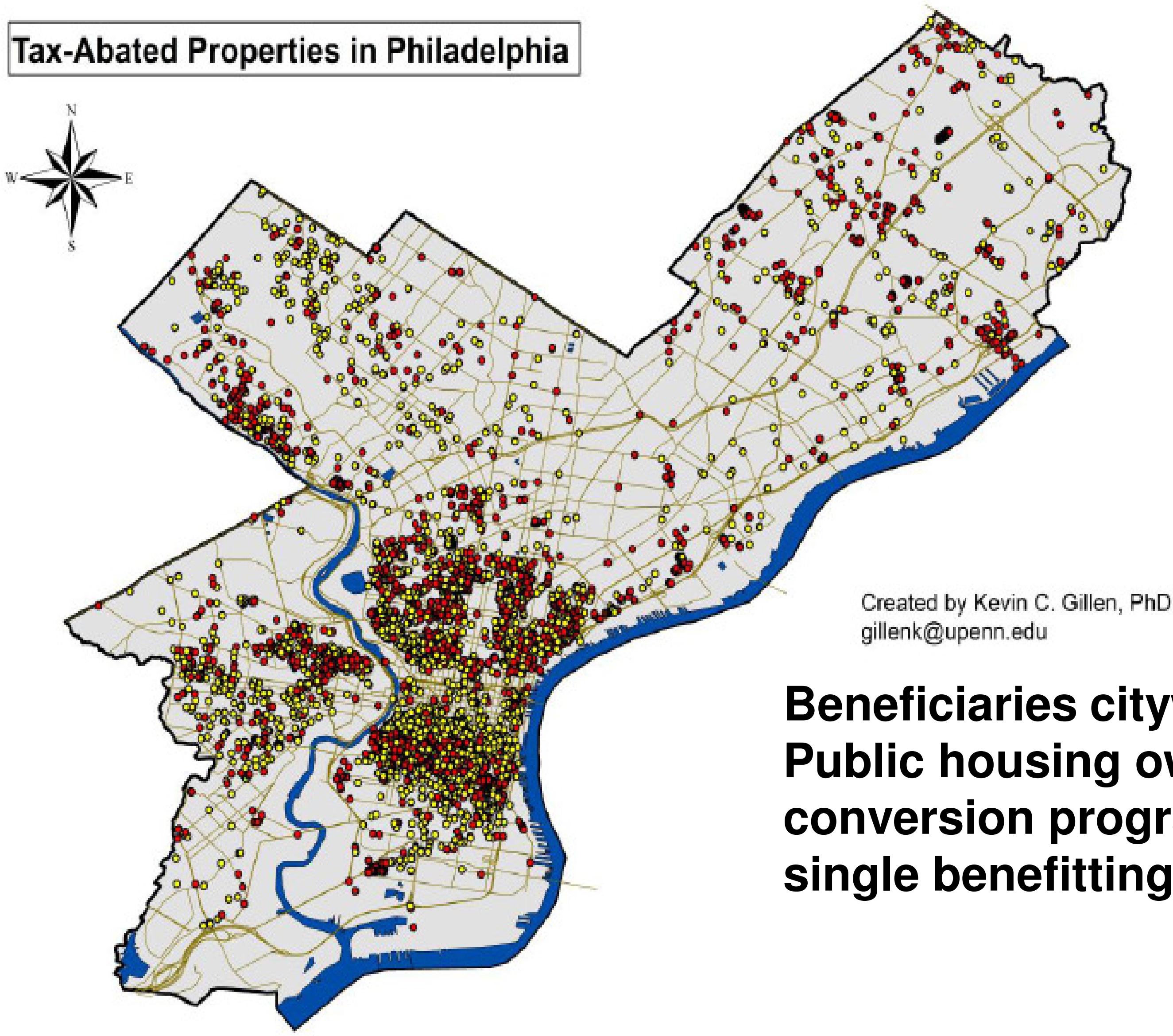
40% of tenants were new to city & their new spending in town + new wage taxes generate <u>$980,000 per year in new municipal taxes</u>

1998–2018 in downtown:
180 buildings converted to residential use

Expanded in 2000 to include all new construction city-wide, but with no sunset

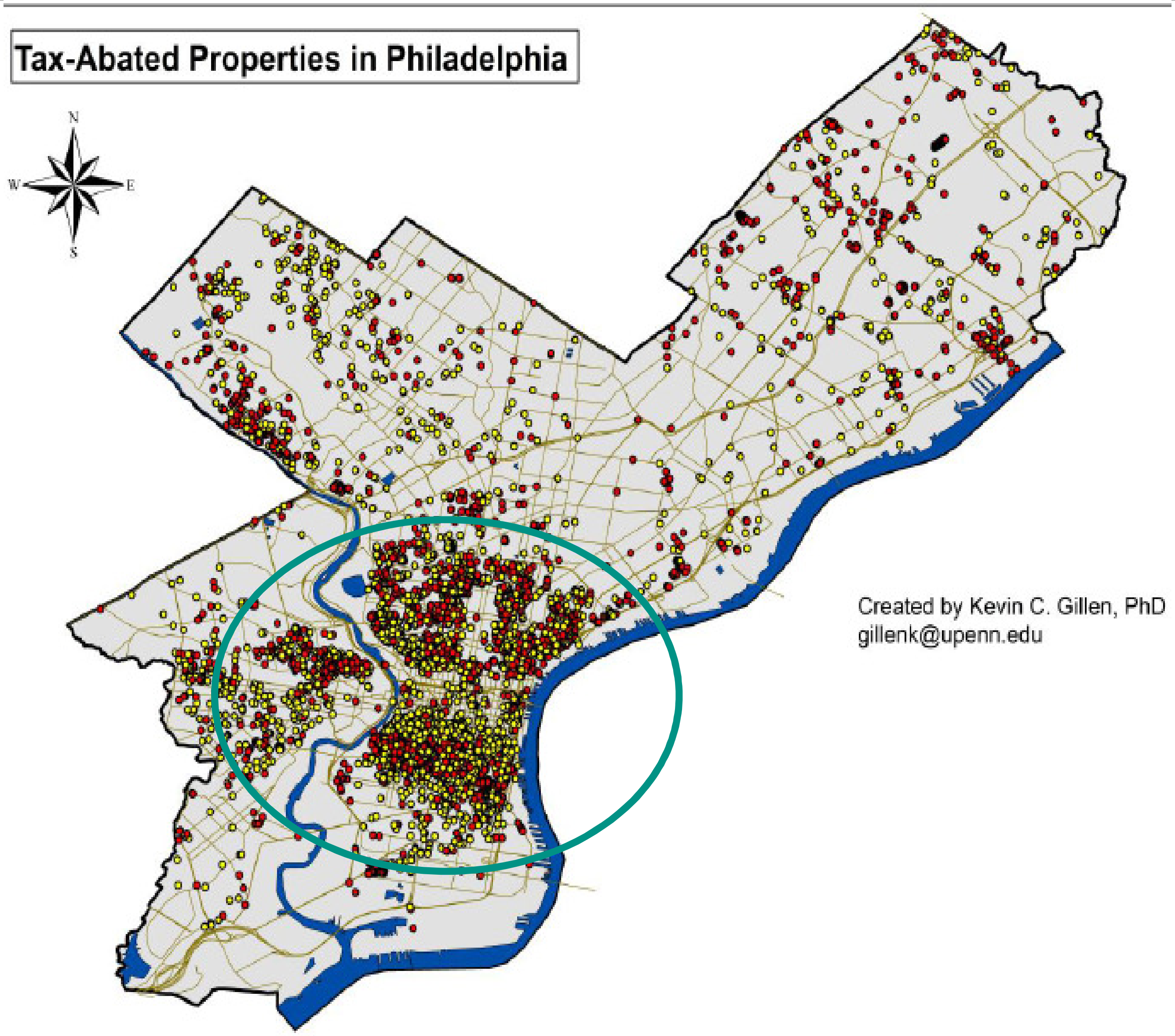
Synchronized with a major condo boom & Return of empty nesters

Fast forward 19 years: abatements are citywide



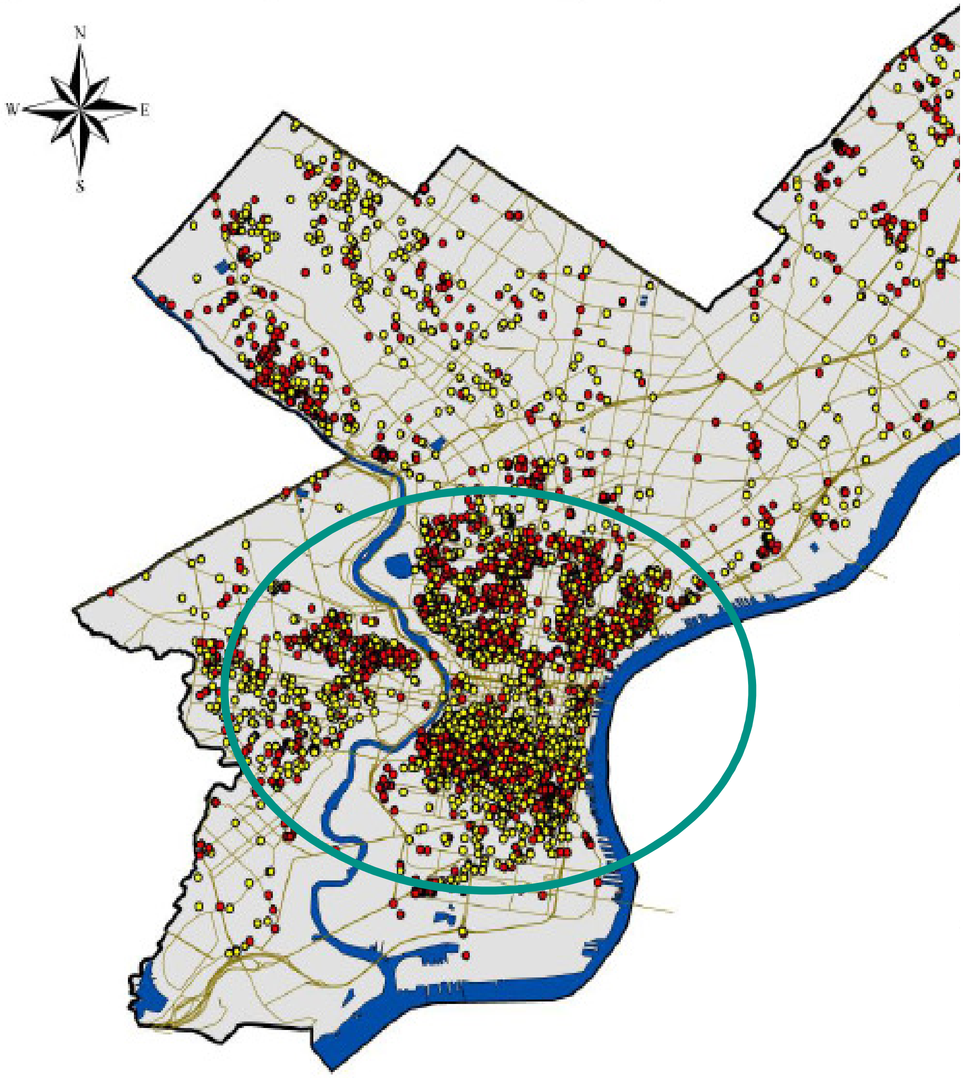
Beneficiaries citywide: Public housing ownership conversion program largest single benefitting developer

But abatements are concentrated around Greater Center City

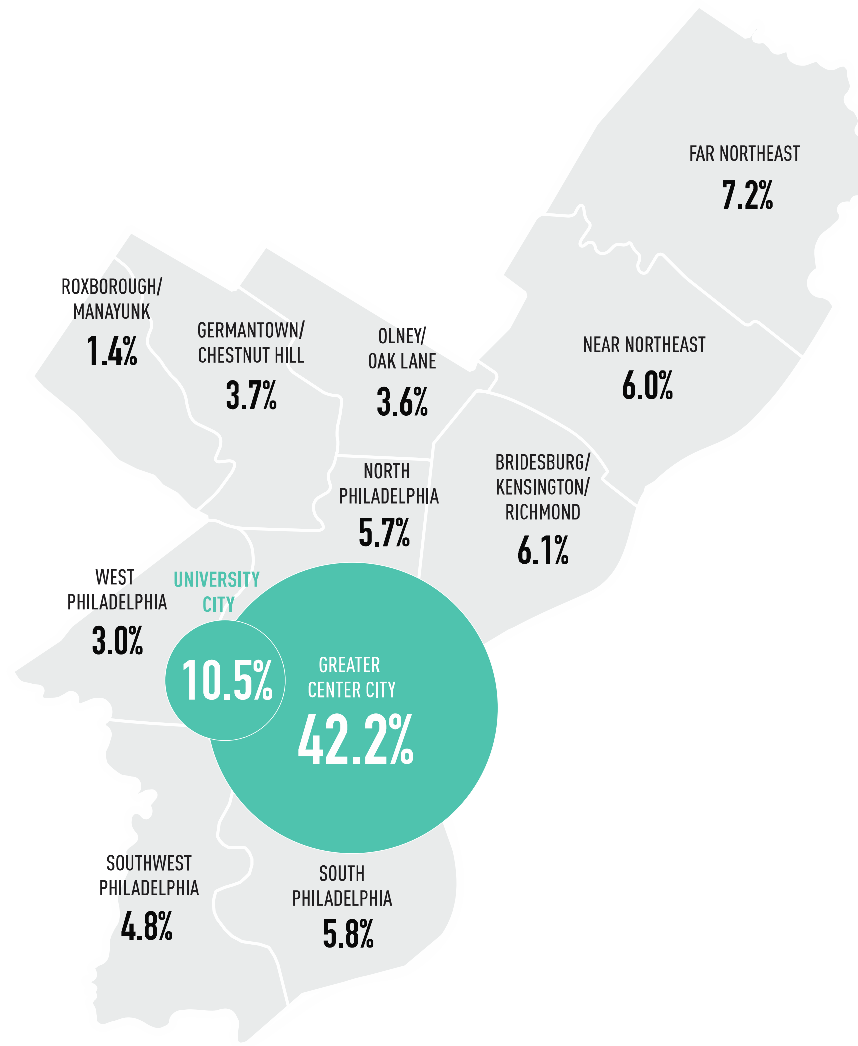


Correlate with area of job growth

Tax-Abated Properties in Philadelphia

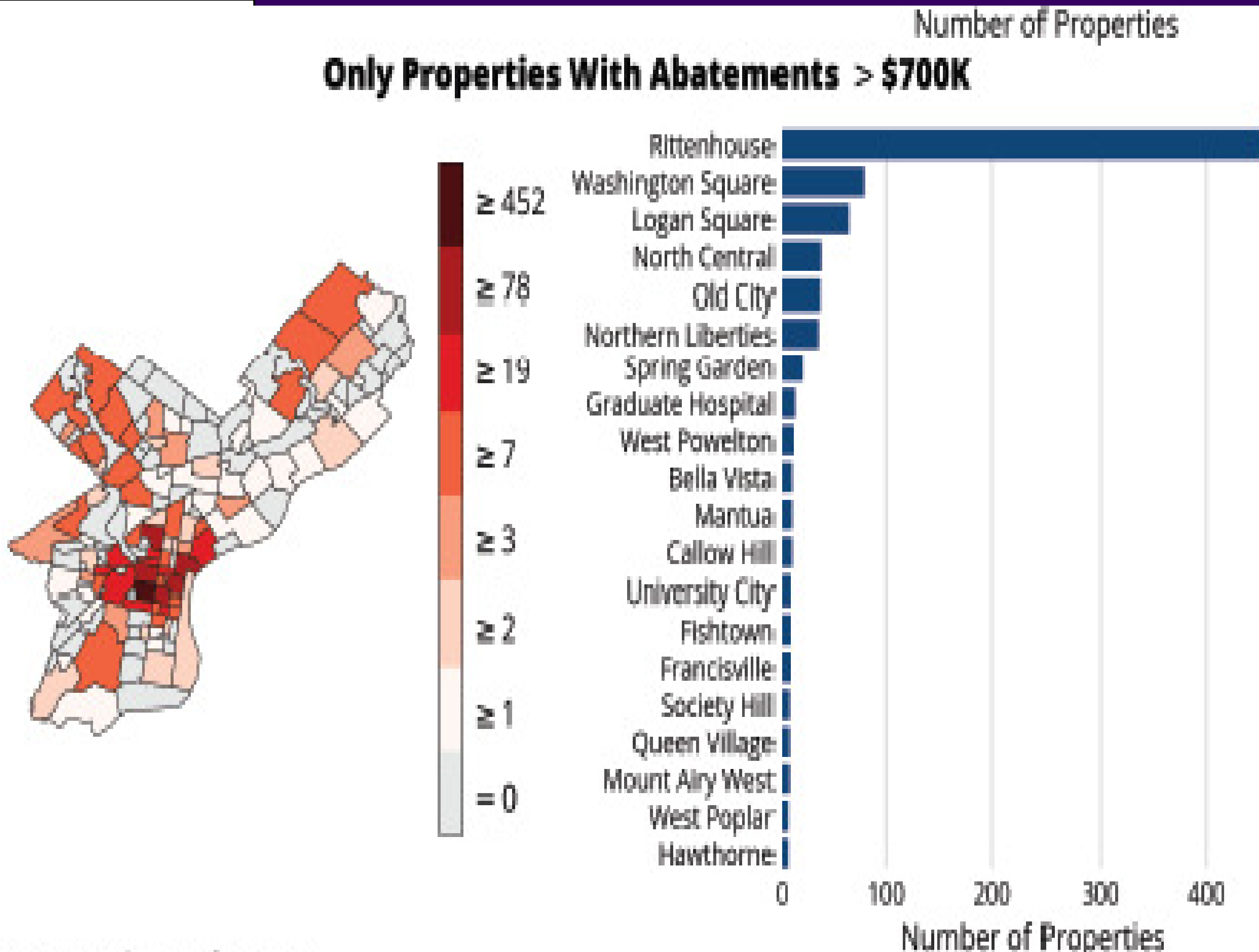


PHILADELPHIA EMPLOYMENT BY AREA



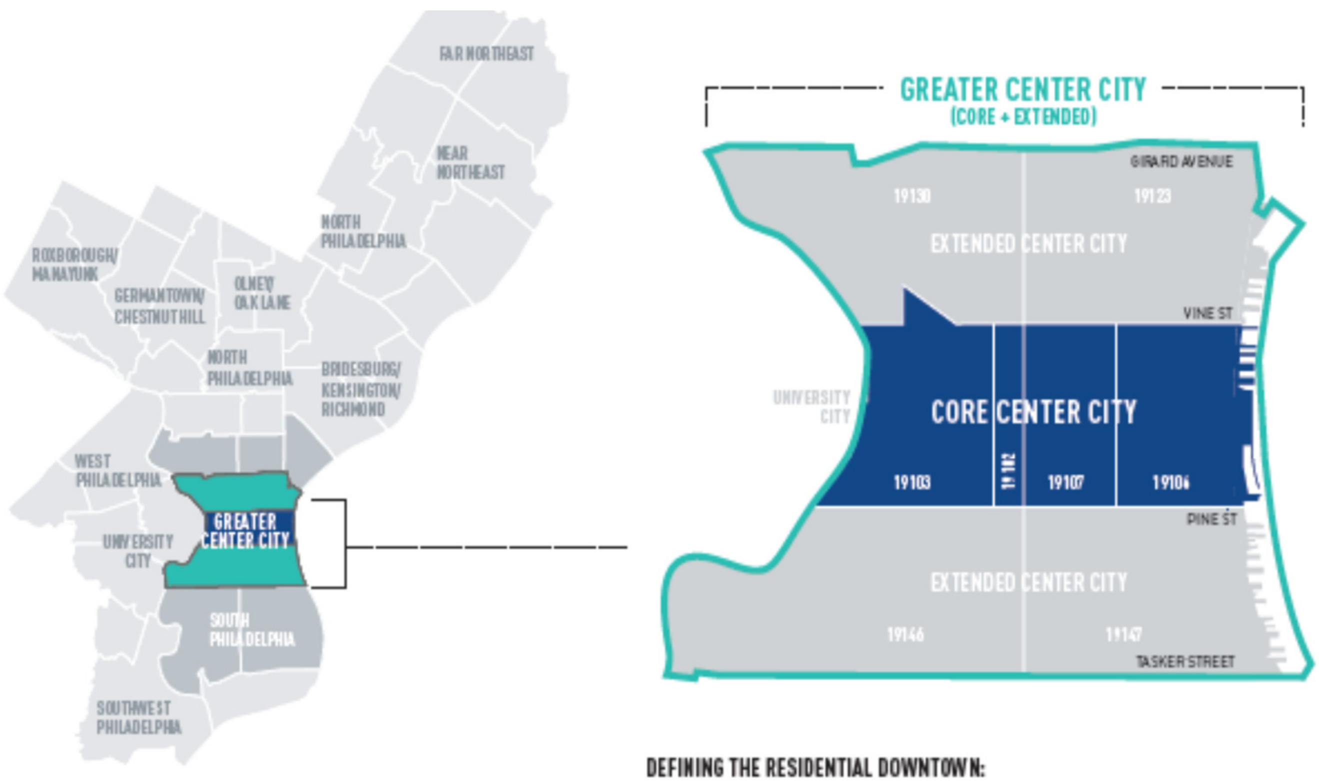
Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2015

Highest value abated properties concentrated in Greater Center City



Source: OPA data as of 3/31/17

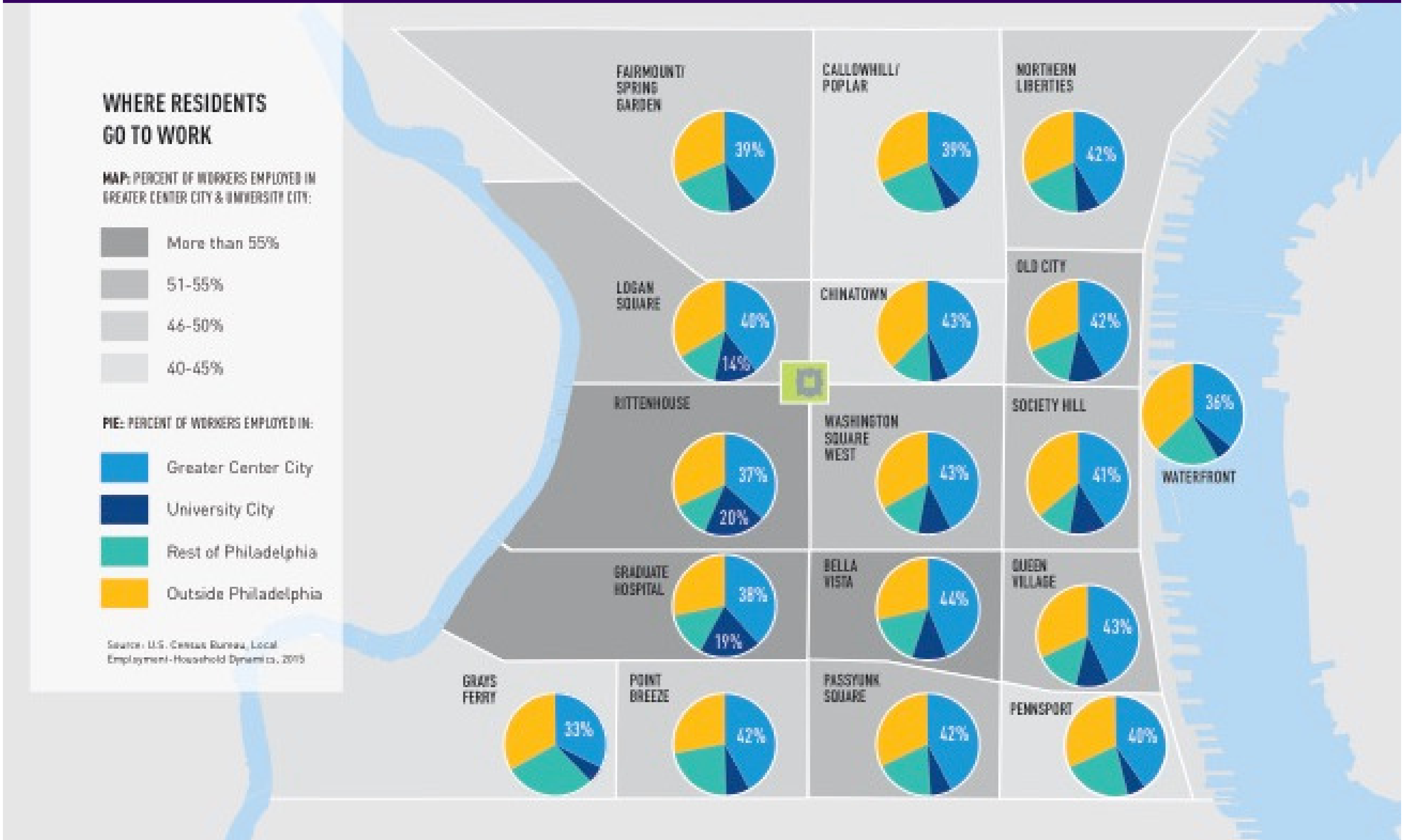
Greater Center City defined:
Live work zone from Girard Ave to Tasker St



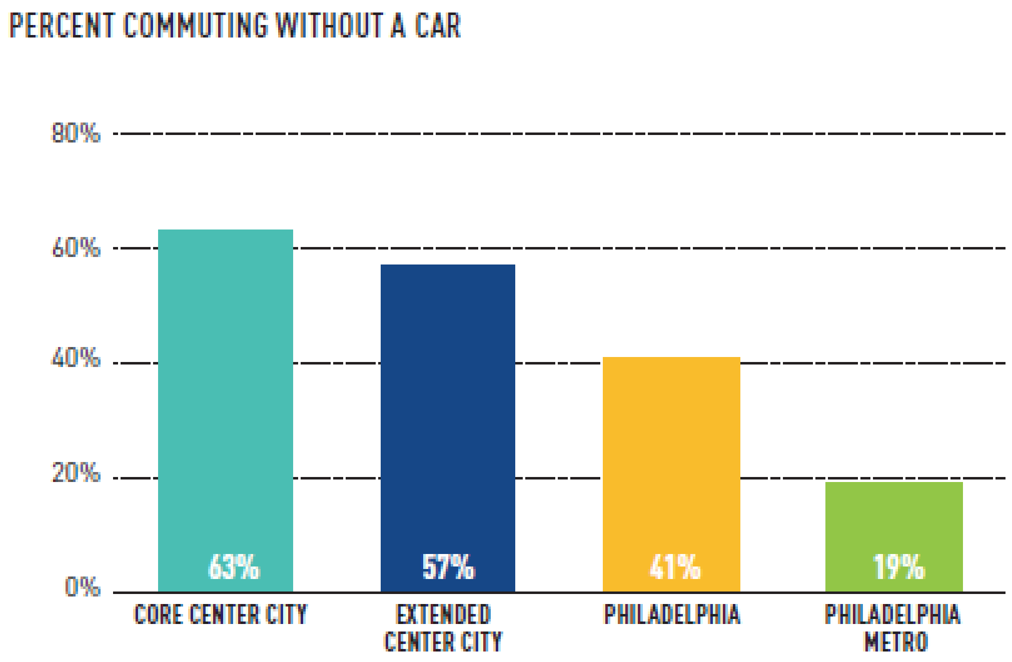
DEFINING THE RESIDENTIAL DOWNTOWN:

The four ZIP codes between Vine and Pine streets are referred to in this report as "Core Center City" and the surrounding neighborhoods in the four adjacent ZIP codes are termed "Extended Center City." Together they form "Greater Center City."

42% of employed CC residents work downtown; another 12% commute to University City.



63% of residents get to work without a car; 39% in core walk to work



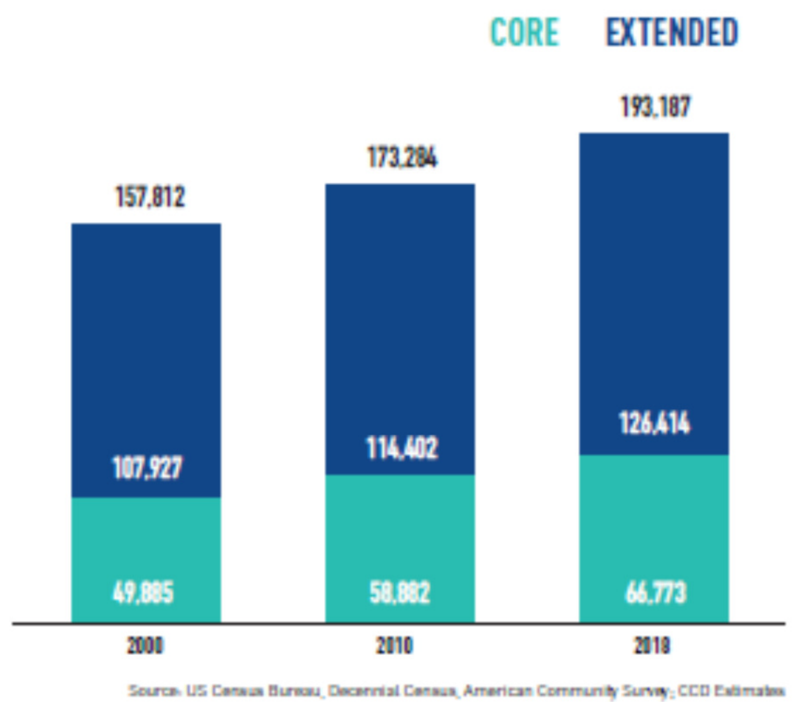
Fastest growing residential section of the city

Since 2000: 26,195 new housing units; Population up 22% to 193,187;

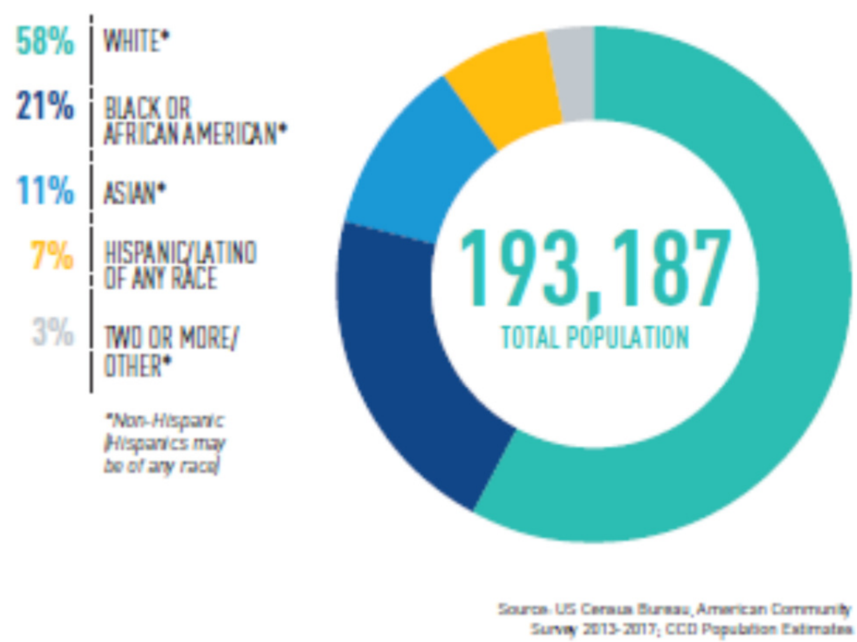
25% who moved to PHL between 2000-2018 moved downtown

12% moved into University City

GREATER CENTER CITY POPULATION

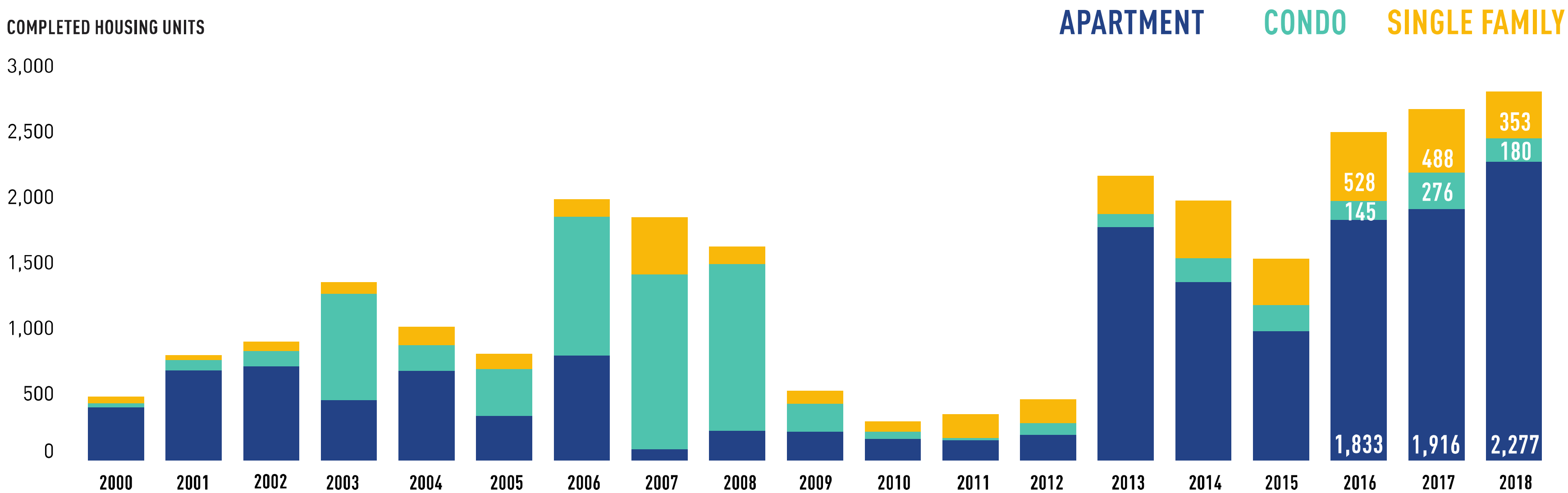


GREATER CENTER CITY RACIAL DIVERSITY



2,810 units completed last year; 4th straight year of accelerating growth

FIGURE 2: GREATER CENTER CITY HOUSING COMPLETIONS, 2000–2018

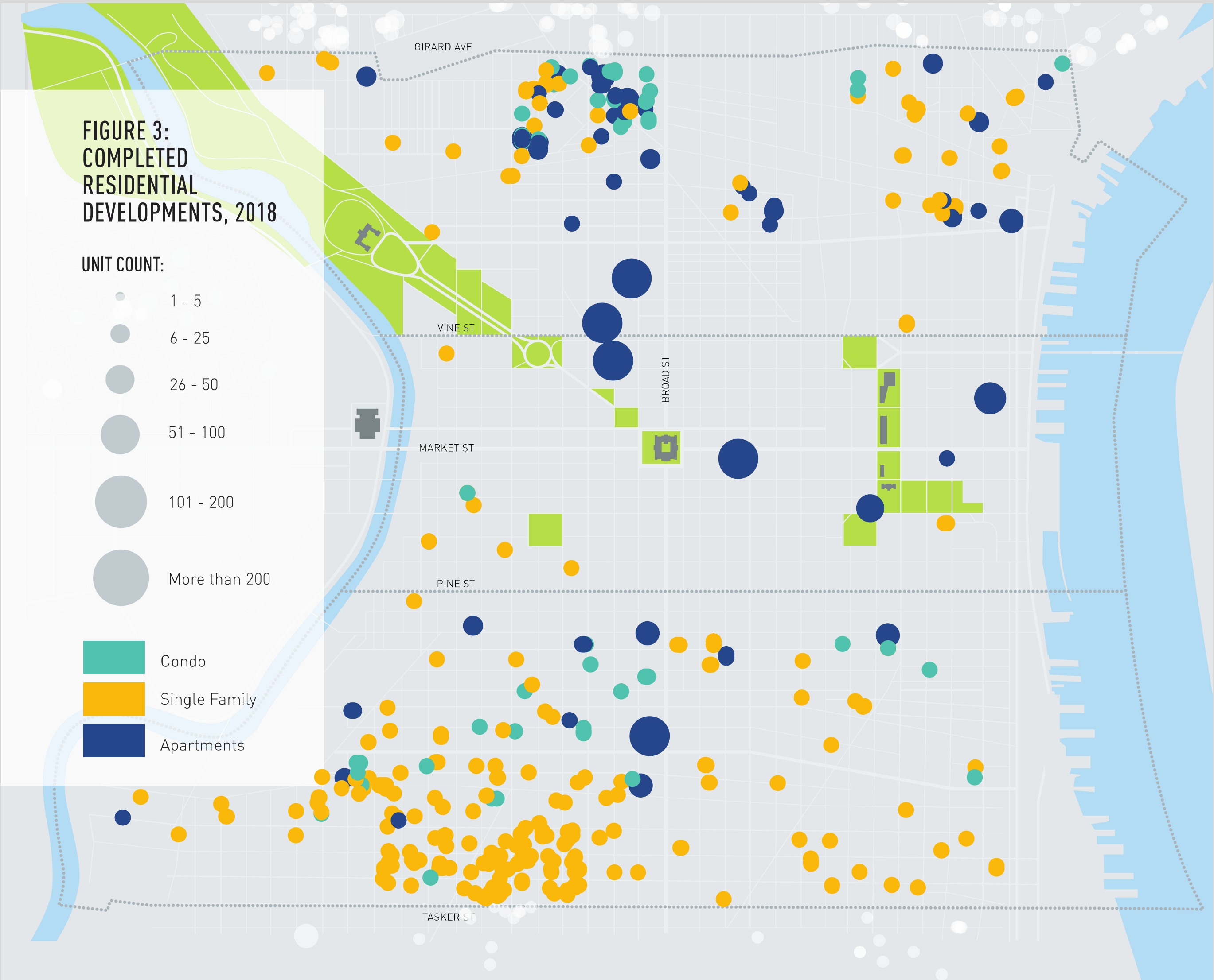


Source: Center City District

CENTER CITY DISTRICT

A very diverse mix of product type

By unit number & project scale
Apartments dominate; single-family + condo



Increasing residential density: Core 60 persons/acre 47/acre Extended; 39/acre PHL; 15/acre in suburbs

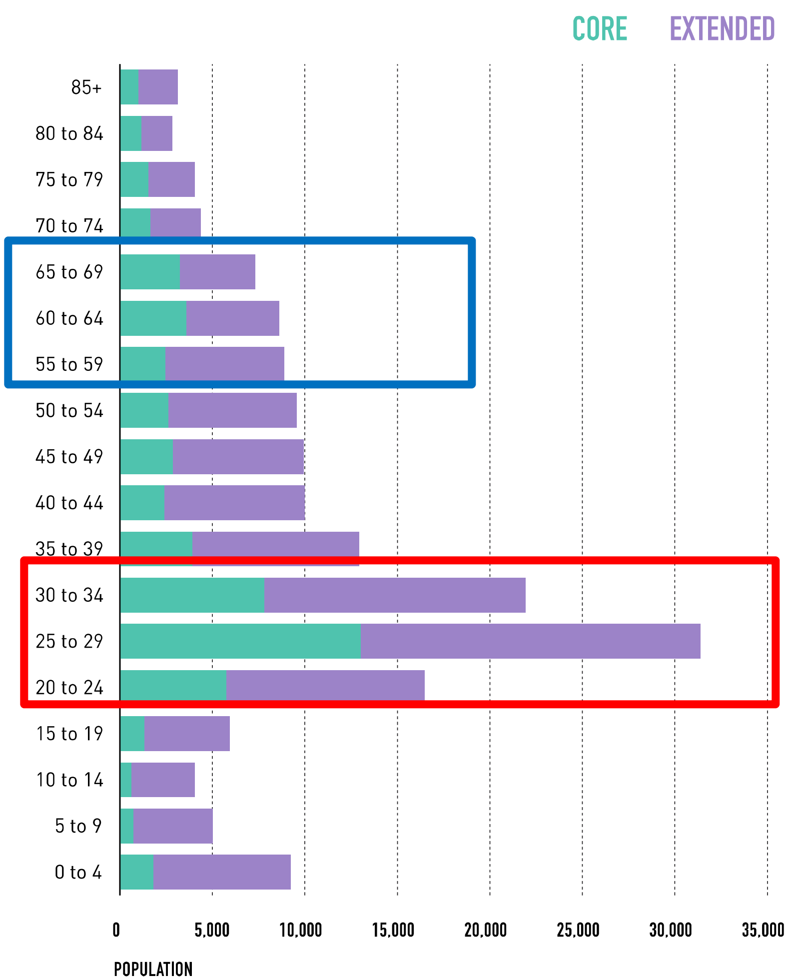
Density drives demand for retail: new supermarkets

Return of corner stores

Thriving retail corridors adjacent to downtown

Who? 45% of residents in core, ages 20-34
Large cohort of empty nesters

GREATER CENTER CITY POPULATION AGE DISTRIBUTION



79% in core of downtown BA degree
61% of residents in Greater Center City have a BA degree

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A growing number of families with children

75% of children living in Greater Center City

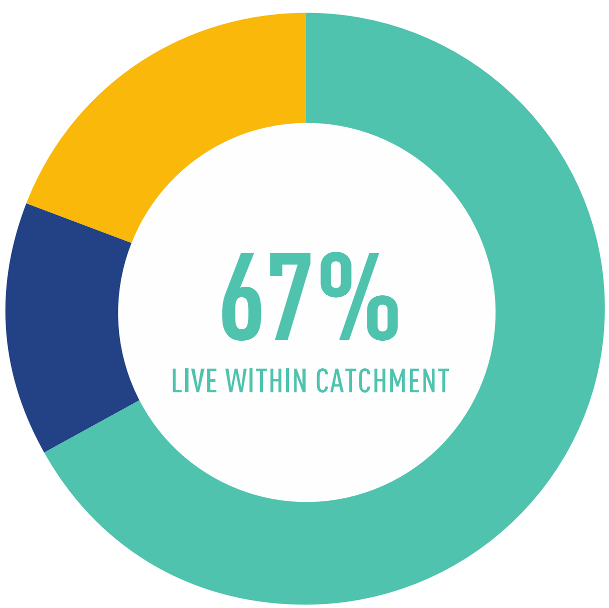
Attend one of 19 elementary public schools between Girard & Tasker

67% attend their catchment area (neighborhood) school

67% LIVE WITHIN CATCHMENT

14% LIVE ELSEWHERE IN GREATER CENTER CITY

19% LIVE OUTSIDE OF GREATER CENTER CITY

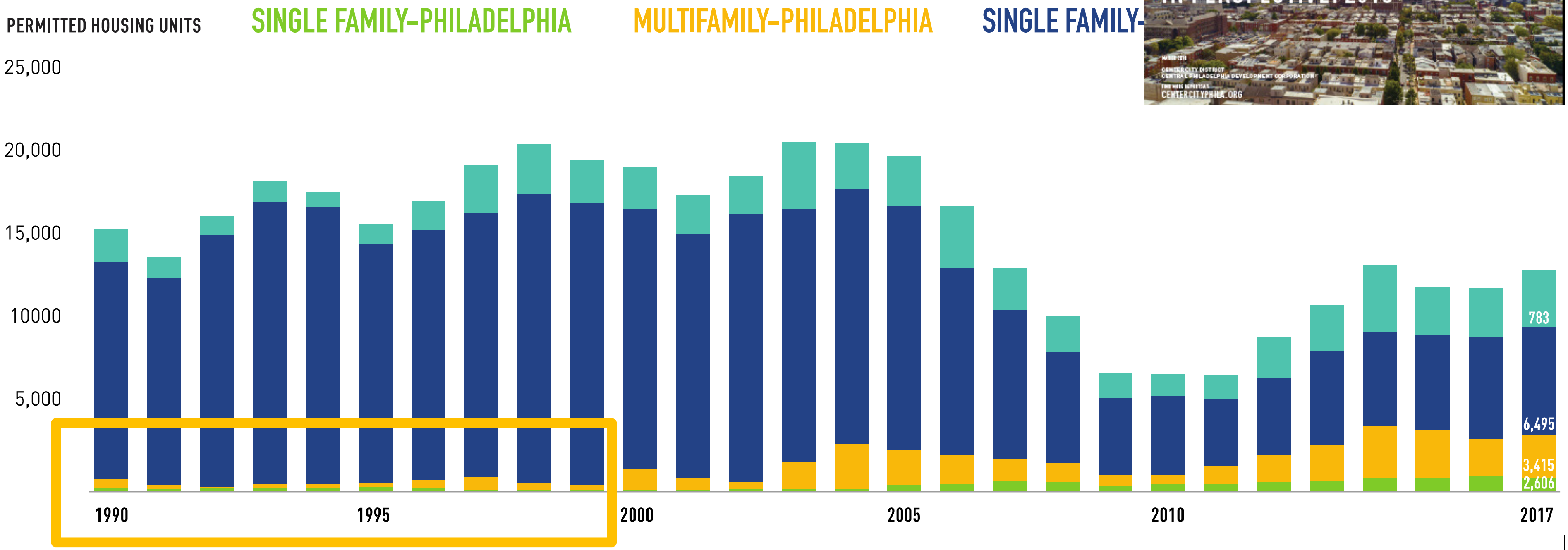


How the world has changed

1990-1999, 5,072 housing units permitted in all Philadelphia

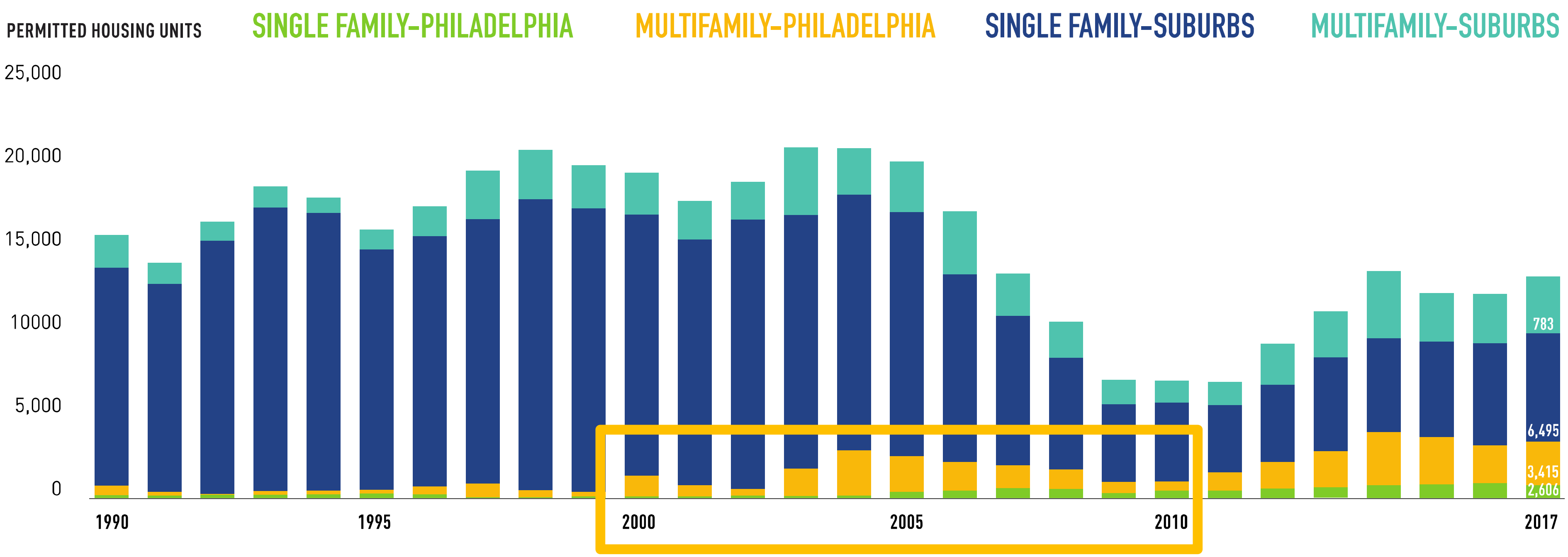
> 3% of 177,469 total permits issued in Philadelphia region

FIGURE 15: PERMITS BY TYPE, PHILADELPHIA METROPOLITAN AREA (CITY V. SUBURBS)



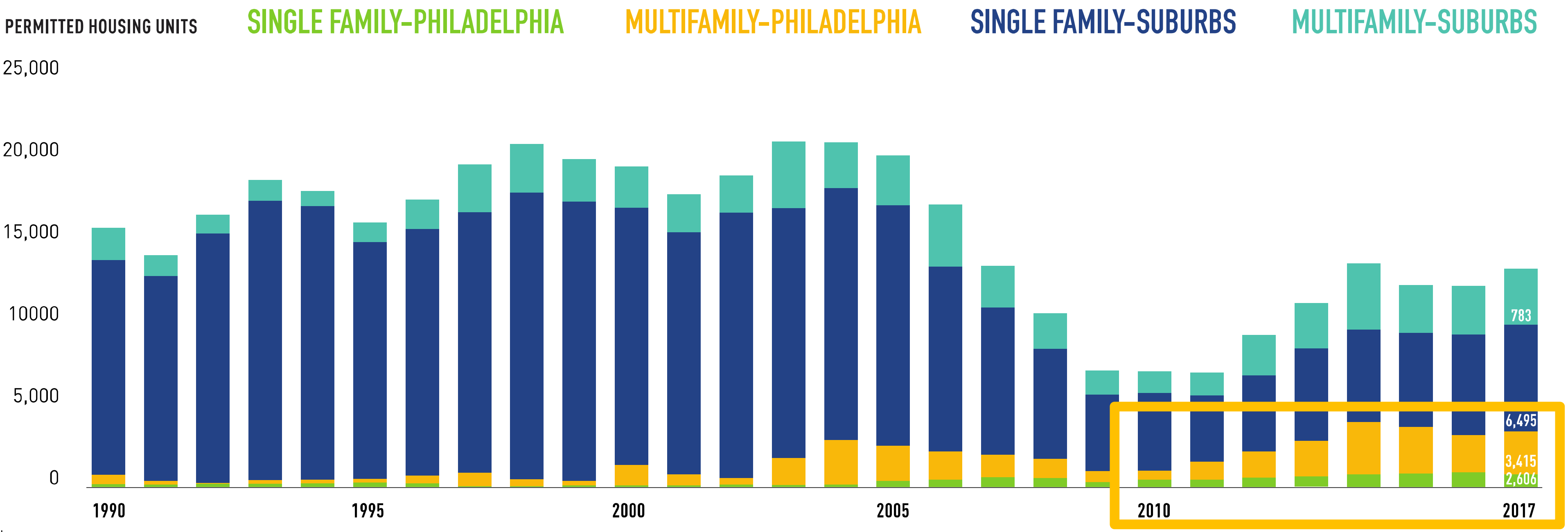
In 2000 abatement expands to all types of construction
Building permits increase to 10% of regional total.
Employment stabilizes, population growth for first time in decades

FIGURE 15: PERMITS BY TYPE, PHILADELPHIA METROPOLITAN AREA (CITY V. SUBURBS)



Between 2010 and 2018,
Philadelphia's regional share of housing permits rises to 25%
55% of units are in Greater Center City

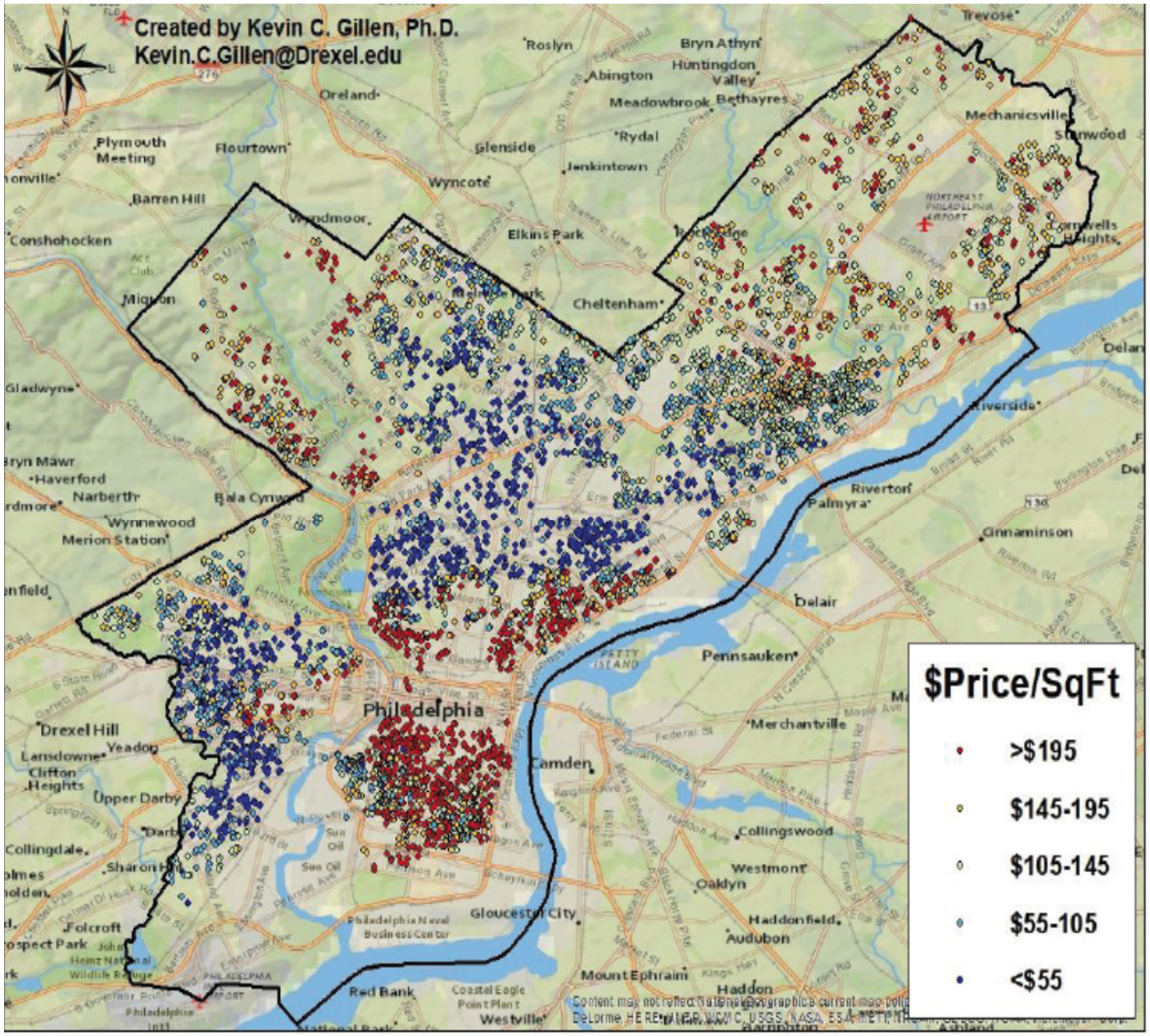
FIGURE 15: PERMITS BY TYPE, PHILADELPHIA METROPOLITAN AREA (CITY V. SUBURBS)



But the high price of some abated units has prompted attention & resentment



2010-2018 just 1% of 158,863 residential sales citywide were over $1 million



Out of 100 largest counties in the United States our volume of housing production puts us 62nd

78% of houses sold last year in Philadelphia priced under $250,000

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Philadelphia has significant affordability challenge that stems from low incomes not high costs

223,000 cost-burdened households making less than $50,000/year Paying more than 30% of income on housing

FIGURE 21: COST BURDEN AT VARYING HOUSEHOLD INCOME LEVELS

	TOTAL HOUSEHOLDS	% COST BURDENED	OWNER OCCUPIED HOUSEHOLDS	% COST BURDENED	RENTER OCCUPIED HOUSEHOLDS	% COST BURDENED
All Households w/ Income*	542,192	40%	292,079	28%	250,113	53%
Less than $20,000:	127,467	83%	49,276	74%	78,191	88%
$20,000 to $34,999:	95,517	65%	46,062	47%	49,455	82%
$35,000 to $49,999:	70,587	38%	36,525	28%	34,062	48%
$50,000 to $74,999:	91,040	17%	52,631	18%	38,409	15%
$75,000 or more:	157,581	4%	107,585	4%	49,996	3%

*Does not include another 27,490 households who report no income at all.

Source: US Census Bureau, American Community Survey 1 Year Estimates

While there is wealth of good news downtown
Pull the camera back…………..

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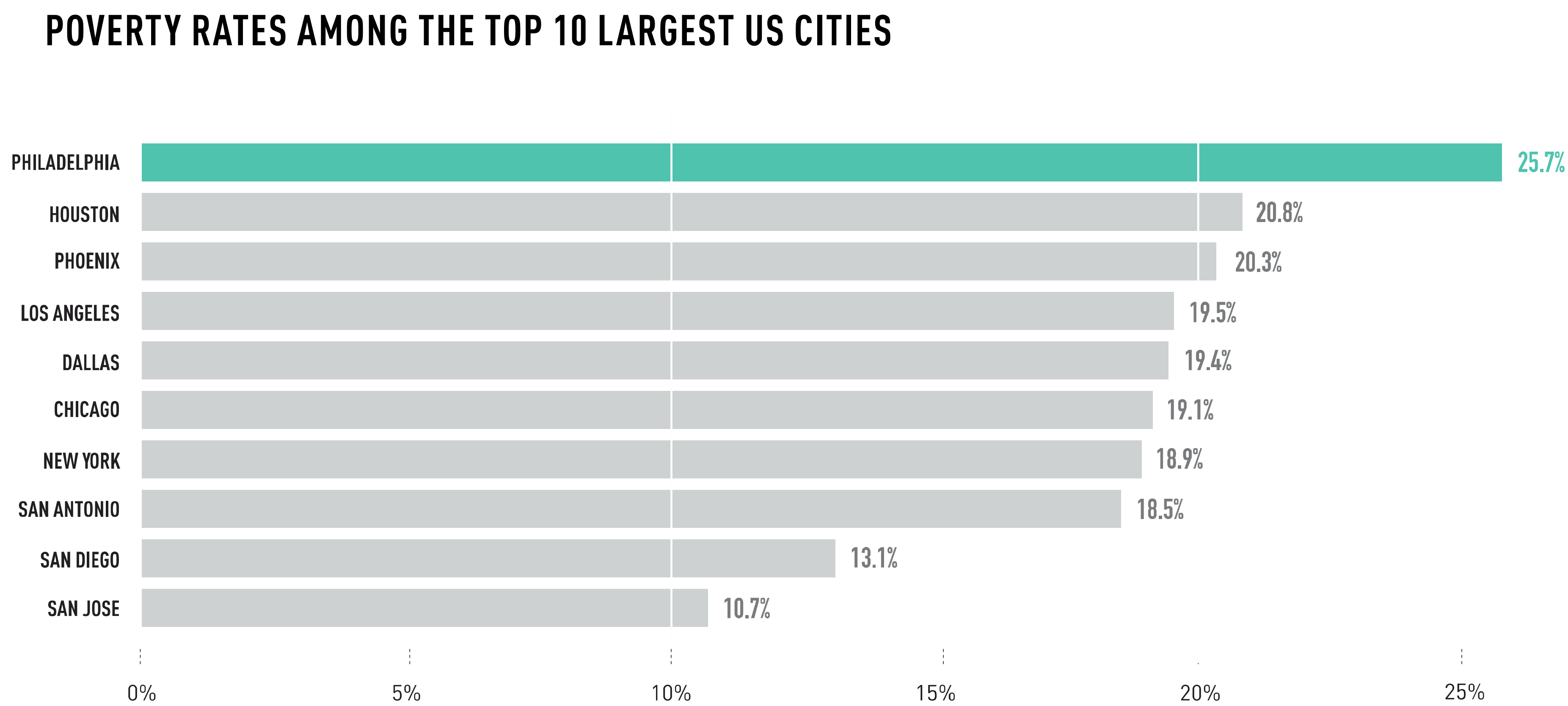
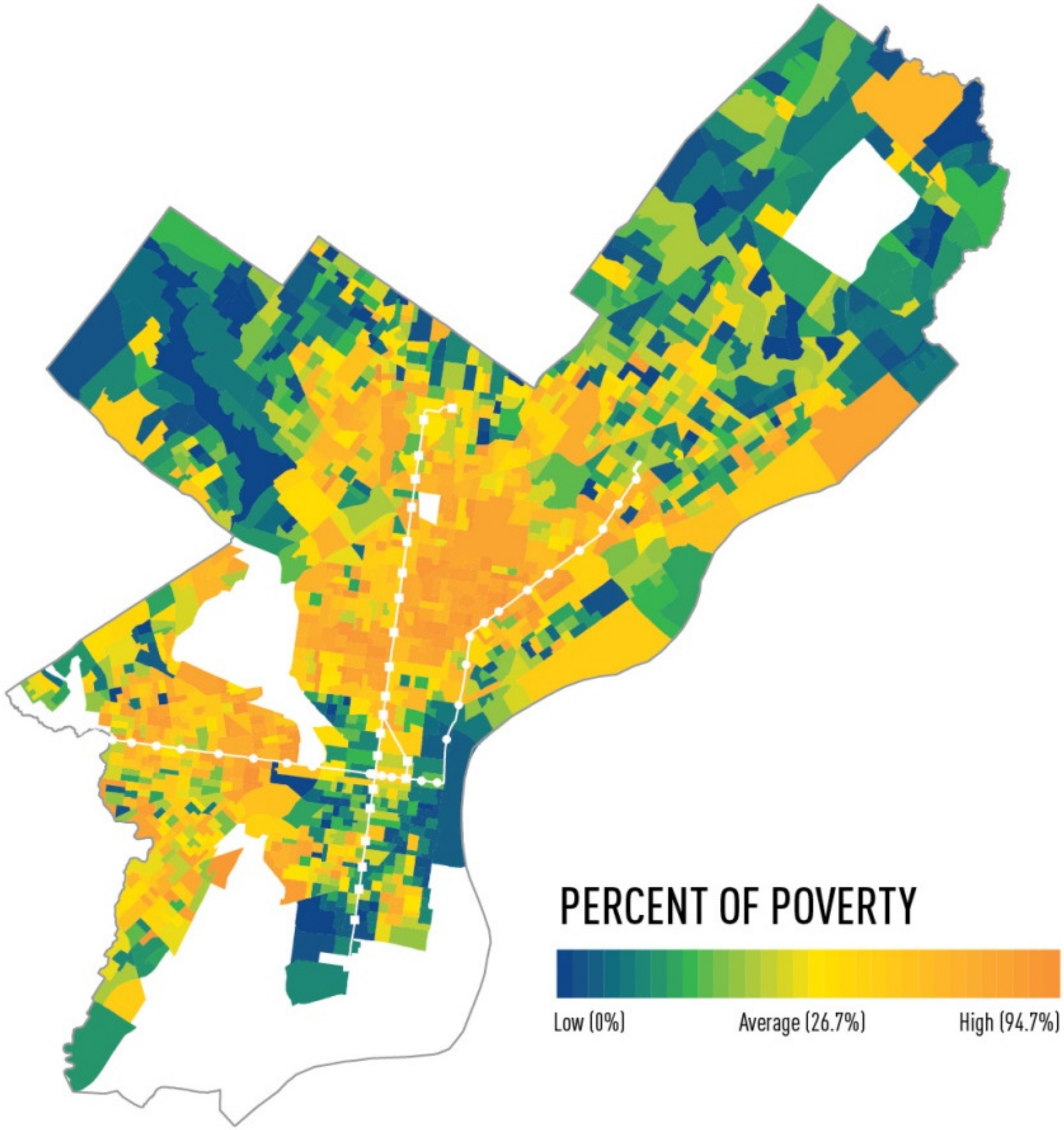
Bad news:
Highest poverty rate of 10 largest cities: 25.7%



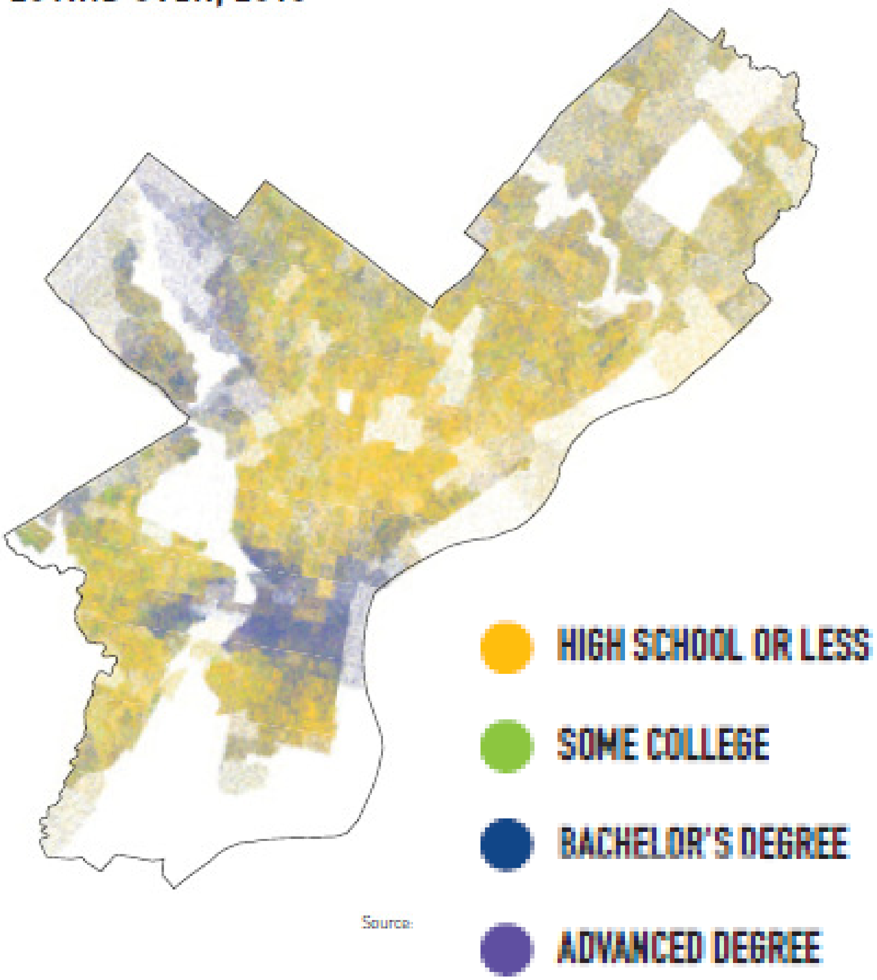
Source: US Census Bureau, 2016 Americ

Huge income disparities in the city: poverty



Disparities in education levels

EDUCATIONAL ATTAINMENT, POPULATION 25 AND OVER, 2016



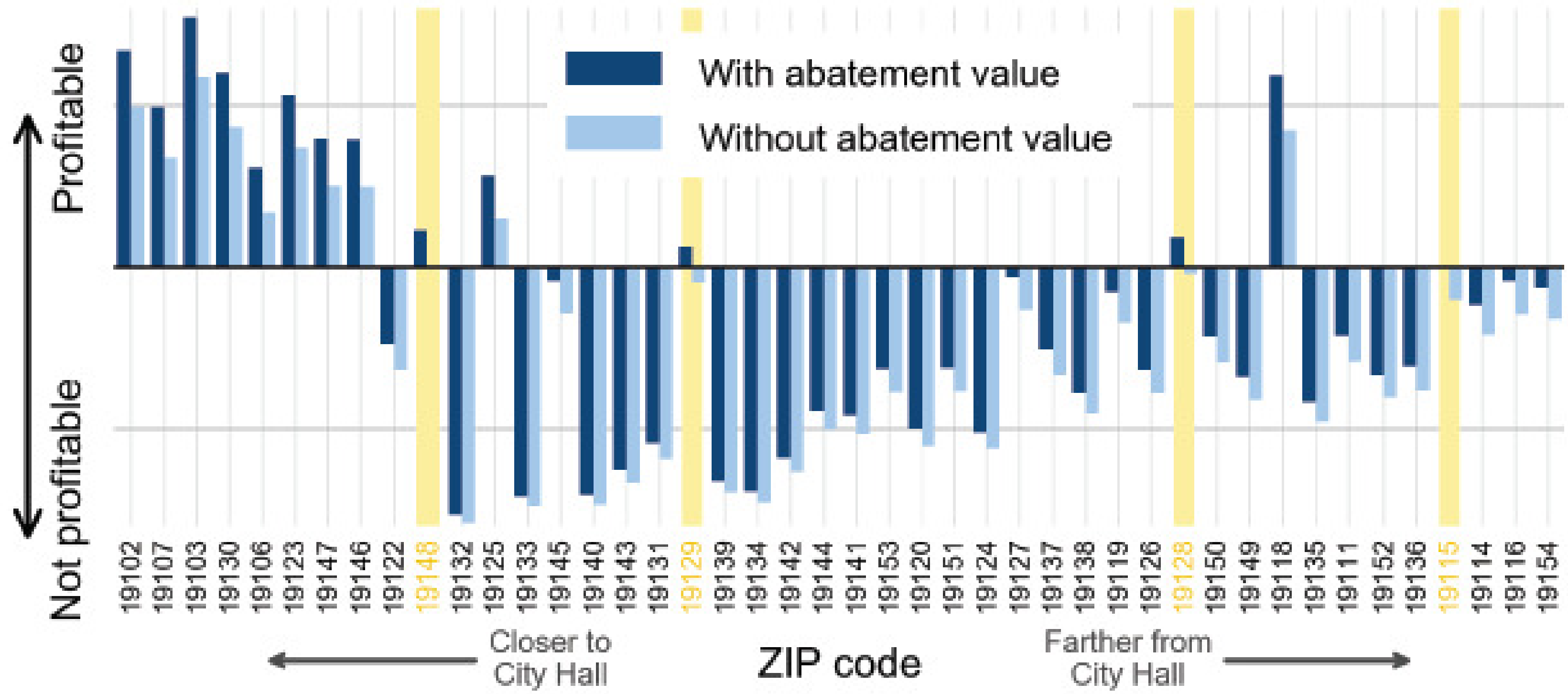
61%

OF GREATER CENTER CITY RESIDENTS HAVE A BACHELOR'S DEGREE OR HIGHER, A POWERFUL ATTRACTOR FOR BUSINESSES SEEKING TALENT, BUT A MARKED CONTRAST WITH SURROUNDING NEIGHBORHOODS

26% Citywide with BA

Many not completing HS

Market realities
Numbers don’t work in 70% of Zip codes in city



Source: home values from Zillow Home Value Index; construction costs from RSMeans; land acquisition costs from OPA data

Abatement makes numbers work in 4 more zip codes
What then is the impact of tapering down abatement?

10,959 units affordable housing in & adjacent to Center City

CENTER CITY REPORTS

HOUSING DEVELOPMENT IN PERSPECTIVE: 2018

CENTERCITYPHILA.ORG

I. GREATER CENTER CITY DEVELOPMENT OVERVIEW

Housing development in Greater Center City has continued at a record setting pace with 2,680 units completed in 2017. Since surging out of recession in 2013, construction has been driven by job growth, demographic trends, and a greater preference nationally for urban living, which has enabled Philadelphia to expand from a 3% share of regional housing permits in the early 1990s to a 25% share from 2010 to 2017 with more than half of those units built downtown.

Since 2000, a total of 23,178 new residential units have been added in Greater Center City (Figure 1). Defined as the area between the two rivers and from Girard Avenue to Tasker Street, Greater Center City now has an estimated population of 190,000, an increase of 21% since the 2000 census.[2] (Figure 2)

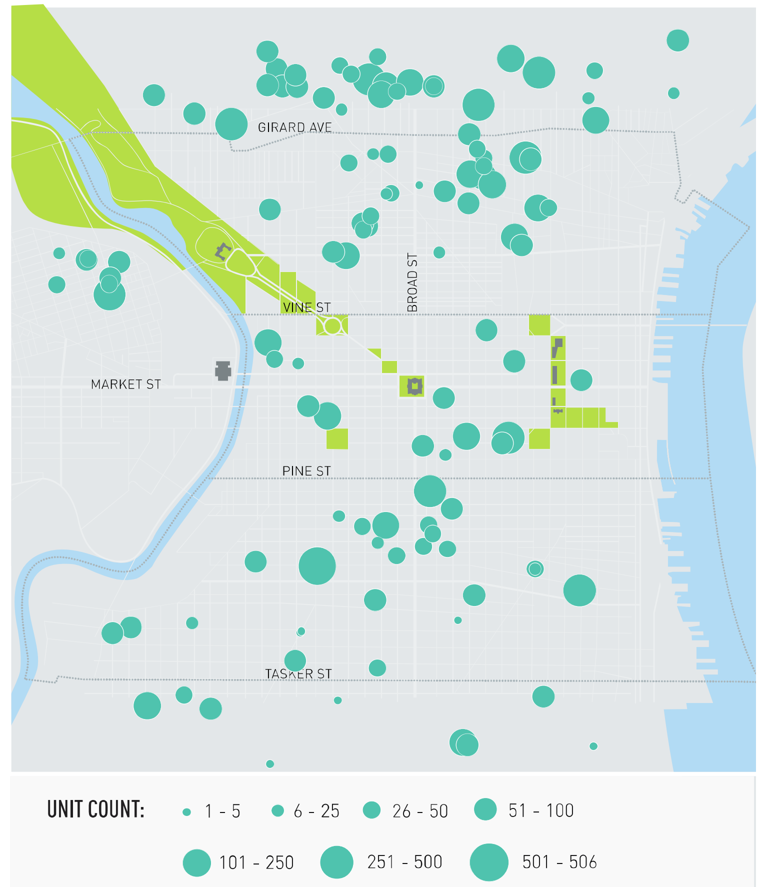
Housing development has remained heavily skewed toward apartments since 2013 with rental accounting for 71% (1,916 units) of all new supply delivered in 2017. While most new apartments in 2016 were concentrated in the core, nearly twice as many apartments were added in the extended neighborhoods as in the core of downtown in 2017 (Figure 4).

Condominium construction, which had been in a lull since 2008, rebounded and accounted for 10% of all new units delivered in 2017, up from only 5% in 2016.

But single-family development has steadily outpaced condo construction, accounting for 19.6% of the new supply (488 units) in 2017 with 95% of the units being added in the extended neighborhoods. While lacking the same visibility provided by high-rise construction cranes, the steady pace of single-family housing construction has produced an average of 420 new units per year since 2013, transforming neighborhoods as parking lots, industrial and warehouse sites have been converted to housing.

SINCE 2000, CENTER CITY HOUSING MARKETS HAVE BEEN TRANSFORMED, DRIVEN BY DEMOGRAPHIC AND EMPLOYMENT TRENDS THAT ARE QUITE POSITIVE, YET MODEST IN SCOPE AND POTENTIAL DURATION

FIGURE 20: AFFORDABLE HOUSING IN AND AROUND GREATER CENTER CITY



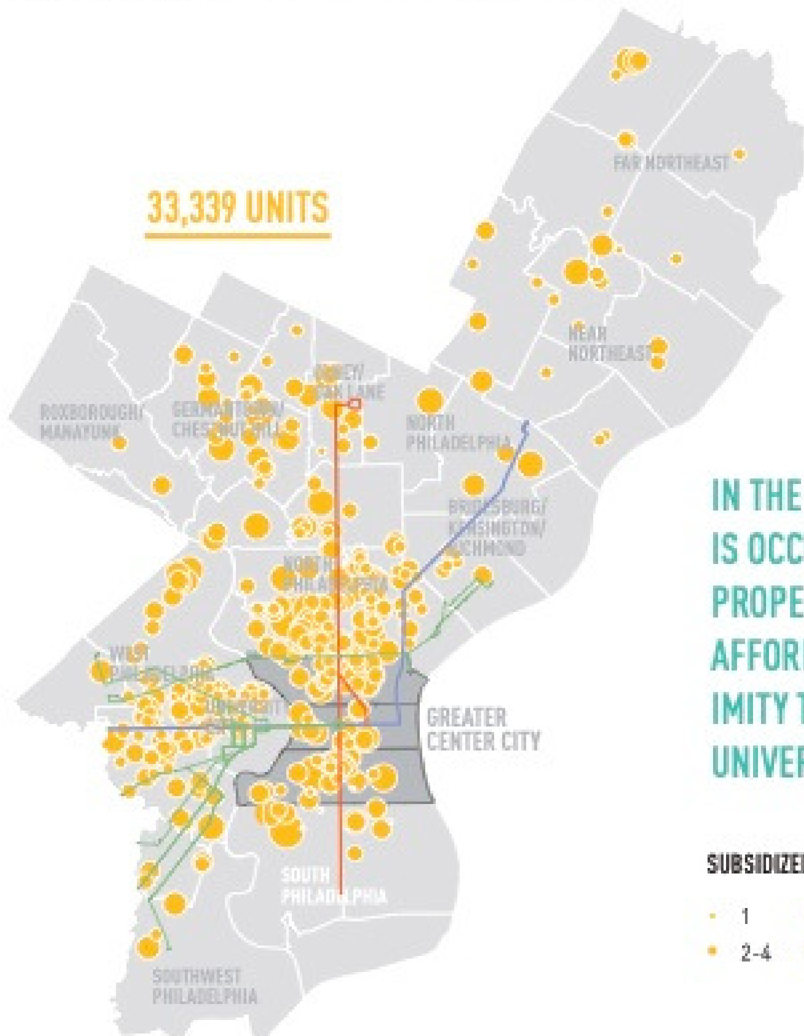
	GCC BOUNDARY	1/4 MILE BUFFER	1/2 MILE BUFFER
Properties	70	88	118
TOTAL UNITS	5,938	7,694	10,704

Source: National Housing Preservation Database

CENTER CITY DISTRICT

Total of 33,339 units citywide
But federal government not funding more units

FIGURE 22: HOUSING WITH ACTIVE SUBSIDIES CITYWIDE



IN THE AREA WHERE NEW INVESTMENT IS OCCURRING, THERE ARE ALSO 119 PROPERTIES WITH 10,959 UNITS OF AFFORDABLE HOUSING IN CLOSE PROXIMITY TO THE JOBS IN CENTER CITY AND UNIVERSITY CITY

SUBSIDIZED AFFORDABLE UNITS

- 1
- 2-4
- 5-25
- 26-50
- 51-100
- 101-200
- 201-500
- More than 500

Source: National Housing Preservation Database

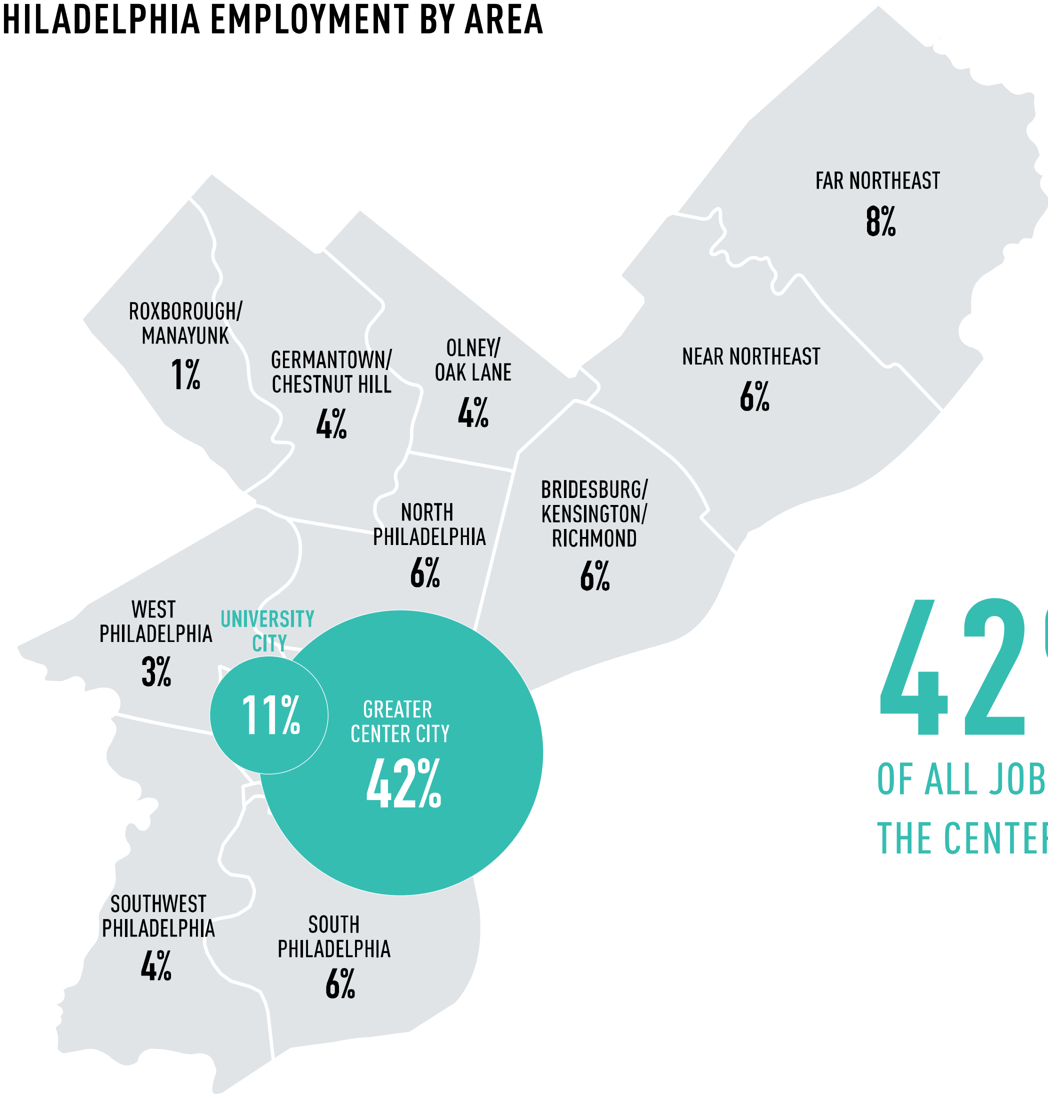
How to position downtown in a time of extreme income disparities & political polarization?

Major effort to end the abatement

CENTER CITY DISTRICT

A place that holds 42% of all jobs in Philadelphia

PHILADELPHIA EMPLOYMENT BY AREA



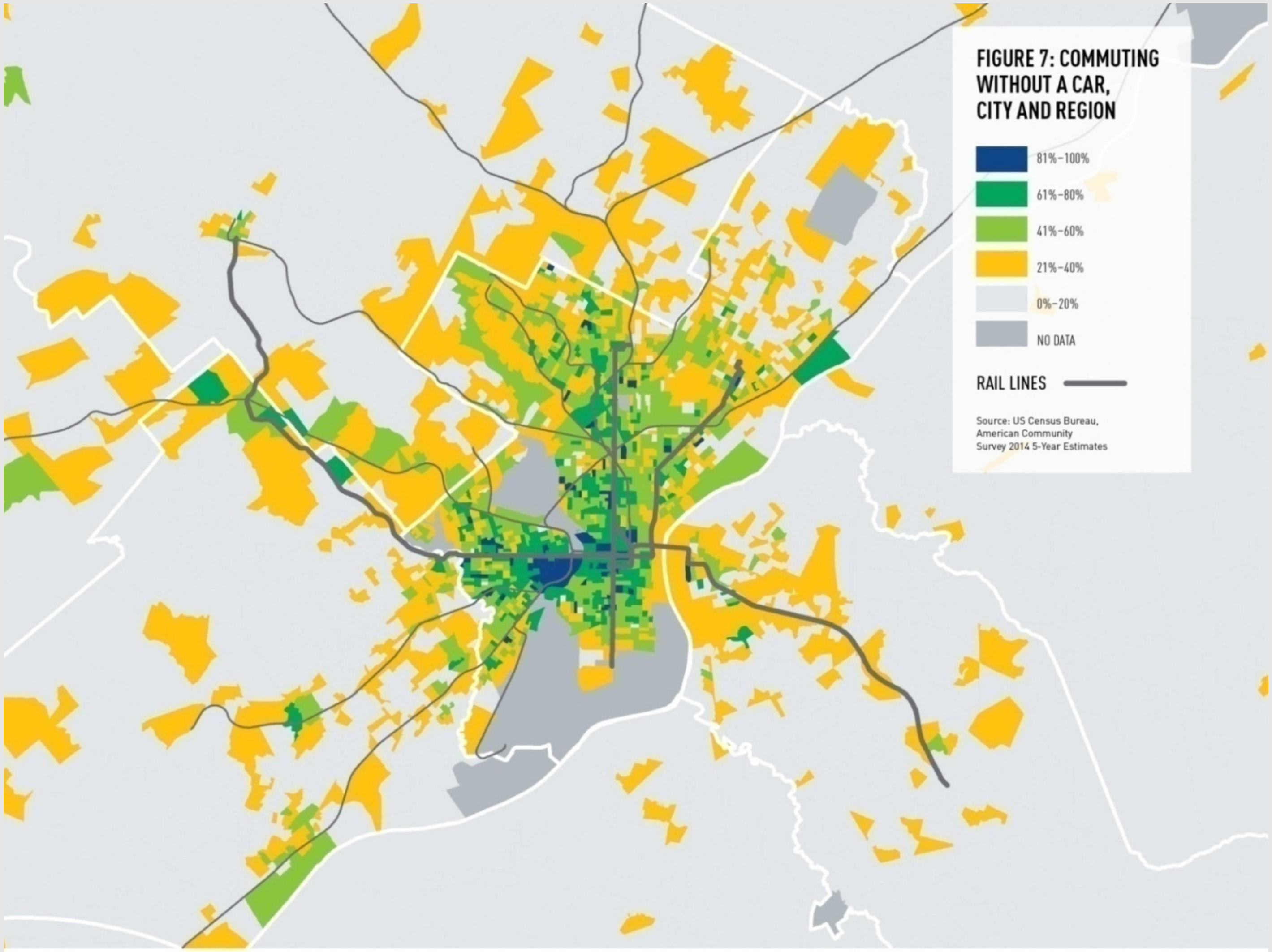
Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2014

42% 

OF ALL JOBS IN PHILADELPHIA ARE LOCATED AT THE CENTER OF THE REGION'S TRANSIT SYSTEM.

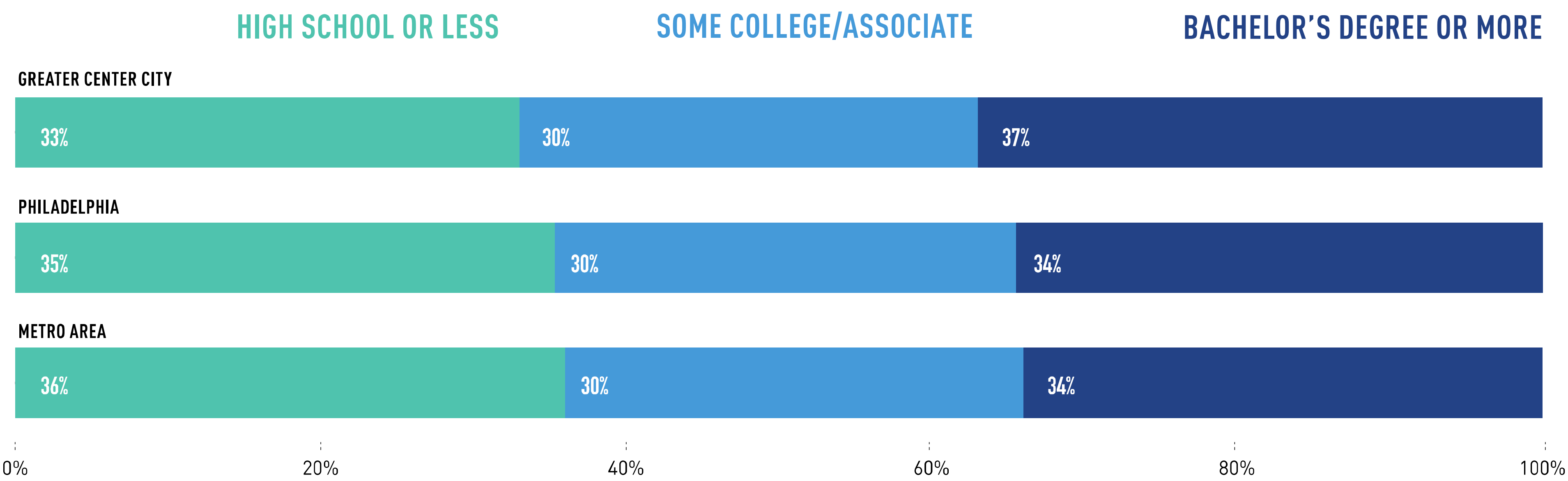
Growth in Center City & University City isn't broad enough to replace all the lost jobs from the manufacturing age
Incomplete revival

These jobs at the center of regional transit system
50% of neighborhood residents
Can commute downtown in 30 minutes or less



63% downtown jobs require less than college degree
33% require only a high school diploma
SEPTA makes them accessible to neighborhood residents

PERCENT OF JOBS BY LEVEL OF EDUCATION, WORKERS 30 AND OLDER



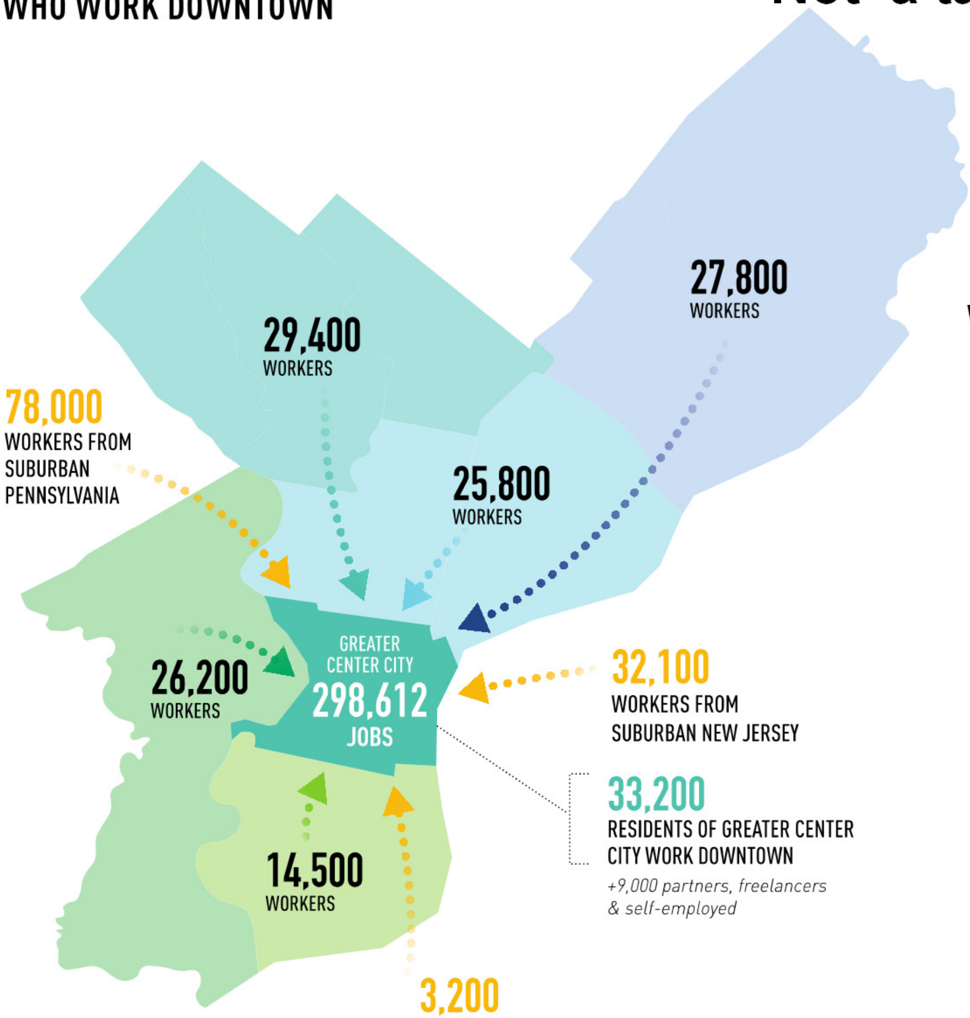
Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2015

25% of residents from every city neighborhood Work downtown; 52.5 % of jobs held by city residents

NUMBER OF NEIGHBORHOOD AND REGIONAL RESIDENTS WHO WORK DOWNTOWN

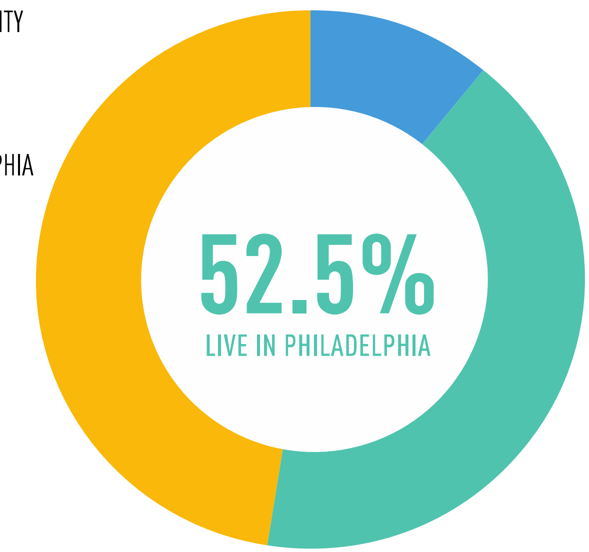
Not a tale of downtown vs. neighborhoods

Downtown as the workplace for neighborhood residents



WHERE DOWNTOWN WORKERS LIVE

11.1%	GREATER CENTER CITY
41.4%	ELSEWHERE IN PHILADELPHIA
47.5%	OUTSIDE PHILADELPHIA



Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2015

Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2015,
Bureau of Labor Statistics, Current Employment Statistics 2017, CCD Estimates

Source: U.S. Census I

CENTER CITY DISTRICT

Instead of killing abatement Mayor & Council Pledge revenues from expiring abatements

CENTER CITY REPORTS

HOUSING DEVELOPMENT IN PERSPECTIVE: 2018

CENTER CITY DISTRICT
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

CENTERCITYPHILA.ORG

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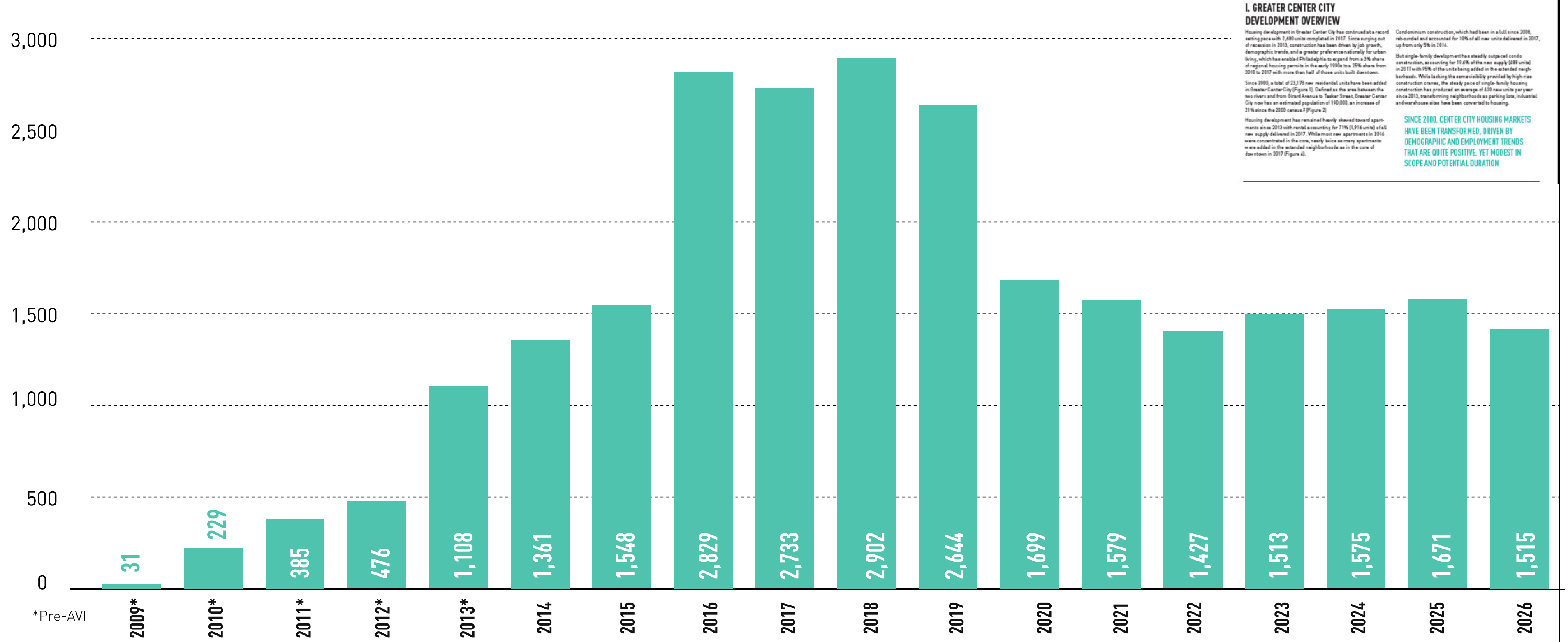
SINCE 2000, CENTER CITY HOUSING MARKETS HAVE BEEN TRANSFORMED, DRIVEN BY DEMOGRAPHIC AND EMPLOYMENT TRENDS THAT ARE QUITE POSITIVE, YET MODEST IN SCOPE AND POTENTIAL DURATION

FIGURE 23: NUMBER OF PROPERTIES COMING OFF ABATEMENT, BY YEAR



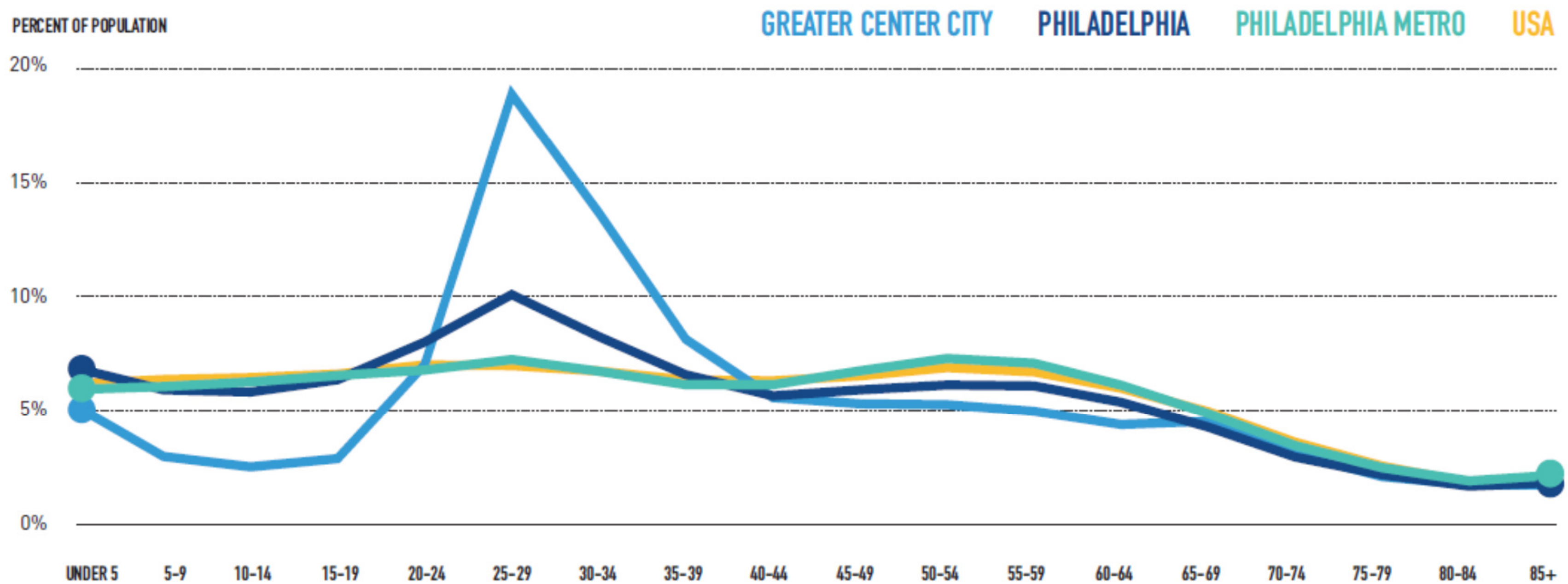
Source: CCD Calculation from Philadelphia Office of Property Assessment Dat

Harness growth: $48 million to school district
$46 million to the City: Number steadily rising
Pledged to affordable housing

Source: CCD Calculation from Philadelphia Office of Property Assessment Data

Important caution flag: Millennials are not forever
There are less 17 year olds than 27 year olds

COMPARATIVE AGE DISTRIBUTION



Source: US Census Bureau, American Community Survey 2013 - 2017

How to Accelerate Residential Growth in the Downtown Core

Paul R. Levy
President & CEO, Center City District
Philadelphia, PA
www.centercityphila.org

IDA
INSPIRED LEADERS SHAPING CITIES