

How the 10-year tax abatement Shaped the last 20 years

Put the abatement in a larger context
Discuss how to respond to current challenges

Paul R. Levy
Center City District
www.centercityphila.org

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Neighborhoods before the 10 year abatement



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Neighborhoods after the 10 year abatement



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Downtown before the 10 year abatement



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Downtown after the 10 year abatement



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The End

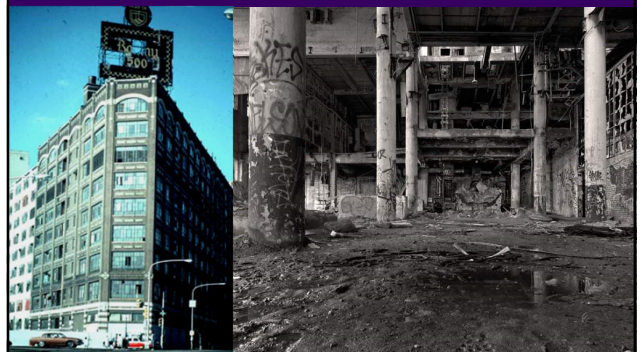


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Obviously, it's more complicated

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Philadelphia's challenges stem from the dramatic loss in manufacturing jobs



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Largest 19th century industrial city in North America
With major industries: Stetson Hat Factory



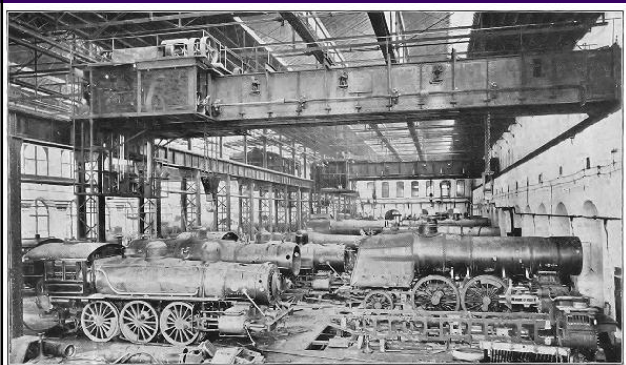
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Atwater Kent Radio



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Baldwin Locomotive
Largest railroad train manufacturer in U.S.



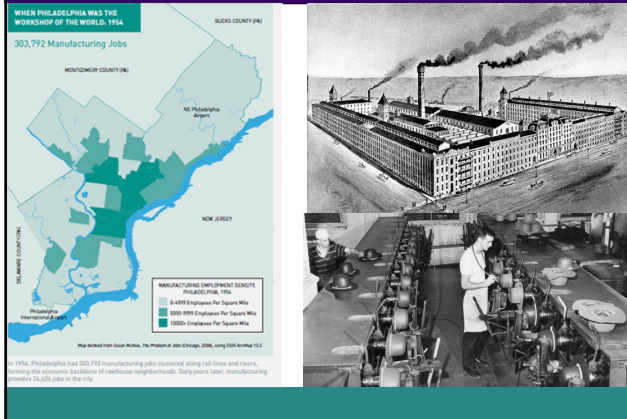
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Many small shops across all older neighborhoods;
1906: 8,000 manufacturing plants
Skilled, semi-skilled & unskilled jobs
Also dangerous, dirty & exhausting



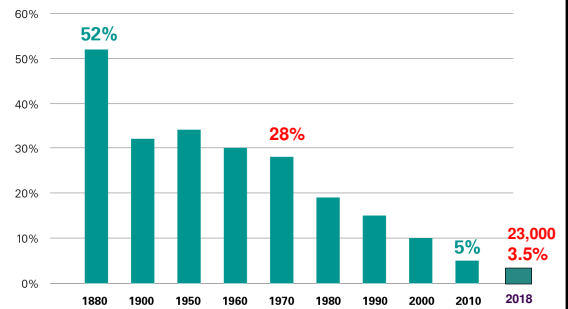
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As late as 1954: 304,000 manufacturing jobs



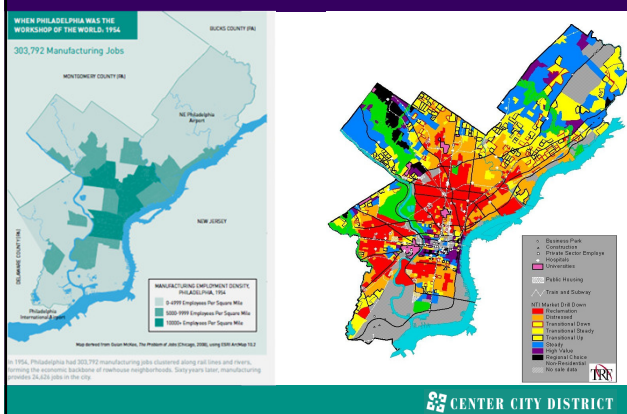
Collapse of the old industrial economy

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



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Old manufacturing areas = **blighted areas** in 2000

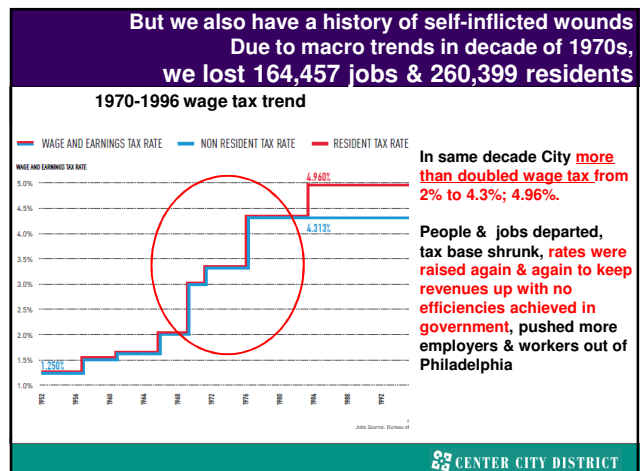
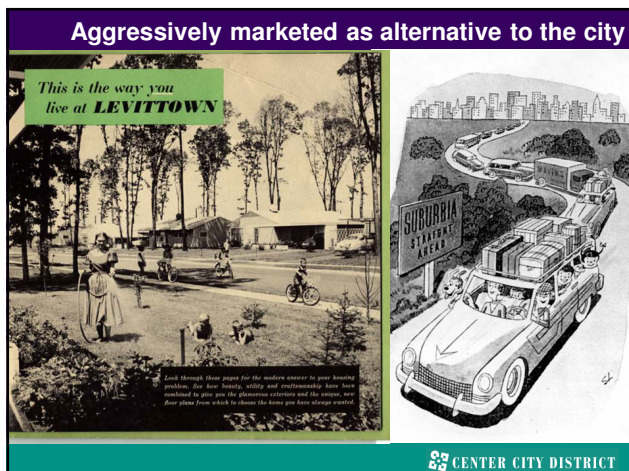
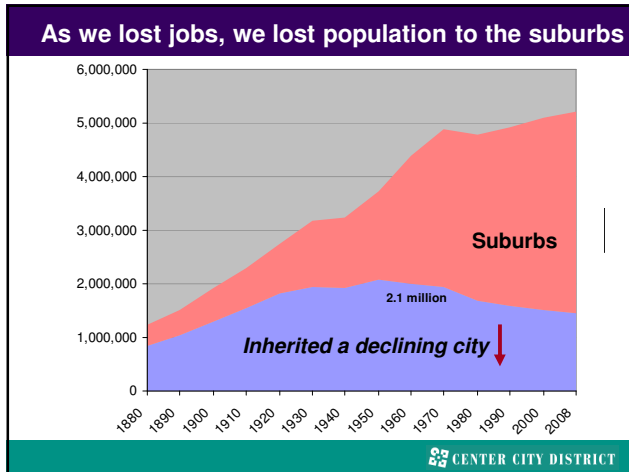


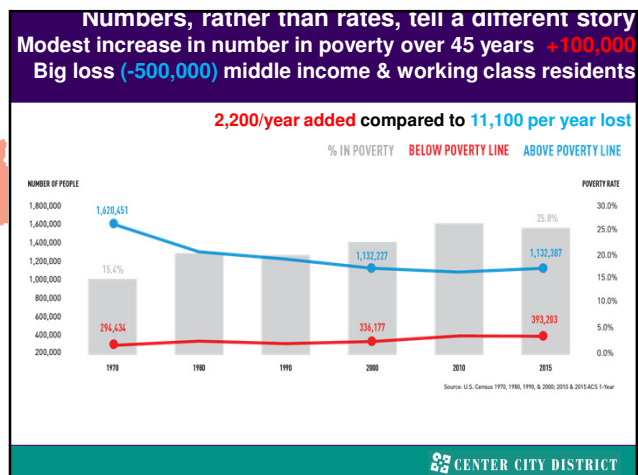
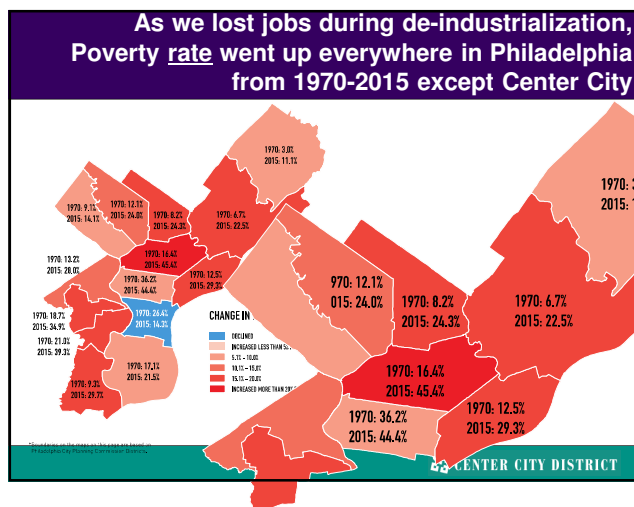
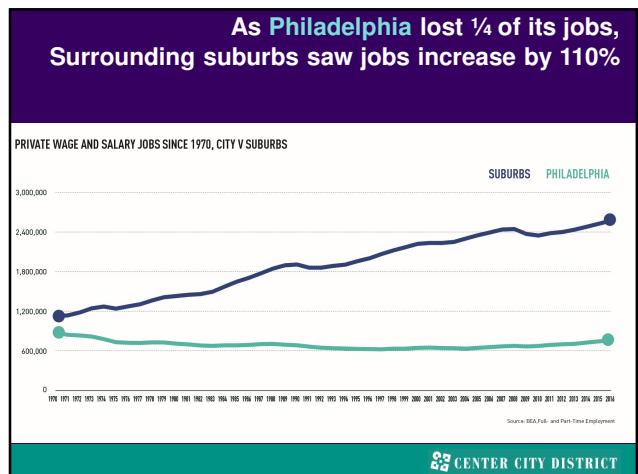
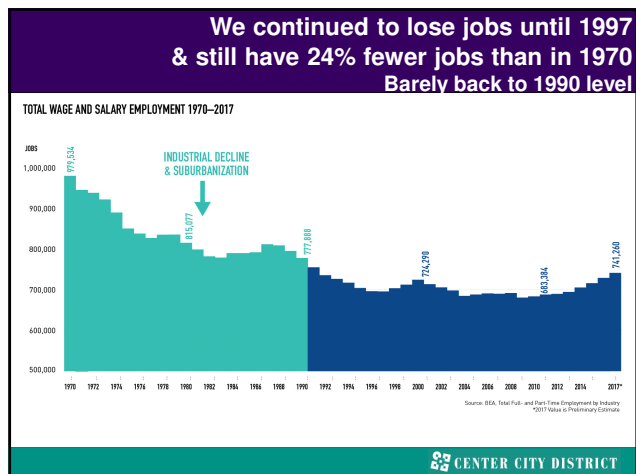
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Job Loss + Redlining + Suburbanization = housing abandonment



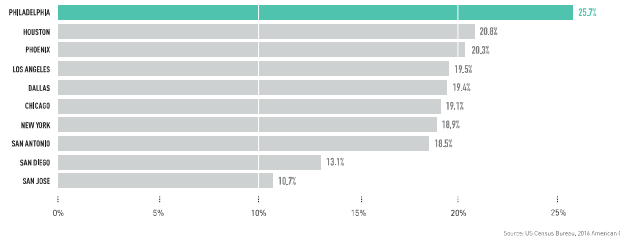
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Philadelphia's high poverty rate results in part from losing 5 times as many middle & working class residents as new poor people were added

POVERTY RATES AMONG THE TOP 10 LARGEST US CITIES



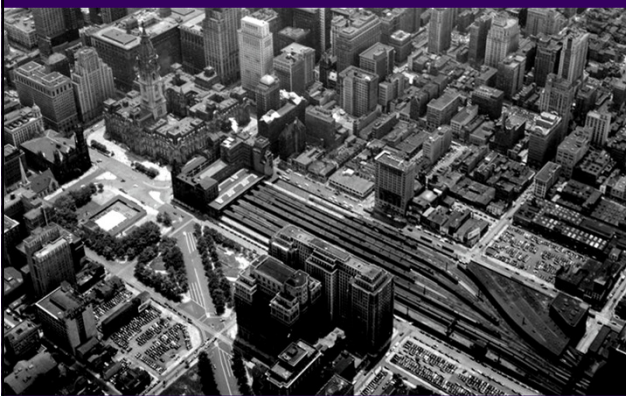
 **CENTER CITY DISTRICT**

In 1950s we began to build new, post-industrial city



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1953: demolition of elevated Pennsylvania RR tracks



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Made way for Penn Center office district



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A new employment base connected to transit



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1956: began renovated historical homes



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Philadelphia has a long tradition of downtown living



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Similar process of renewal in University City

View across Walnut St bridge, 1920s



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Transformed into major medical & education center



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Renewal facilitated growth of research & health care



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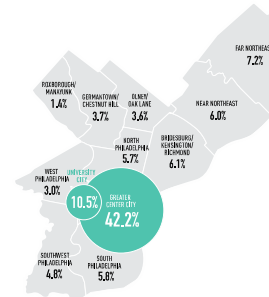
Global center for education



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Center City (42.2%) + University City (10.5%) 8% of land-area = 53% of all jobs in Philadelphia

PHILADELPHIA EMPLOYMENT BY AREA



Source: U.S. Bureau of Economic Analysis, Philadelphia Regional Office, 2015



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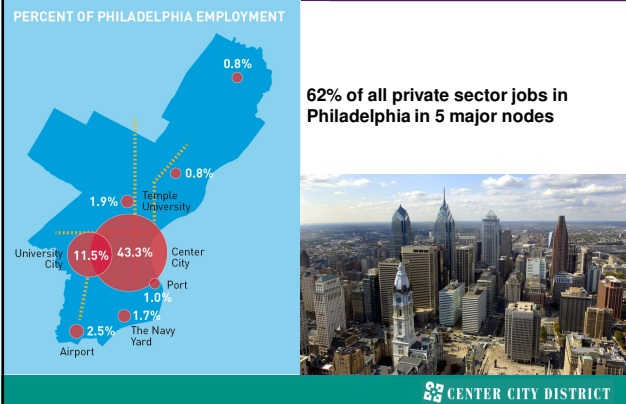
Temple University: educational & medical campuses



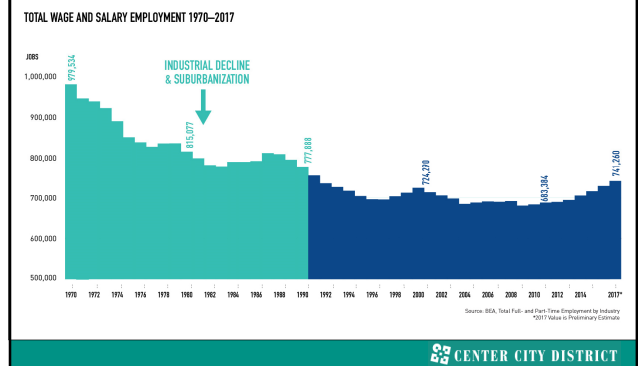
The emerging employment center at the Navy Yard



All the city's major employment centers are result Of major strategic investments



But those job centers not large enough to stem continuing decline until last two decades What else happened?



1990: A degraded public environment
Due to declining federal resources for cities



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Substantial ground & upper floor vacancy



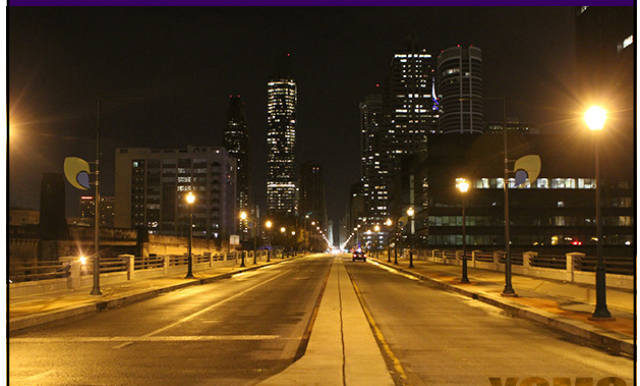
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Neglected facades, solid security gates



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9 to 5 downtown; empty streets at night



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Step 1 1991: CCD was about business self-help
Focus on the basics – comprehensive cleaning



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Public safety
Community Service Representatives
In partnership with police

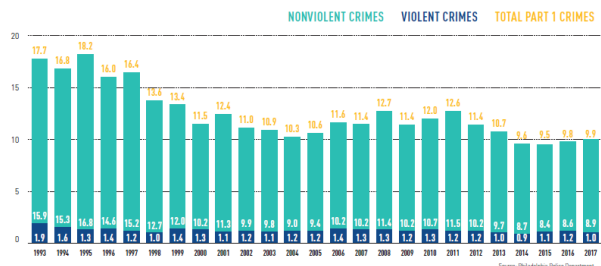


- 42 CSR's
- 6 Supervisors
- 7 days per week

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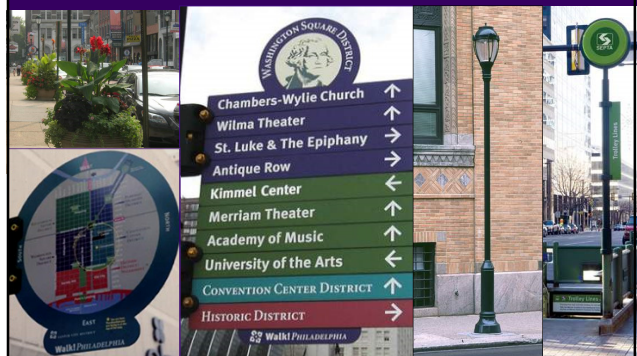
Long-term drop in crime
Since 1995 serious crimes cut in half
declined from 18.2 to 9.9/day

PART 1 CRIMES PER DAY IN THE CENTER CITY DISTRICT, 1993-2017



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1996: Expanded into streetscape improvements



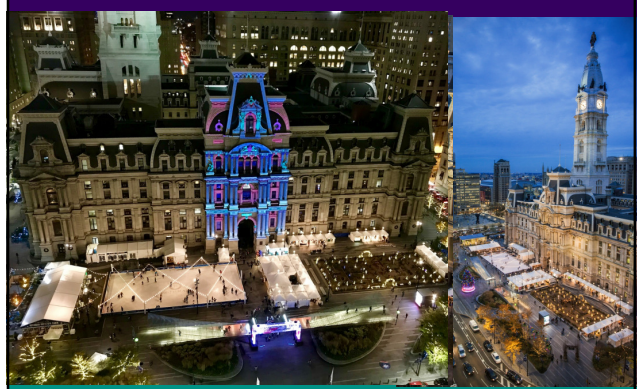
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2004: Began park improvements



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Culminating with Dilworth Park



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June 14th opened the new Rail Park



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1992: we were a 9 to 5 downtown
South Broad office district: 40% vacant



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**Step 2: Rendell Administration: Avenue of the Arts:
Diversifying downtown land-use**



Renovated historic theaters



Built new theaters



**2002: Kimmel Center for the Performing Arts
4,000 seats added**



South Broad transformed into a mixed use district



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Step 3: Public investment: hospitality
Pennsylvania Convention Center: 1993



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Converted the Reading train shed



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Gateway to Pennsylvania Convention Center



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Connected new state-of-the-art facility



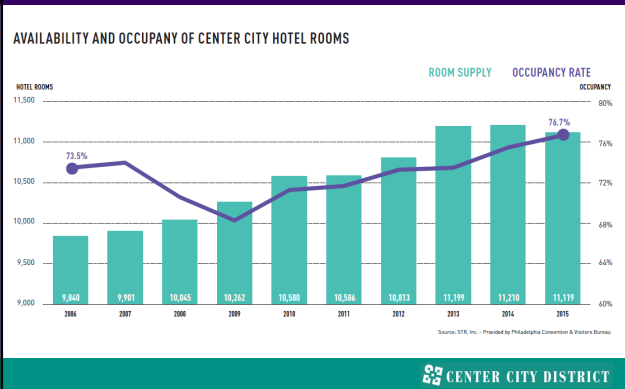
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Prompted private investment in new hotels: reused vacant buildings



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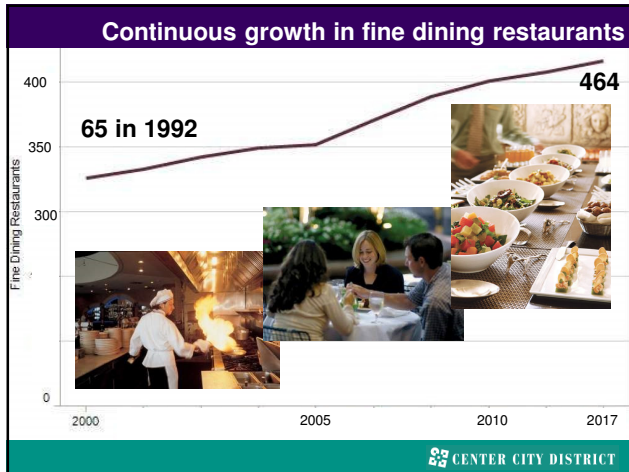
Hotel room supply more than doubled: 11,119 occupancy rates rebounded from recession



We have added many new reasons for people to come to Center City



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Can't resist one commercial Restaurant Week

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RESTAURANT WEEK

alcohol & gratuity not included. Lunch or dinner only.

EFFEN VODKA **JIM BEAM BLACK**

SEPTEMBER 23 - OCTOBER 5
 — 5 COURSES | \$20 LUNCH | \$35 DINNER —
 #CCDRW | @PHILARESTWEEK

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Step 4: 10-year abatement happened in a context of multiple other improvements

1996: 4.5 million sf. Vacant Class "C" office space

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

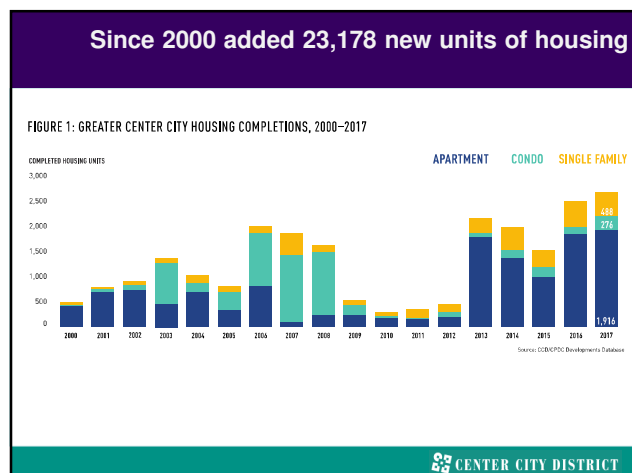
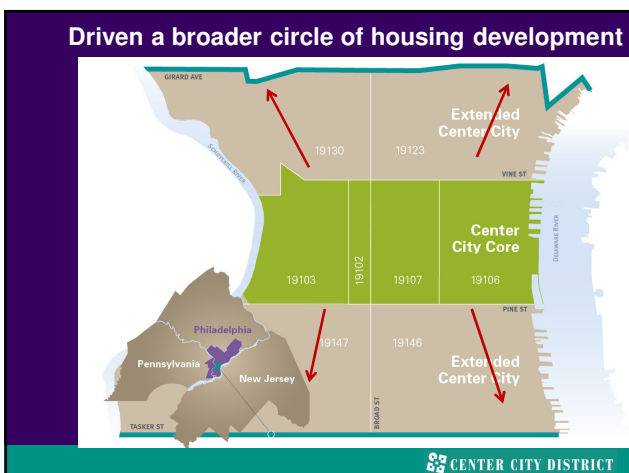
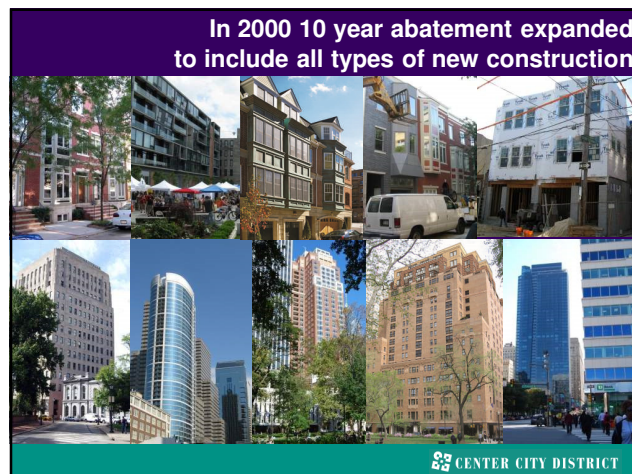
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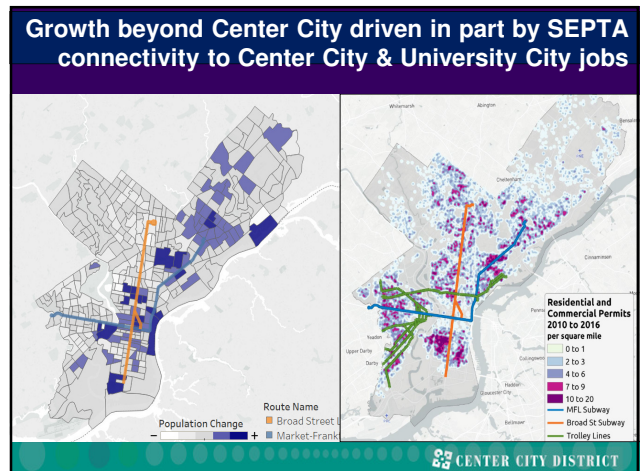
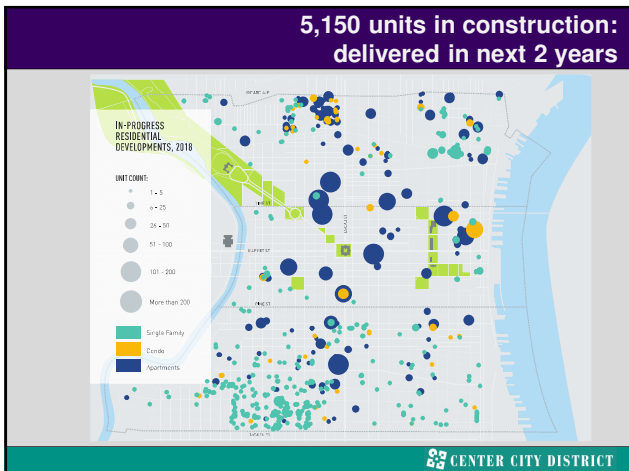
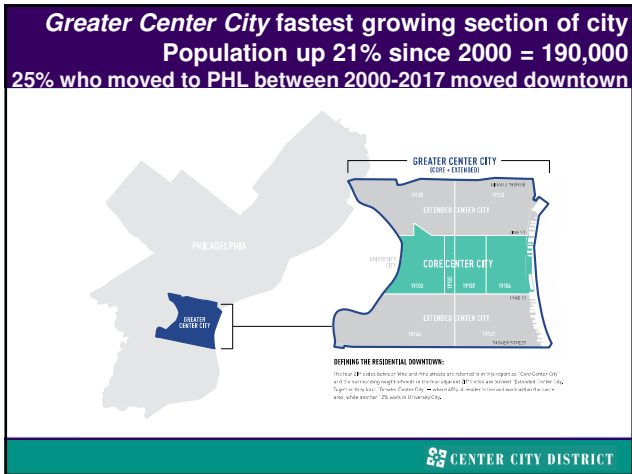
10 year residential tax abatement

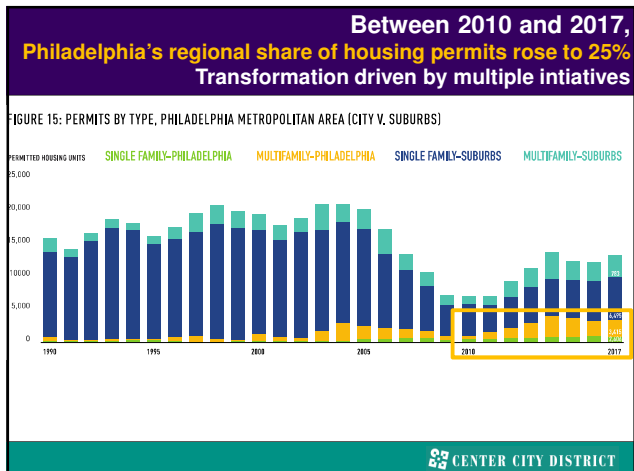
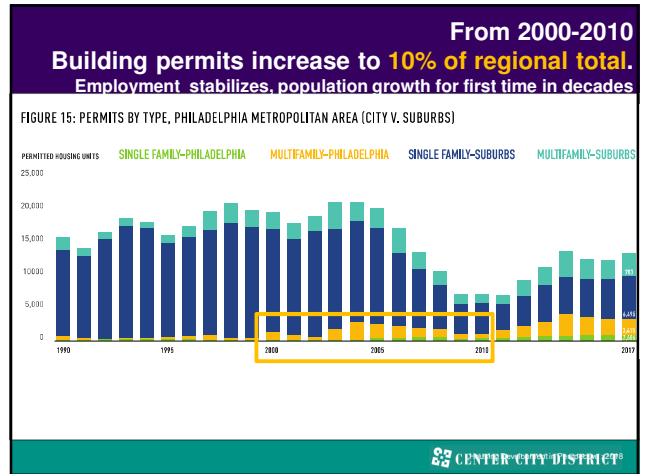
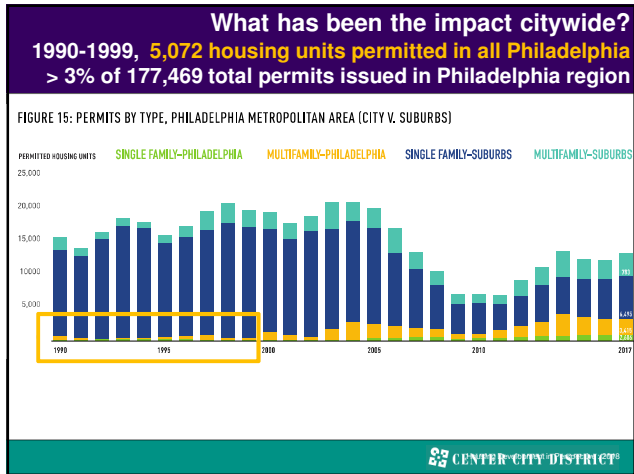
Approved 1997

- 10 year abatement on improvements
- Sponsored by Councilman DiCicco
- Available city wide

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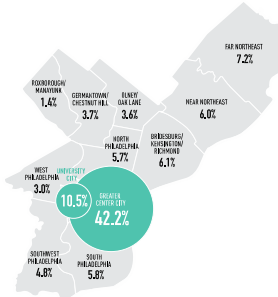






Center City (42.2%) + University City (10.5%)
8% of land-area = 53% of all jobs in Philadelphia

PHILADELPHIA EMPLOYMENT BY AREA



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Despite the focus on condos & apartments
in residential downtown



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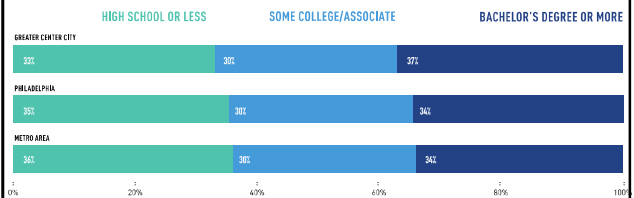
90% of developed land downtown occupied by
offices, hospitals, hotels, colleges & retail shops
Business downtown = 307,000 jobs



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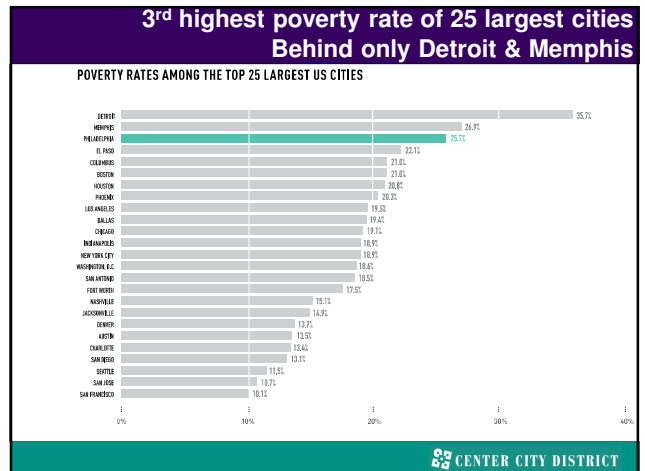
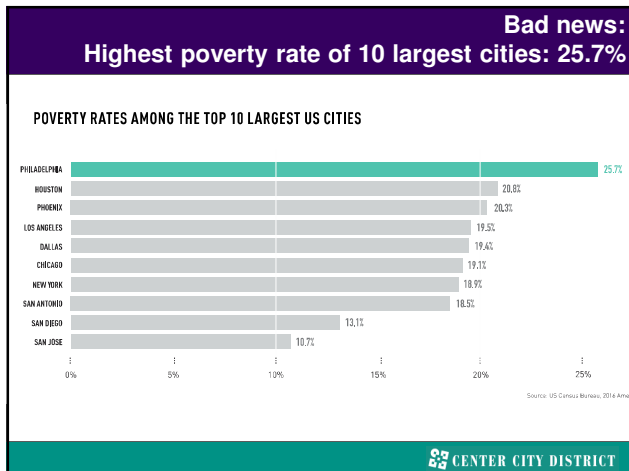
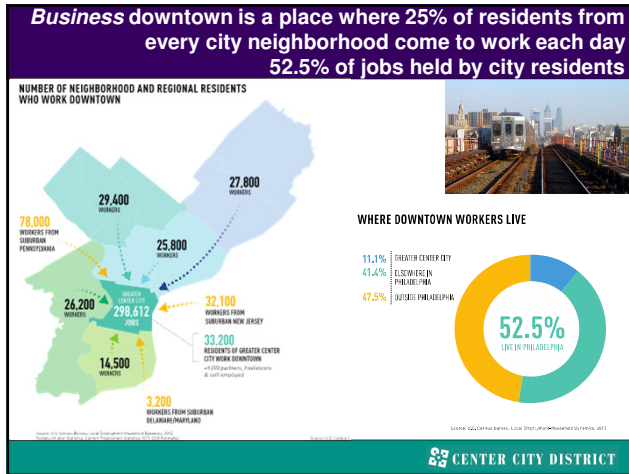
63% jobs in these buildings require less than college degree
33% require only a high school diploma
SEPTA makes them accessible to neighborhood residents

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

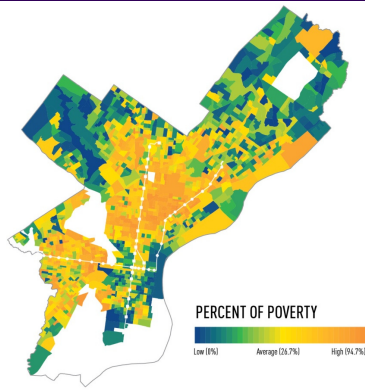


Source: U.S. Census Bureau, Local Employment Statistics, 2013

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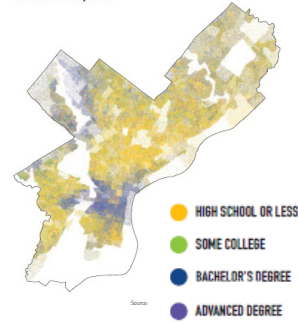
Creates huge disparities in the city: poverty



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Disparities in education levels

EDUCATIONAL ATTAINMENT, POPULATION 25 AND OVER, 2016



61%

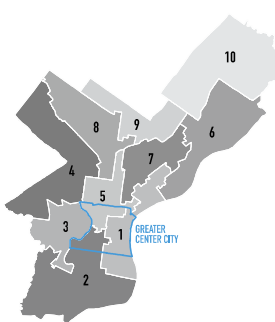
OF GREATER CENTER CITY RESIDENTS HAVE A BACHELOR'S DEGREE OR HIGHER, A POWERFUL ATTRACTOR FOR BUSINESSES SEEKING TALENT, BUT A MARKED CONTRAST WITH SURROUNDING NEIGHBORHOODS

26% Citywide with BA

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Shapes the politics of the city The needs in our neighborhoods are great

FIGURE 3: POVERTY BY COUNCIL DISTRICT



COUNCIL DISTRICT	POVERTY RATE	DEEP POVERTY RATE
1st District	22%	10%
Outside Greater Center City	25%	11%
Inside Greater Center City	16%	8%
2nd District	23%	9%
Outside Greater Center City	27%	10%
Inside Greater Center City	13%	7%
3rd District	35%	21%
4th District	23%	13%
5th District	36%	18%
Outside Greater Center City	44%	22%
Inside Greater Center City	17%	9%
6th District	18%	8%
7th District	43%	19%
8th District	29%	12%
9th District	22%	9%
10th District	12%	6%

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Challenges in these Districts: Deteriorated housing, Playgrounds in need of substantial reinvestment



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109,361 renter households making less than \$35,000/year paying a disproportionate share of income on housing costs

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	127,447	87%	49,276	74%	78,171	88%
\$20,000 to \$34,999	96,017	65%	44,962	47%	51,055	82%
\$35,000 to \$49,999	70,587	38%	34,525	29%	36,062	68%
\$50,000 to \$74,999	49,040	17%	22,431	10%	26,609	15%
\$75,000 or more	157,581	4%	107,585	4%	49,996	3%

*Does not include another 27,677 households who report no income at all.

Source: US Census Bureau, American Community Survey 5 Year Estimates



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Opioid addiction & encampments in neighborhoods



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These issues dominate discussion in City Hall

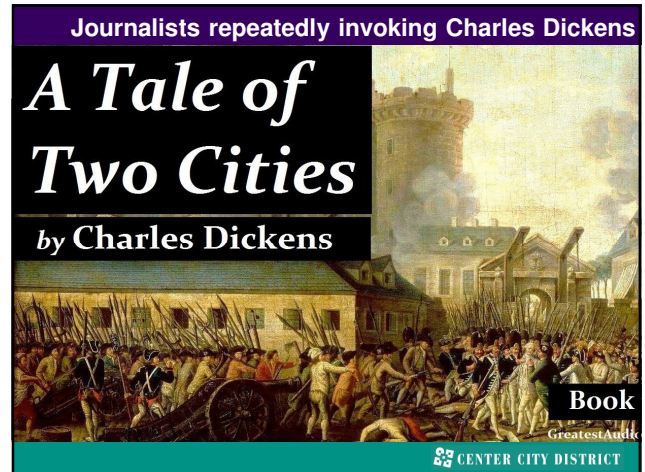
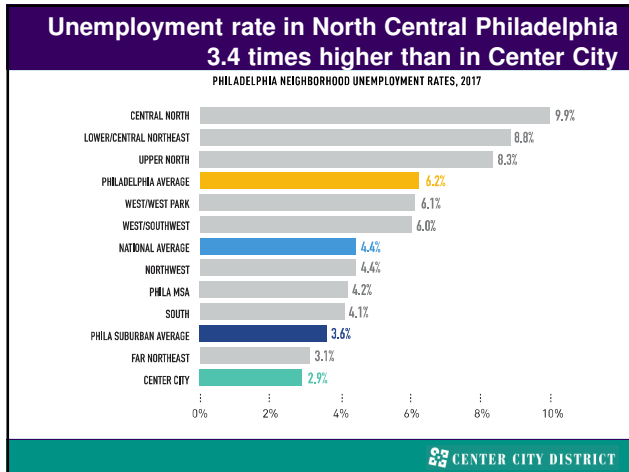


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They look out the windows & see luxury condos in Center City



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Republican right is in control nationally Across the country, this has led to city legislation that seeks to carry out redistribution at the local level

An Analysis of Tax Abatements in Philadelphia

Office of the Controller, City of Philadelphia
April 20, 2018

City of Philadelphia
The Official Government Website
Philadelphia, PA 19107

BILL NO. 180371
Introduced April 12, 2018

Councilmember Squitosa, Council President Charles Castiglione, Councilmembers Gutierrez Sanchez, Blackwell, Greenlee, Evans, Reynolds Brown and Jones

Referred to the
Committee on Finance

AN ORDINANCE

Providing for a present to the City upon the construction of certain red areas, and directing Council to appropriate monies from such projects to the Department of Planning and Development - Division of Planning and Community Development, in order to support economic development and employment, including education, training, including skills for sale or lease, and to providing resources to Philadelphia who seek to become entrepreneurs, or other similar ways and means.

THE COUNCIL OF THE CITY OF PHILADELPHIA DEBATES:

SECTION 1. Title 19 of the Philadelphia Code is hereby amended to read as follows:

TITLE 19. FINANCE, TAXES AND COLLECTIONS.

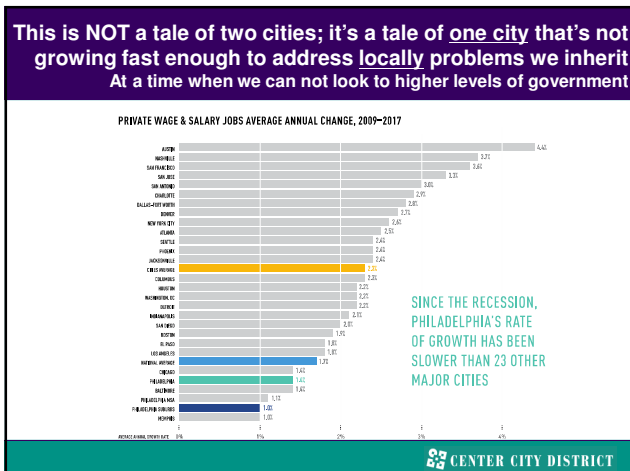
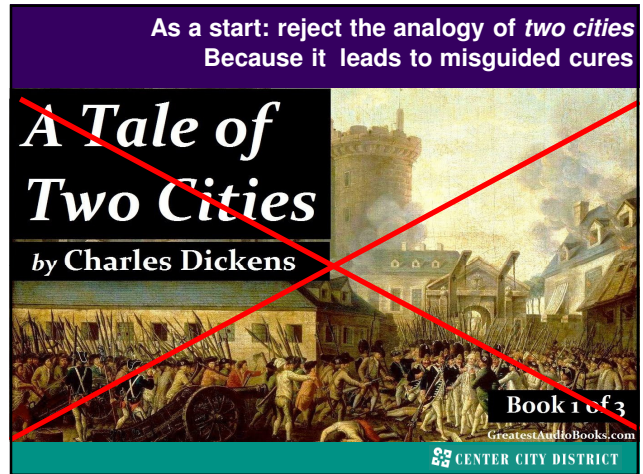
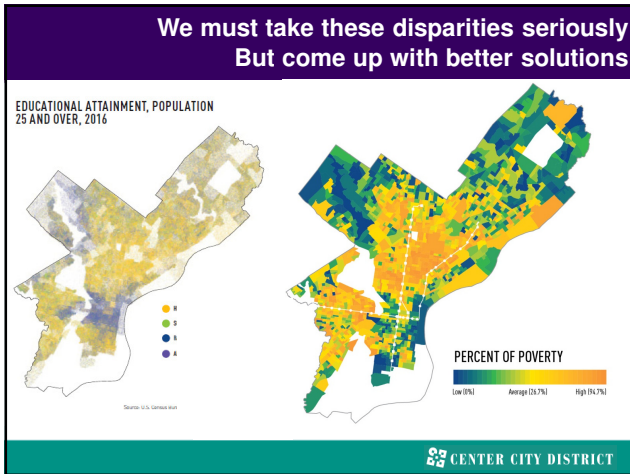
CHAPTER 19-400. Construction Impact Tax.

§ 19-400.1. Department of Finance.

(1) There is hereby imposed a tax on the privilege of constructing any structure for business purposes, including any residential, commercial or industrial structure, or making any improvements to any such structure, for which a building permit is required pursuant to § 19-400.2.

As the purpose of this Chapter (19-400) "improvements" shall mean any repairs, construction, or reconstruction, including additions and alterations, which

City of Philadelphia



Since 2009, Philadelphia has been growing at only 1.4%/year

PRIVATE WAGE & SALARY JOBS AVERAGE ANNUAL CHANGE, 2009-2017

City/Region	Average Annual Change (%)
HOUSTON	3.62
MINNEAPOLIS	3.31
SAN FRANCISCO	3.01
DALLAS	2.95
CHICAGO	2.91
NEW YORK CITY	2.81
ATLANTA	2.65
PHOENIX	2.65
LOS ANGELES	2.65
PORTLAND, ME	2.65
COLUMBUS	2.65
HOUSTON	2.65
MINNEAPOLIS, MN	2.65
SEATTLE	2.65
PORTLAND, OR	2.65
DENVER	2.65
HOUSTON	2.65
ATLANTA	2.65
PHILADELPHIA	1.40
PHILADELPHIA METRO AREA	1.31
PHILADELPHIA	1.01
PHOENIX	1.01
National Economy	1.70
26 Largest Cities	2.30

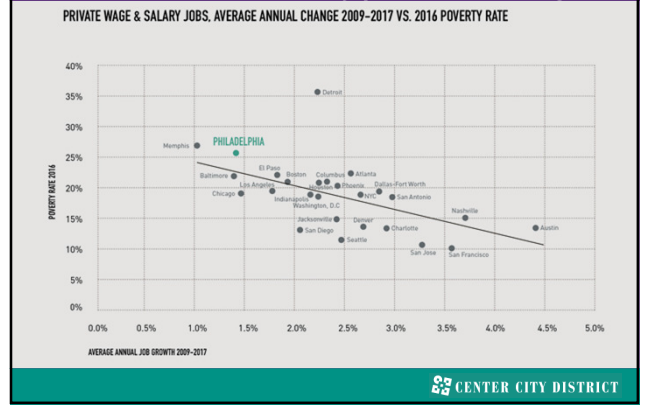
26 largest cities +2.3% /yr

National economy +1.7% /year

Philadelphia 1.4%/year

Source: Bureau of Economic Analysis, BEA, Bureau of Labor Statistics, BLS

CCDC CENTER CITY DISTRICT



What San Francisco can support with 3.6% growth rate Is very different from what PHL's 1.4% rate can support One size does not fit all: Create market sensitive alternatives


PRIVATE WAGE & SALARY JOBS AVERAGE ANNUAL CHANGE, 2009-2017

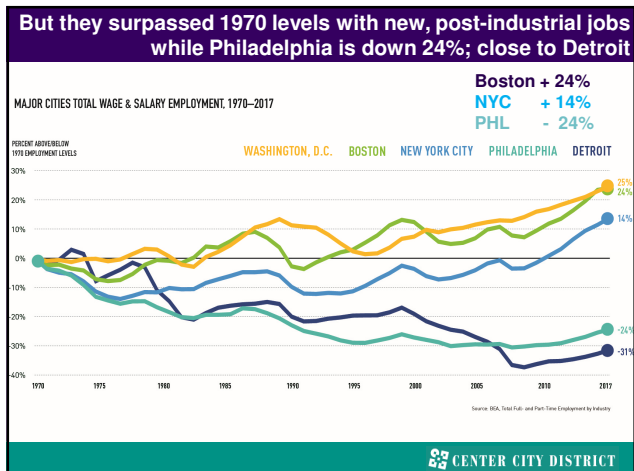
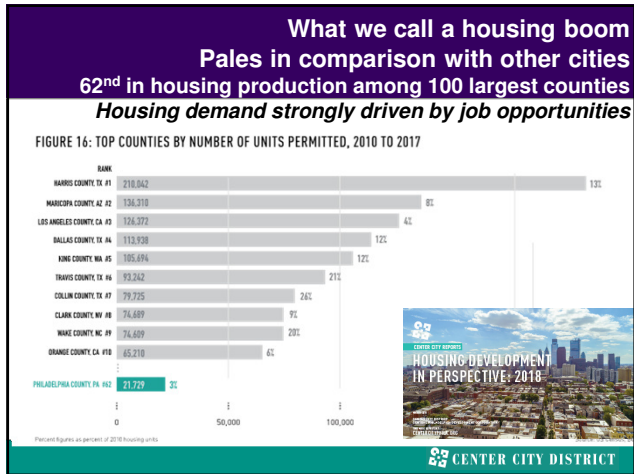
City	Annual Change (%)
San Francisco	3.6%
New York City	3.2%
San Jose	3.1%
San Antonio	3.0%
Chicago, IL	2.9%
Washington, DC	2.8%
Denver, CO	2.7%
Los Angeles, CA	2.6%
Phoenix, AZ	2.5%
Portland, OR	2.4%
Seattle, WA	2.3%
San Diego, CA	2.2%
Philadelphia, PA	1.4%
Minneapolis, MN	1.3%
San Francisco (2009-2010)	1.2%
San Francisco (2010-2011)	1.1%
San Francisco (2011-2012)	1.0%
San Francisco (2012-2013)	0.9%
San Francisco (2013-2014)	0.8%
San Francisco (2014-2015)	0.7%
San Francisco (2015-2016)	0.6%
San Francisco (2016-2017)	0.5%

Philadelphia 1.4%/year

The question isn't do we still need the abatement?
The question why are we growing so slowly?
& what can we do about it?

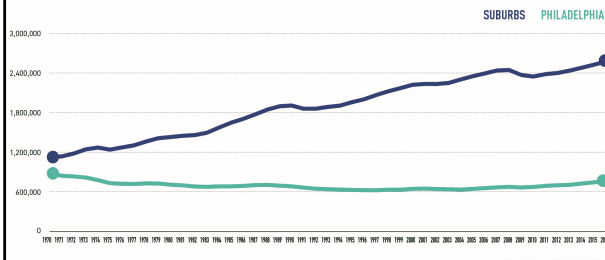


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As Philadelphia lost 1/4 of its jobs, Surrounding suburbs saw jobs increase by 110%

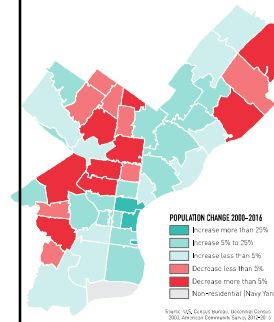
PRIVATE WAGE AND SALARY JOBS SINCE 1970, CITY V SUBURBS



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Many portions North, West & Northeast Philadelphia are still following old patterns of population loss

FIGURE 19: PHILADELPHIA POPULATION CHANGE, 2000-2016



Despite success downtown, since 2010, **62,000 more residents of city neighborhoods left for homes in suburbs than moved in.**

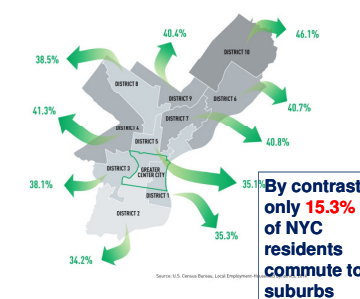
In both black & white neighborhoods outside downtown higher income people are moving out of the city at faster rate than they are moving in

Local births, downtown & immigration kept us population positive

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People follow jobs: Outside Center City 211,000 Phila residents (40% of workforce) Reverse commute to suburbs each day

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



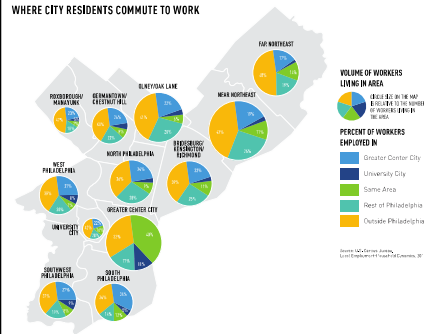
By contrast only **15.3%** of NYC residents commute to suburbs



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Earlier highlighted the 25% who work downtown Focus now on 40%+ reverse commuting to suburbs

WHERE CITY RESIDENTS COMMUTE TO WORK



Philadelphia's wage tax is structured so that regardless of where a city resident works, their employer is obligated to withhold the full city wage tax.

Thus, the commute to the suburbs carries with it an incentive to move to the suburbs.

3% raise

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2003 & 2009 tax commissions both concluded:
Local tax policy is a major contributor to slow growth
If you over-tax what can move (wages & business revenues),



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Pew report on business taxes

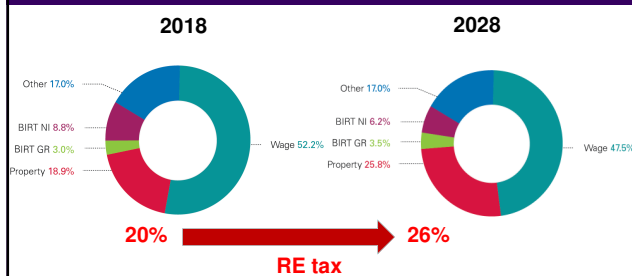


Among highest of all large cities

Only large city to tax both gross revenues & net income

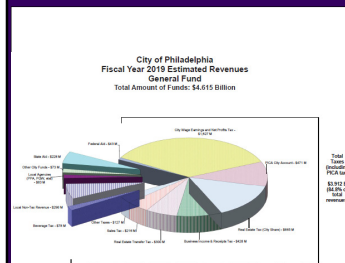
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Both 2003 & 2009 Tax Commissions:
shift burden from taxing what moves (wages & business revenues)
to taxing what is fixed & stable: *land & improvements*



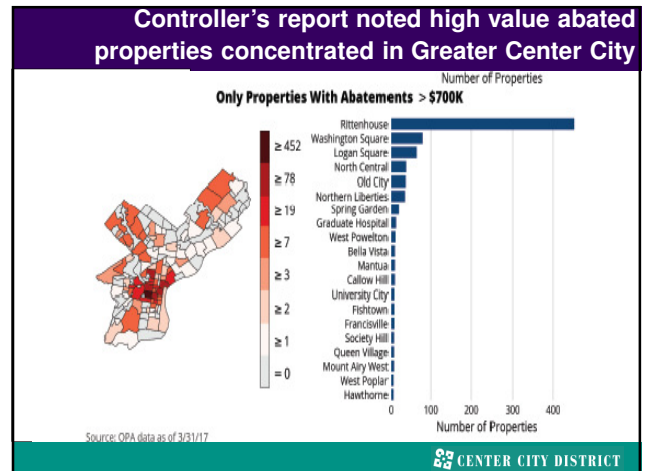
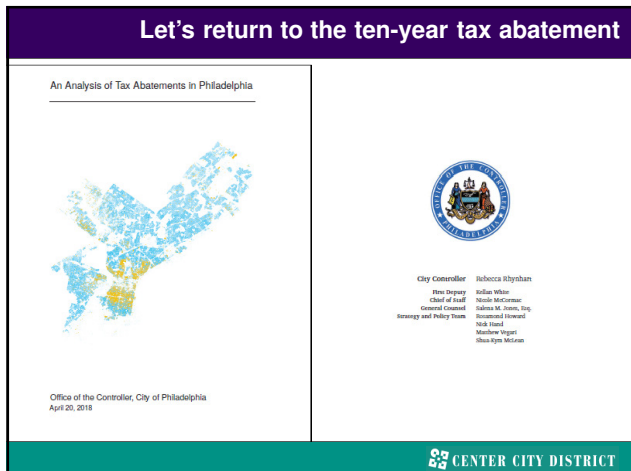
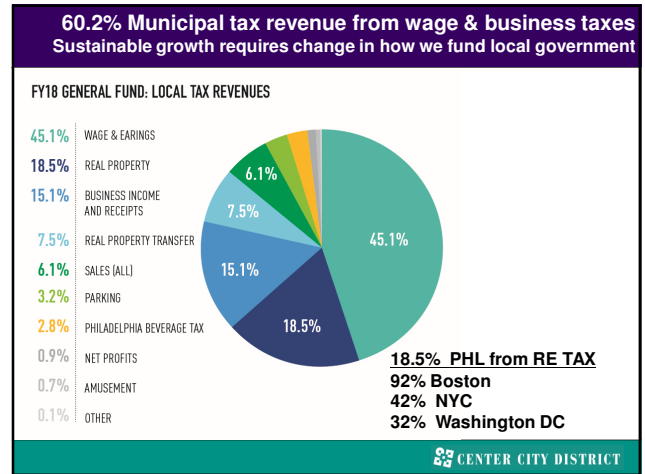
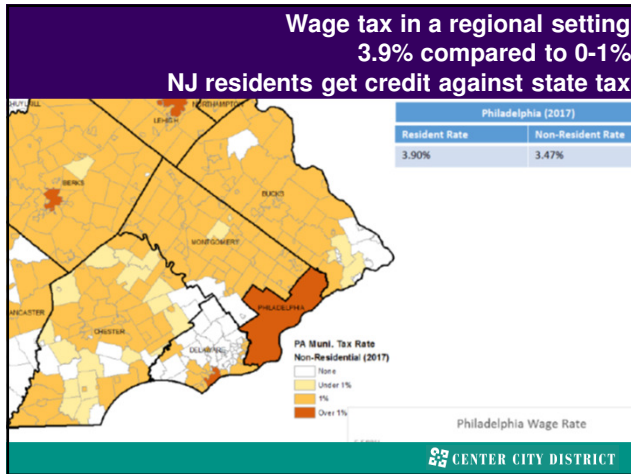
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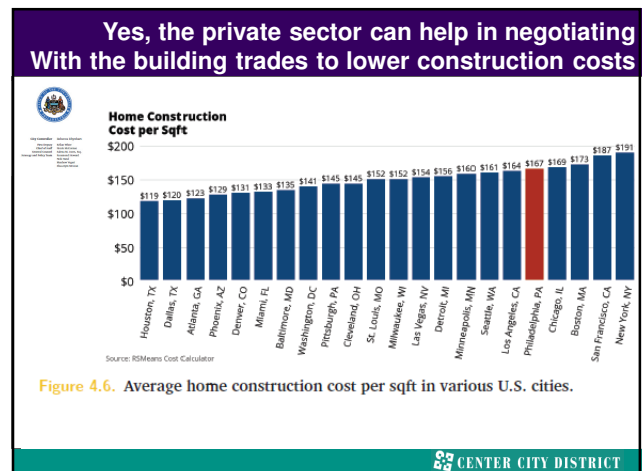
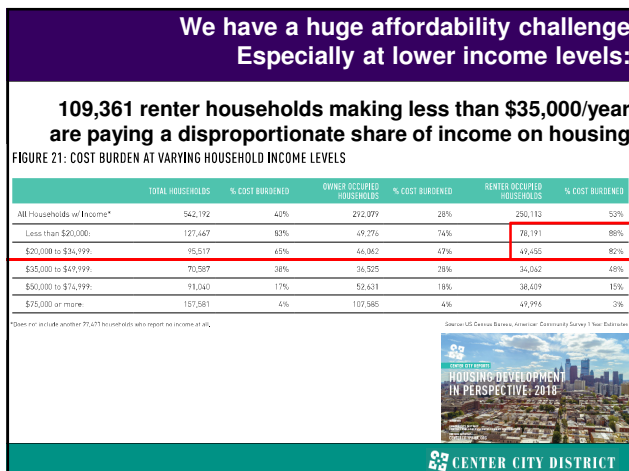
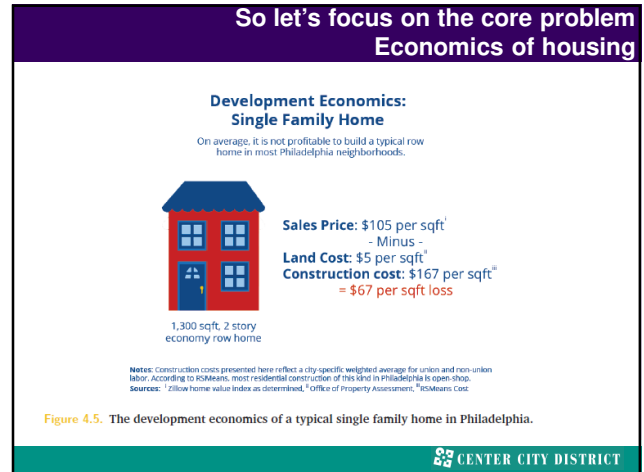
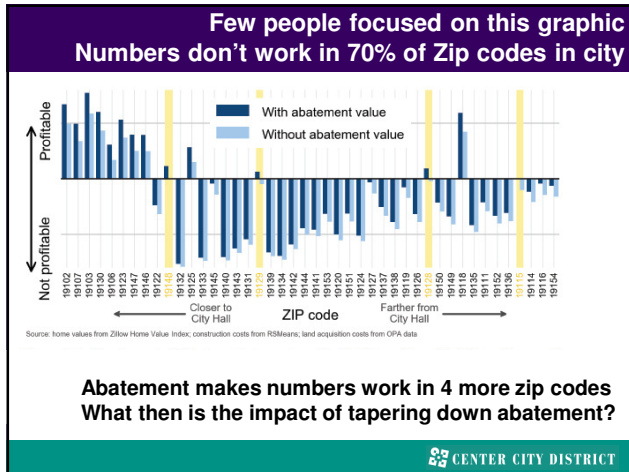
Tax Policy is not just about revenue generation
It is about creating a climate of competitiveness
that facilitates or stifles job growth



- Philadelphia wage tax is almost 4 x regional median.
- BIRT has no counterpart & adds 20% to 50% premium
- Property tax is 66% of suburban Pennsylvania median

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But high housing costs are not the central problem.
We have the most affordable urban housing in Northeast

	ENTIRE CITY	CENTRAL BUSINESS DISTRICT*	CBD % PREMIUM
New York	\$1.90	\$5.32	181%
Boston	\$2.55	\$3.69	45%
Washington DC	\$2.27	\$3.07	35%
Philadelphia	\$0.98	\$2.18	123%
Baltimore	\$1.13	\$1.20	6%

*CBD definitions: New York – Midtown Manhattan, Boston – Central, Washington DC – Downtown, Philadelphia – Core Center City, Baltimore – City Center

Source: Zillow

Central challenge is low incomes need to be raised



Quality schools are essential to this task
But only 27% of city households have school age children

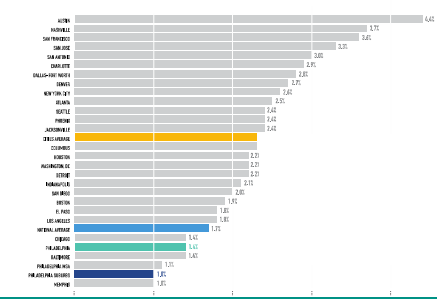


The way to raise incomes is to *grow jobs*
We need to set our sights on **just getting to be average**
If post-Recession we had grown at the rate of 26 city average
Growing by 2.3% rather than 1.4%



Philadelphia would have added 45,400 more jobs (one Amazon) on top of the 55,100 we added in the last 8 years = 100,500 new job opportunities.

PRIVATE WAGE & SALARY JOBS AVERAGE ANNUAL CHANGE, 2009-2017



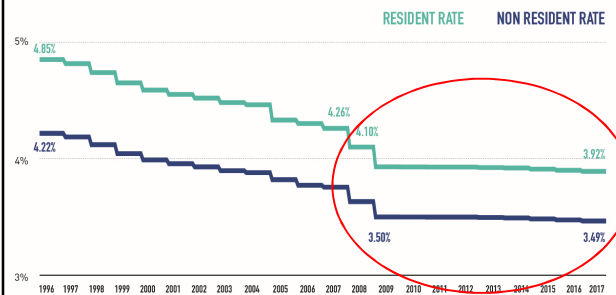
**Fastest way to reduce unemployment & poverty
Create a competitive setting
that increases income & grows jobs faster**

That should be primary goal that unifies everyone!



With the recession, City suspended tax reduction

SCHEDULE OF WAGE TAX REDUCTION SINCE 1996

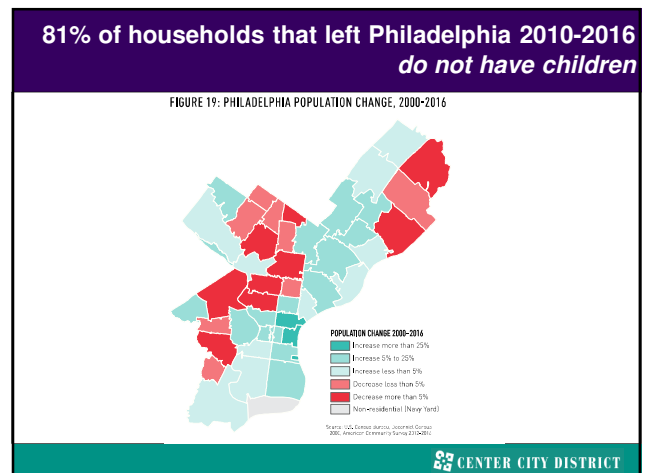
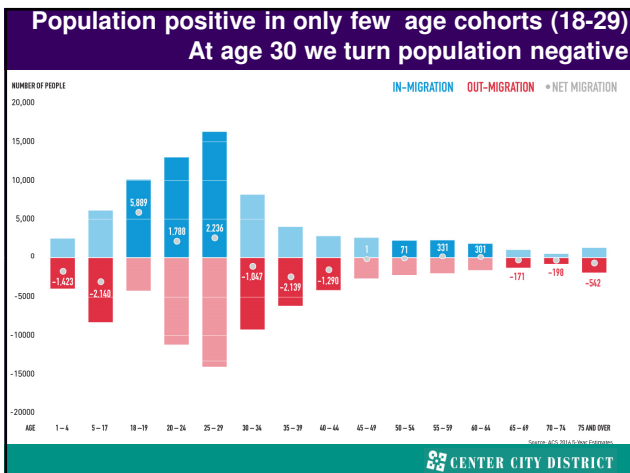
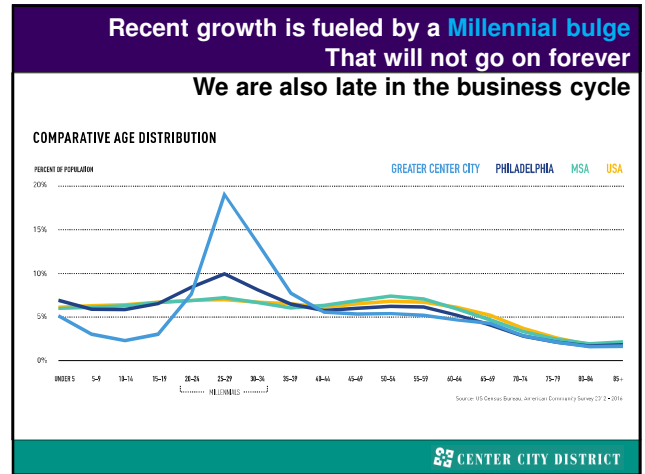
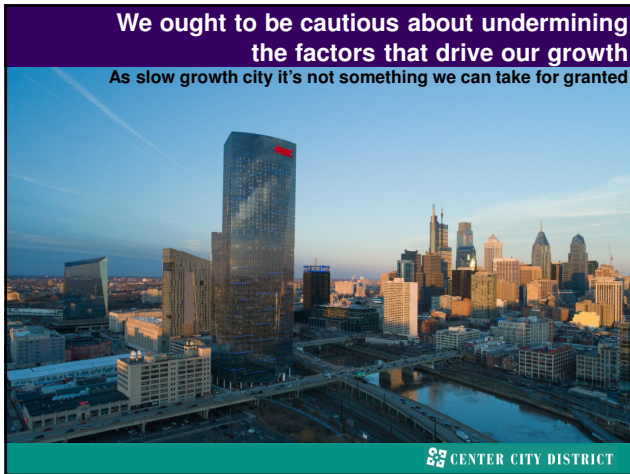


Since recession ended: 5 years of tax increases



**Increase in transfer tax; Mayor vetoed 1% construction tax;
Strong pressure to phase out or taper down tax abatement;**





The tax abatement addresses the symptom.
We need to address the cause:
slow job growth & low incomes



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Instead of echoing the extremes of national politics
We need locally to find a practical middle ground



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We need a politics that doesn't divide people
But rather expands the benefits of growth
To every neighborhood in Philadelphia



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We need to come together
around competitive tax policies to spur more growth
www.centercityphila.org



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