State of Center City 2019: opportunities & challenges

INTRODUCTION & OVERVIEW	1
OFFICE	10
HEALTH CARE & HIGHER EDUCATION	17
CONVENTIONS, TOURISM & HOTELS	22
ARTS, CULTURE & CIVIC SPACES	28
RETAIL	32
EMPLOYMENT	38
TRANSPORTATION & ACCESS	48
DOWNTOWN LIVING	53
DEVELOPMENTS	60
CENTER CITY DISTRICT	62
ACKNOWLEDGEMENTS	71

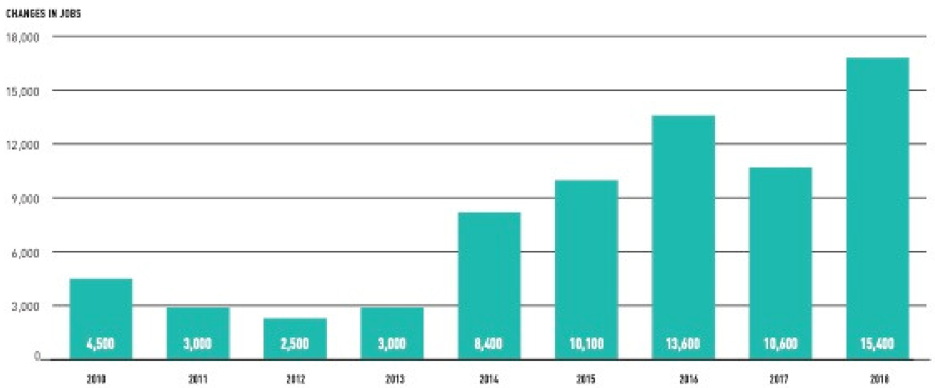
Central Philadelphia Development Corporation

Let’s start with the good news

Central Philadelphia Development Corporation

Philadelphia: 9 straight years of growth + 71,100 jobs
Longest winning streak since early 1950s

TOTAL JOB CHANGE FROM PREVIOUS YEAR 2010–2018

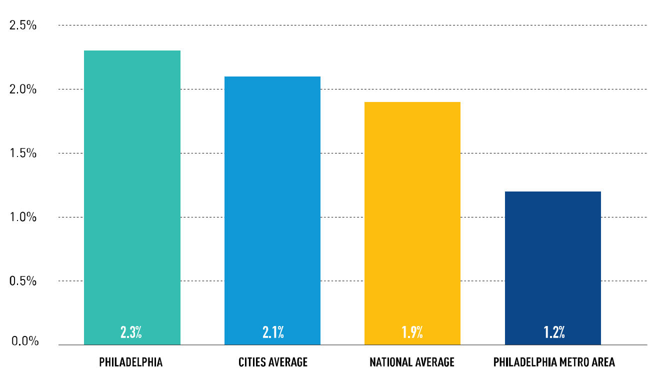


Source: Bureau of Labor Statistics, Current Employment Statistics

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

2018 was a really good year!
Lifted us above suburbs, national & large city average: 2.3%

ANNUAL PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2017–2018

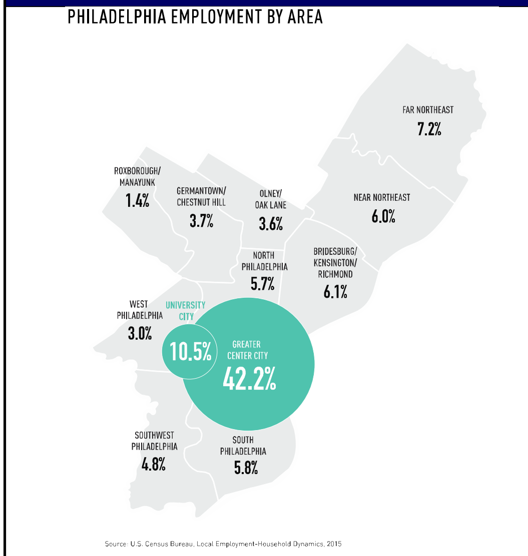


CITY	% CHANGE 2017-2018
Austin	3.9%
Phoenix	3.7%
San Francisco	3.3%
Nashville	3.2%
Seattle	2.9%
Jacksonville	2.9%
Charlotte	2.8%
Denver	2.6%
Dallas-Fort Worth	2.6%
San Diego	2.5%
Houston	2.3%
Philadelphia	2.3%
Atlanta	2.3%
New York City	2.1%
Cities Average	2.1%
Baltimore	2.0%
San Antonino	2.0%
San Jose	1.9%
National Average	1.9%
Washington, D.C.	1.8%
Los Angeles	1.7%
El Paso	1.7%
Boston	1.5%
Columbus	1.4%
Detroit	1.4%
Philadelphia Metro Area	1.2%
Indianapolis	1.1%
Memphis	1.0%
Chicago	1.0%

Source: Bureau of Labor Statistics, Current Employment Statistics

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

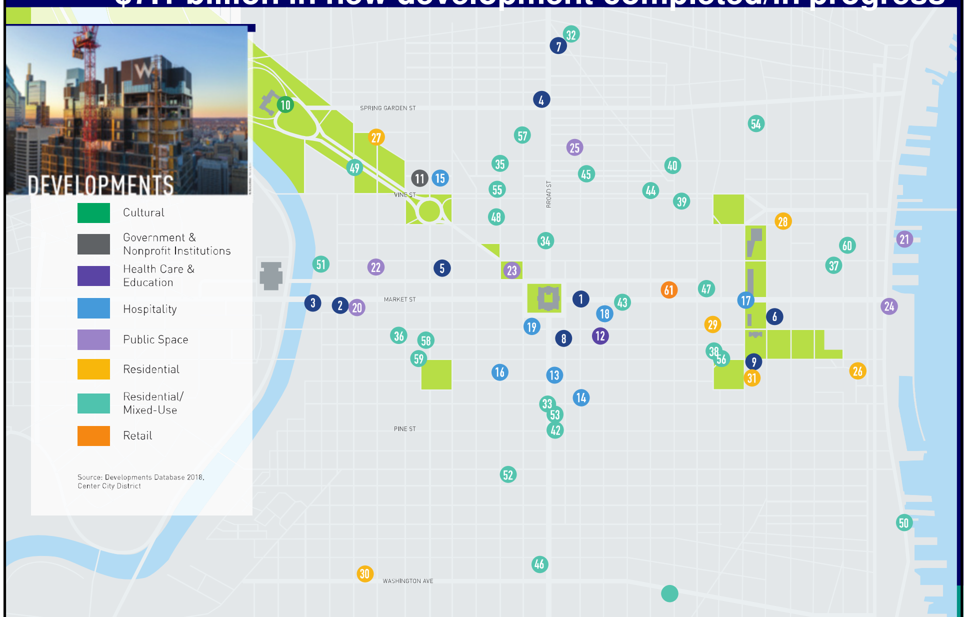
42.2% of all jobs concentrated in Center City



In last three decades Center City has emerged Dense, mixed-use, live-work downtown:

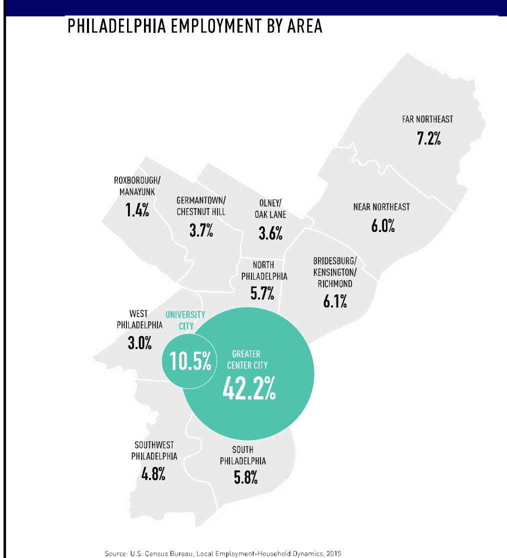
40% jobs in office sector; 20% eds & meds; 11.6% leisure & hospitality

Start of 2019: 61 major projects; 21.5 million sf, $7.1 billion in new development completed/in progress



Development Corporation

University City 10.5% of all jobs in Philadelphia



Central Philadelphia Development Corporation

University City campuses dramatically expanding
Attracting almost $3 billion in research funding

Central Philadelphia Development Corporation

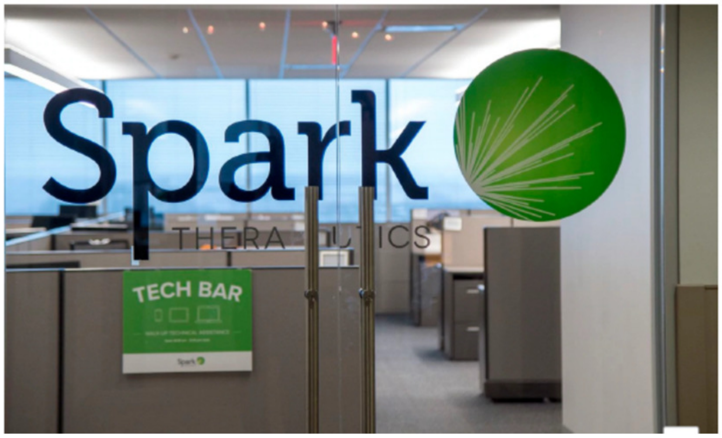
Penn making major investments in innovation
Huge opportunities with commercialization of research

Central Philadelphia Development Corporation

Emerging leader in the new bio-tech economy

Roche agrees to buy Philadelphia biotech Spark Therapeutics for $4.3 billion, enriching CHOP, founders

by Joseph N. DiStefano and Diane Mastrull, Updated: February 25, 2019



CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Drexel is going through significant expansion

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

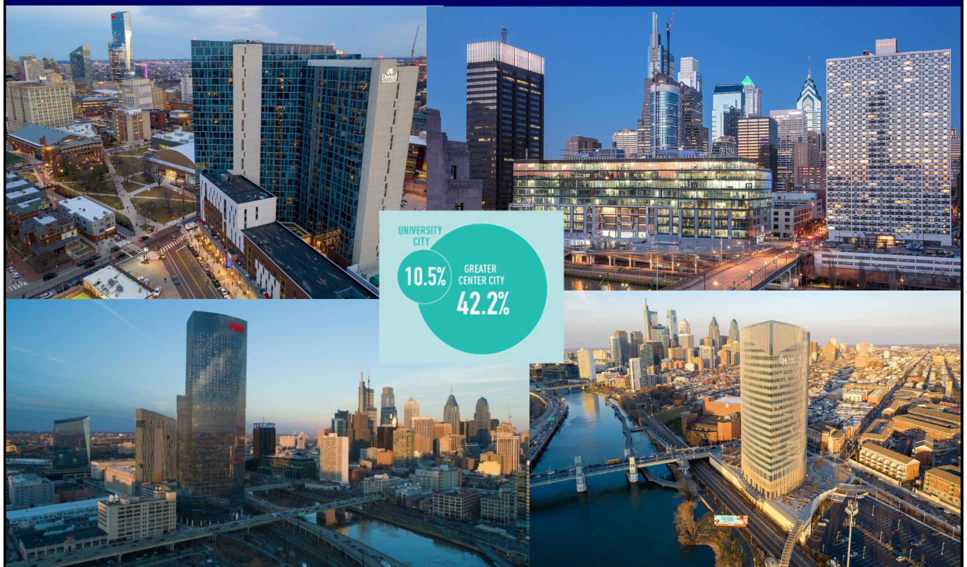
Drexel/Brandywine Innovation District

Central Philadelphia Development Corporation

Park opened last week

Central Philadelphia Development Corporation

One of many new investments on both side of Schuylkill River
Closing gap between Center City & University City



Central Philadelphia Development Corporation

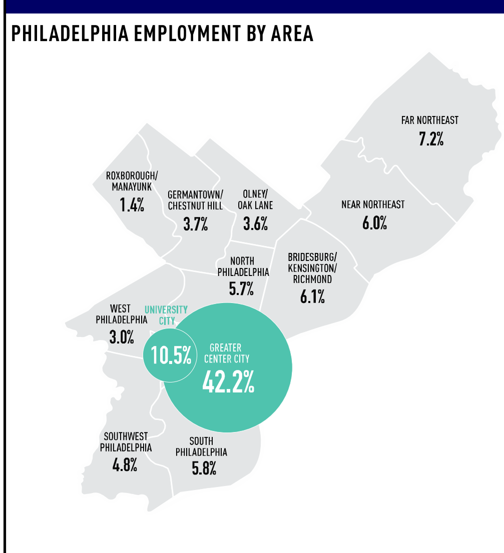
Strong growth at the Navy Yard: 1% of city jobs

Central Philadelphia Development Corporation

Temple's campuses continue to grow= 1% city jobs

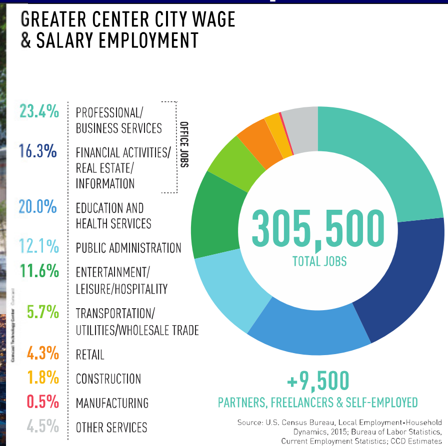
Central Philadelphia Development Corporation

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



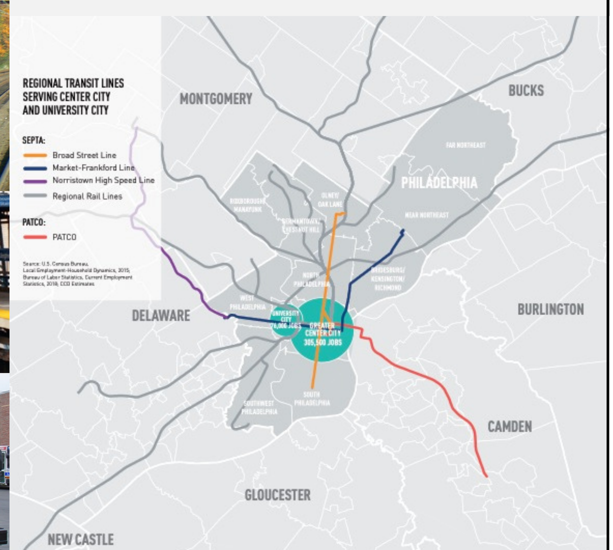
Central Philadelphia Development Corporation

Center City = 315,000 jobs
305,500 salaried jobs + 9,500 freelance & partners



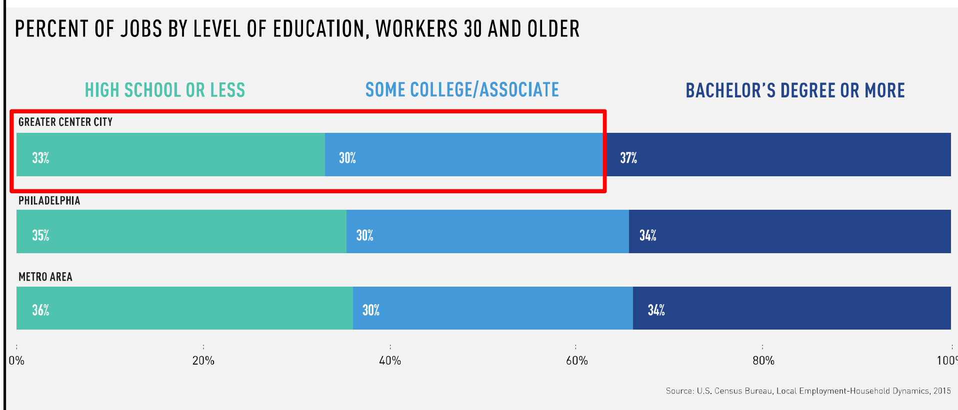
Central Philadelphia Development Corporation

All jobs concentrated at center of regional transit system that brings 300,000 passengers downtown each day



Central Philadelphia Development Corporation

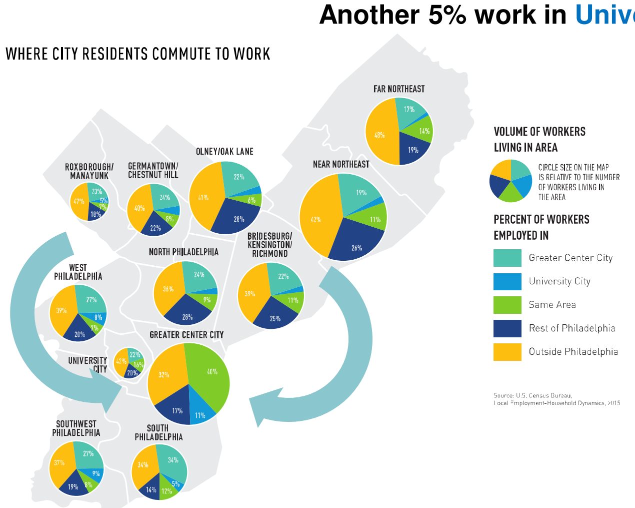
33% jobs require only HS diploma; 30% require an Associates degree 37% BA degree or higher



Diverse job offerings + SEPTA = 25% of working residents from every neighborhood earn their livelihood downtown

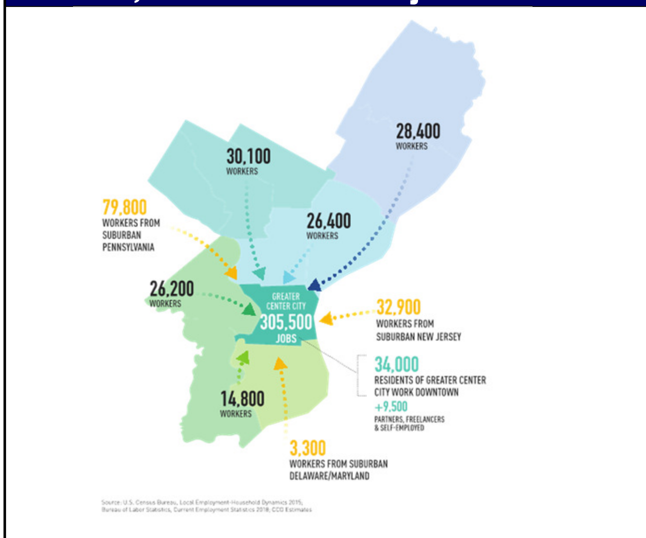
Outside Center City, just 10% work in neighborhood in which they live

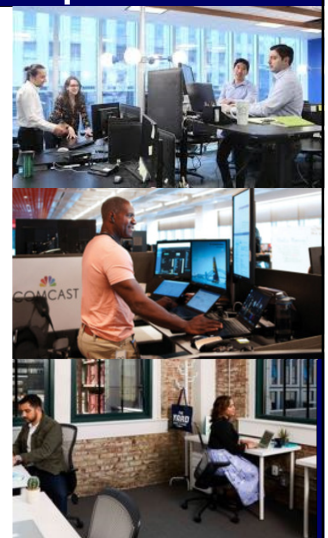
Another 5% work in University City



Center City is the transit accessible alternative for 126,000 neighborhood + 34,000 Center City residents

160,000 downtown jobs for Philadelphia residents

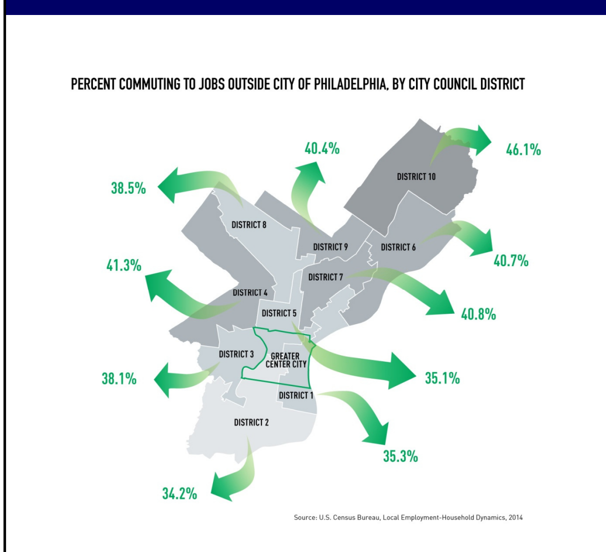




CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

But 40% of neighborhood residents outside downtown

Reverse commute to suburbs each day



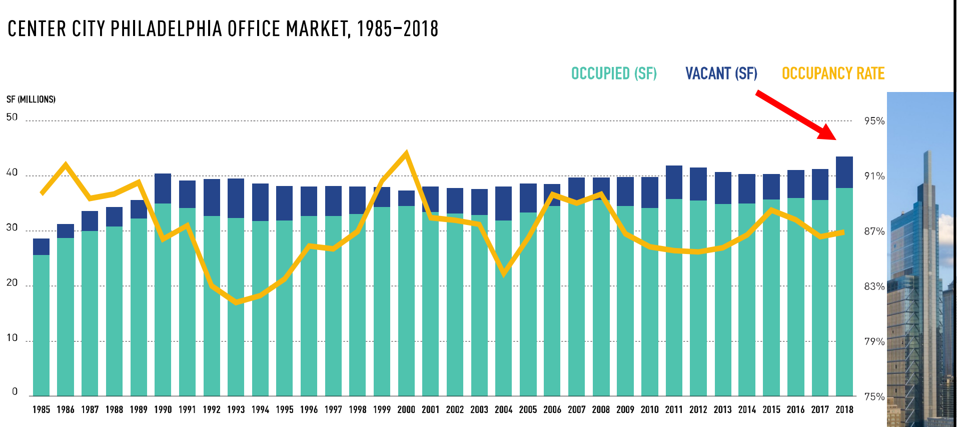
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Office sector: 40% of employment, 121,300 jobs

Office buildings: densest containers of our most diverse jobs
High wage/skill; moderately skilled; service jobs

Central Philadelphia Development Corporation

New record high inventory: 43.5 million sf (Comcast)
Rents in nearly all submarket above $30/sf



Central Philadelphia Development Corporation

During recent growth from 2002-2018 Philadelphia added 4.7 million sf of occupied space

From 33.1m occupied to 37.8 occupied sf in CBD

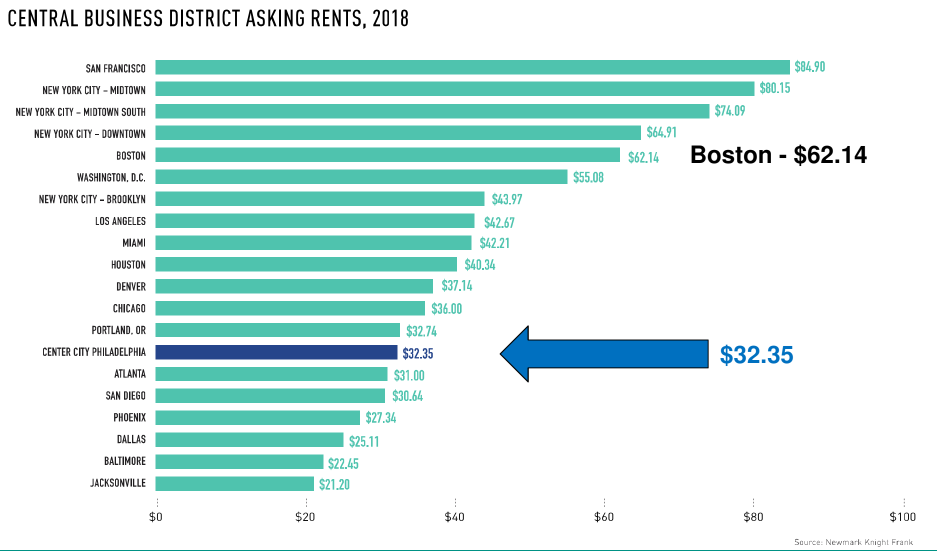
Central Philadelphia Development Corporation

But during same period, 2002-2018, Boston's CBD

Added 16 million sf; from 44.9m to 60.9m occupied sf

Central Philadelphia Development Corporation

Modest office sector growth explains why our rents are well below peer cities



Central Philadelphia Development Corporation

Further, only 3 of 28 major 2018 lease transactions were firms *moving in from outside* (1 was non-profit)

SIGNIFICANT OFFICE LEASING TRANSACTIONS IN CENTER CITY, 2018

MARKET WEST				
Tenant	Building	Class	Size (SF)	Type
Reliance Standard	1700 Market	A	151,881	Relocation with expansion
Willis Towers Watson	1735 Market	Trophy	97,448	Relocation with contraction
Deloitte	1700 Market	A	90,000	Renewal with contraction
Wells Fargo	Two Logan Square	Trophy	84,588	Relocation with contraction
Entercom Communications	2400 Market	A	67,000	New to market
PHMCC	1601 Market	A	51,720	Relocation
Aberdeen Asset Management	1900 Market	A	50,482	Relocation
Spaces (coworking)	1626 Locust	B	48,069	Expansion in market
PREIT	One Commerce Square	Trophy	45,000	Relocation
Marcum	1601 Market	A	37,792	Relocation
Clark Hill	2001 Market	Trophy	34,000	Relocation
Zarwin Baum	2005 Market	Trophy	33,572	Relocation
Greenberg Traurig	2005 Market	Trophy	30,000	Relocation
Simon & Simon	1818 Market	A	30,000	Relocation
Bennett Bricklin & Saltzburg	Centre Square	A	29,000	Relocation
Heffler Radetich & Saitta	1515 Market	A	25,000	Renewal
Market Resources Partners	1818 Market	A	25,000	Relocation
Braskem America	1735 Market	Trophy	22,638	Expansion
Deasey Mahoney & Valentini	1601 Market	A	20,186	Renewal
Biblical Theological Seminary	2000 Hamilton	B	19,693	New to market
Swartz Campbell	One Liberty Place	Trophy	17,000	Relocation
MARKET EAST				
Tenant	Building	Class	Size (SF)	Type
Macquarie Group	100 Independence	A	144,221	Relocation
American Board of Internal Medicine	The Washington (510-530 Walnut)	A	102,978	Renewal
Ballinger	833 Chestnut	B	48,000	Renewal
MakeOffices	The Bourse	B	33,360	Expansion in market
Nelson Architects	100 Independence	A	29,416	Relocation
Neumann Finance	123 S Broad	B	21,695	New to market
IRM	Public Ledger Building	B	17,862	Relocation

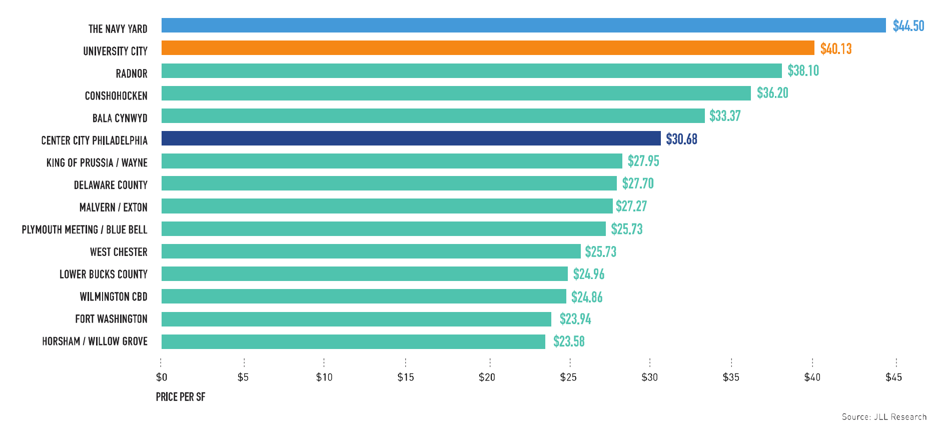
Source: JLL Research

Central Philadelphia Development Corporation

Rents below many other regional locations
University City, Radnor, Conshohocken & Bala Cynwyd

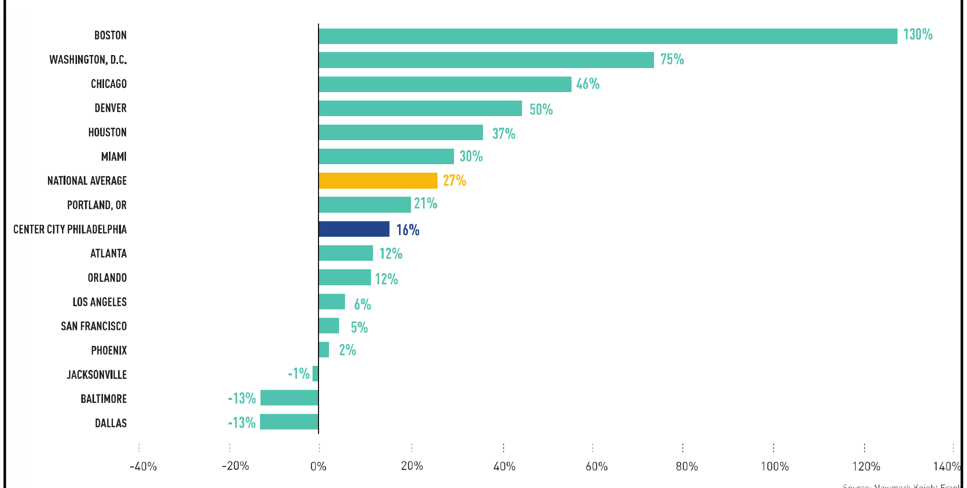
Result of local tax policy

REGIONAL AVERAGE ASKING RENTS, 2018

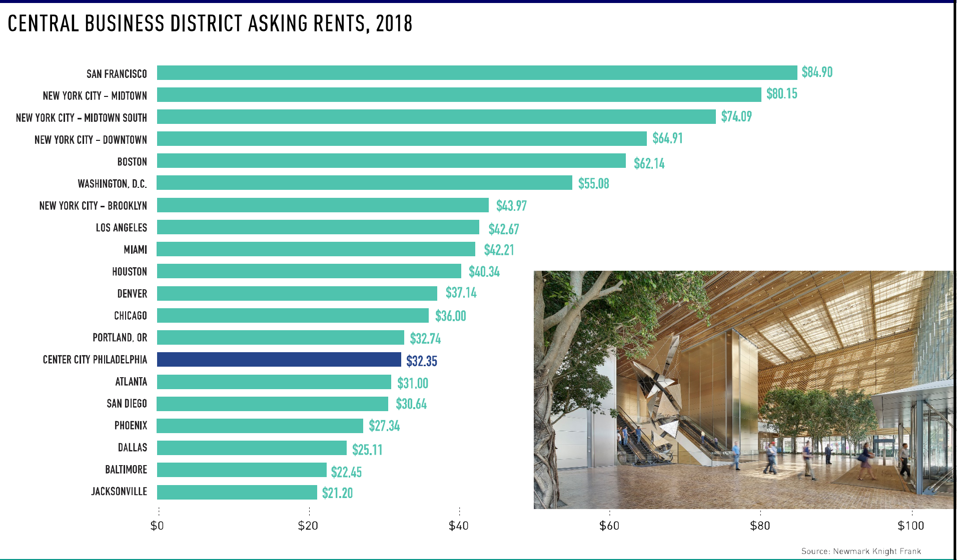


Philadelphia's CBD rent premium over suburban rents
Is just 16% compared to 27% for national average of CBD's

CLASS A RENTS, CENTRAL BUSINESS DISTRICT COMPARED TO SUBURBS



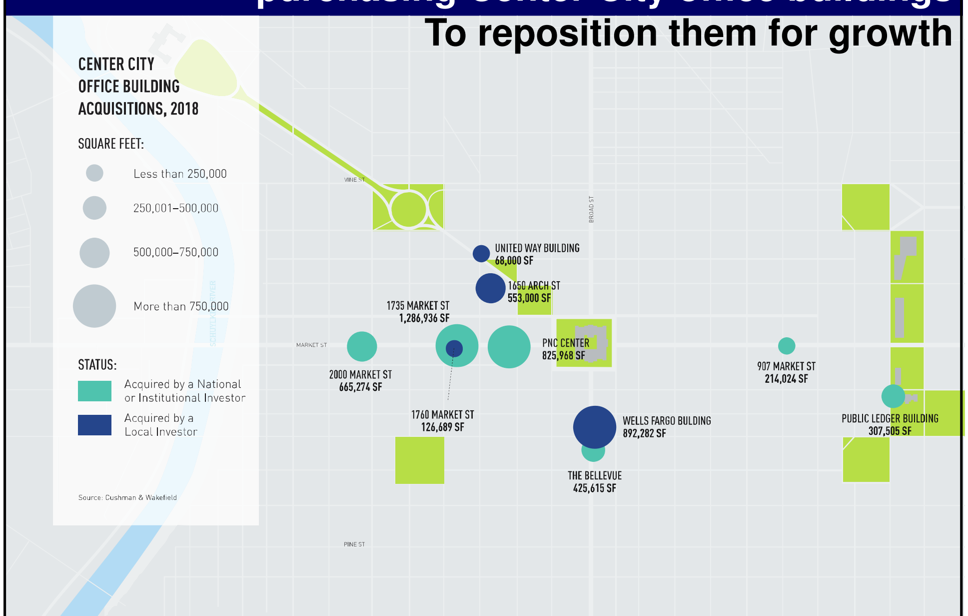
But comparatively low rents also make us ripe for a well-funded strategy for business attraction



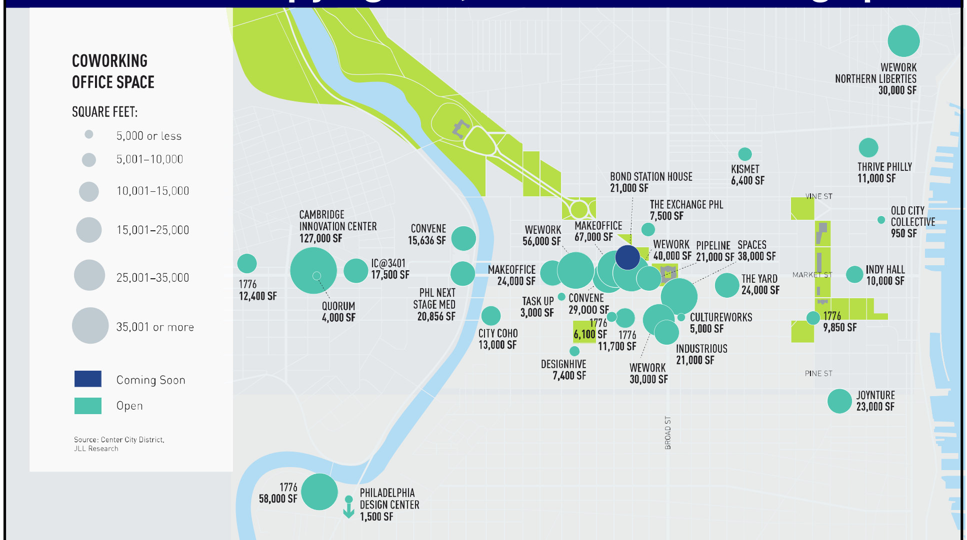
Central Philadelphia Development Corporation

An opportunity understood by the outside investors purchasing Center City office buildings

To reposition them for growth

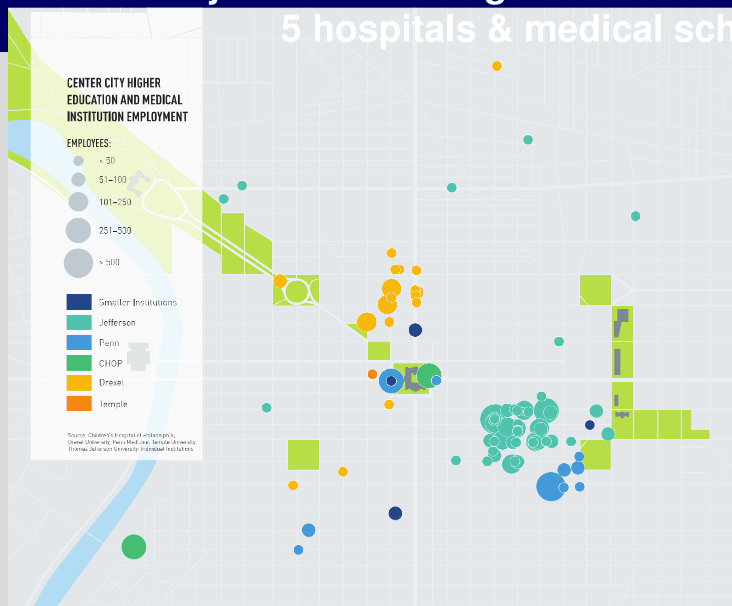


Potential for much stronger growth suggested by number of national & suburban firms testing waters Occupying 773,000 sf of co-working space



20% of downtown employment = 61,000 jobs

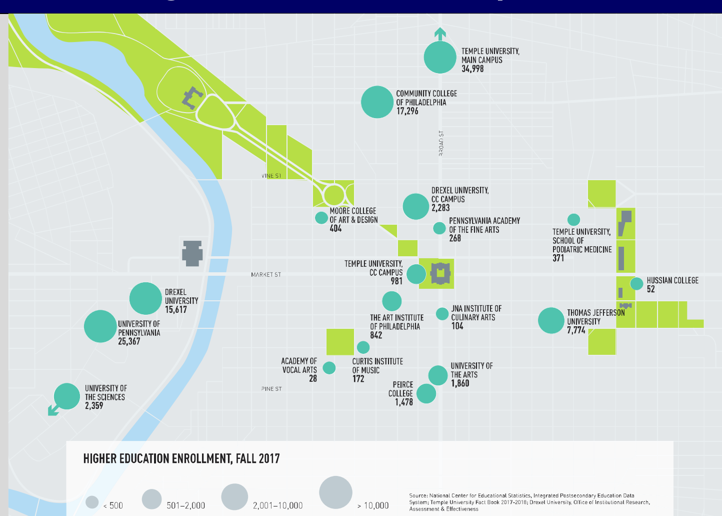
Center City holds 14 colleges & universities, 5 hospitals & medical schools



Central Philadelphia Development Corporation

Add University City & Temple = 112,254 students in & adjacent to Center City

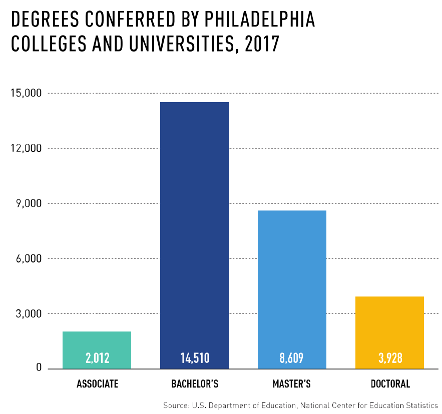
Large source of retail & apartment demand

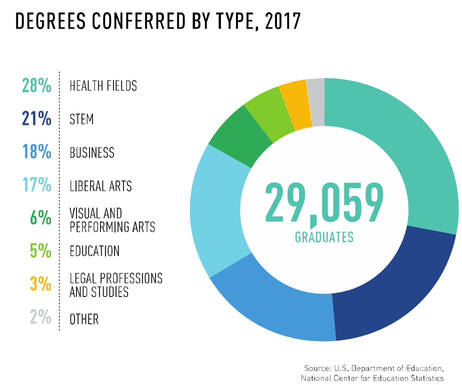


Central Philadelphia Development Corporation

Higher education institutions conferred 29,059 degrees in 2018

28% in health care
21% STEM (science, technology, engineering, math)
18% in business





Central Philadelphia Development Corporation

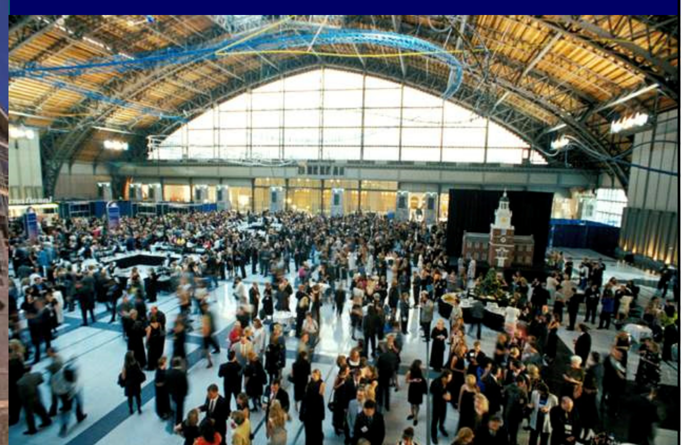
Provide a huge pool of skilled labor
Attractive to employers: talent advantage

Central Philadelphia Development Corporation

Leisure & Hospitality = 35,400, 11.6% downtown jobs

Central Philadelphia Development Corporation

1993: Made major public investment in hospitality
Pennsylvania Convention Center



Central Philadelphia Development Corporation

Subsequently expanded to a 1 million sf facility

Central Philadelphia Development Corporation

Marketed by PHLCVB enjoyed a steady stream of meetings

Central Philadelphia Development Corporation

Including recent 16,000 person Bio International Convention

REGISTER | INTERNATIONAL ATTENDEES | PARTNERING | EDUCATION | BIO EXHIBITION | HOTEL & TRAVEL | EXHIBIT & SPONSOR

DOUBLE HELIX SPONSOR

Johnson & Johnson

BIO International Convention BIO 2020 California

Home > BIO 2019 - June 3-6 - Philadelphia, PA

BIO 2019 - June 3-6 - Philadelphia, PA

Join us in Philadelphia, PA, June 3-6, 2019 as more than 16,000 attendees from around the globe gather for unparalleled partnering, education, networking, and to see all that tri-state area has to offer. The region's vast array of leading universities and research institutions fosters a collaborative environment.

The key benefits of attending the 2019 BIO International Convention are access to global biotech and pharma leaders via BIO One-on-One Partnering, exposure to industry thought-leaders with over 500 education sessions at your fingertips, and unparalleled networking opportunities with 16,000+ attendees from 67 countries.

SCHEDULE AT A GLANCE →

REGISTRATION RATES →

JOIN THE MAILING LIST →

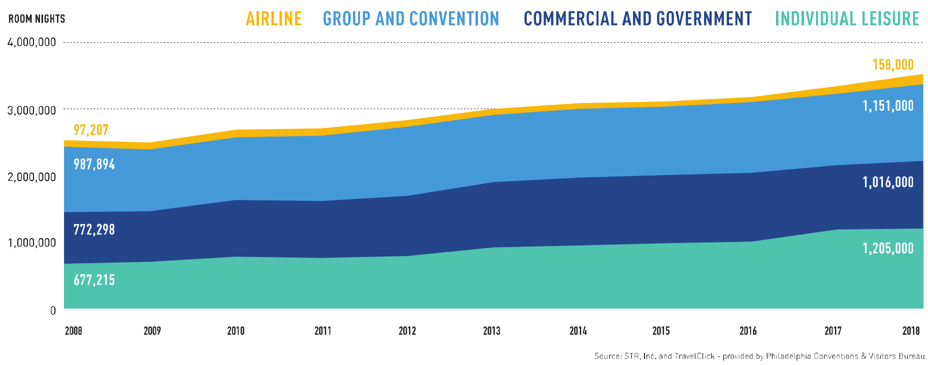
Central Philadelphia Development Corporation

Substantial investment in tourism attractions Marketed by Visit Philly

Central Philadelphia Development Corporation

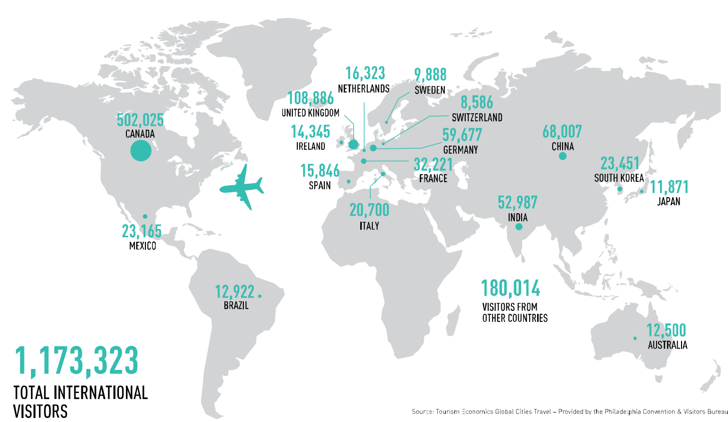
All categories of hotel demand: Convention, group, business & leisure are all rising Generating 3.5 million room nights in 2018

OCCUPIED CENTER CITY HOTEL ROOMS BY PURPOSE OF TRIP



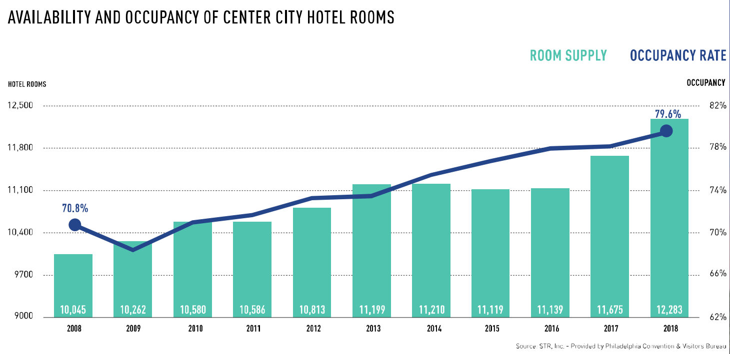
Includes steady growth in international travel

OVERSEAS VISITORS TO THE PHILADELPHIA FIVE-COUNTY REGION BY COUNTRY, 2017



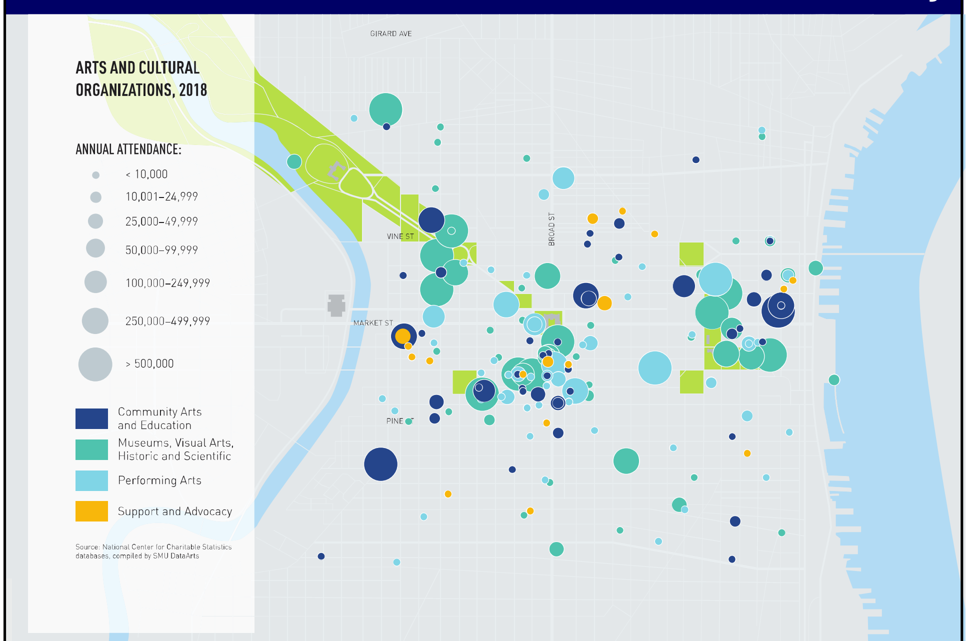
INTERNATIONAL VISITORS GENERATED AN ESTIMATED $1.4 BILLION IN ECONOMIC IMPACT IN THE PHILADELPHIA REGION

Hotel occupancy & room rates at all time high
Adding & absorbing new supply

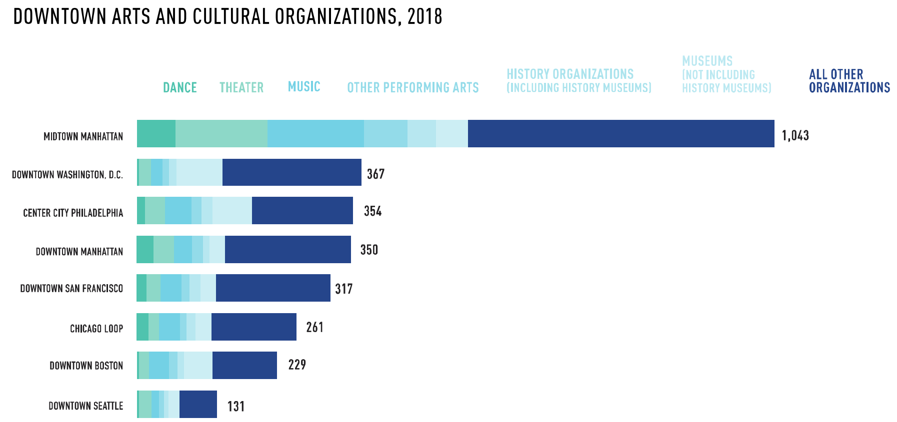


Central Philadelphia Development Corporation

354 arts & cultural institutions across Center City



Third largest number downtown nationally, behind Midtown NY & Washington DC



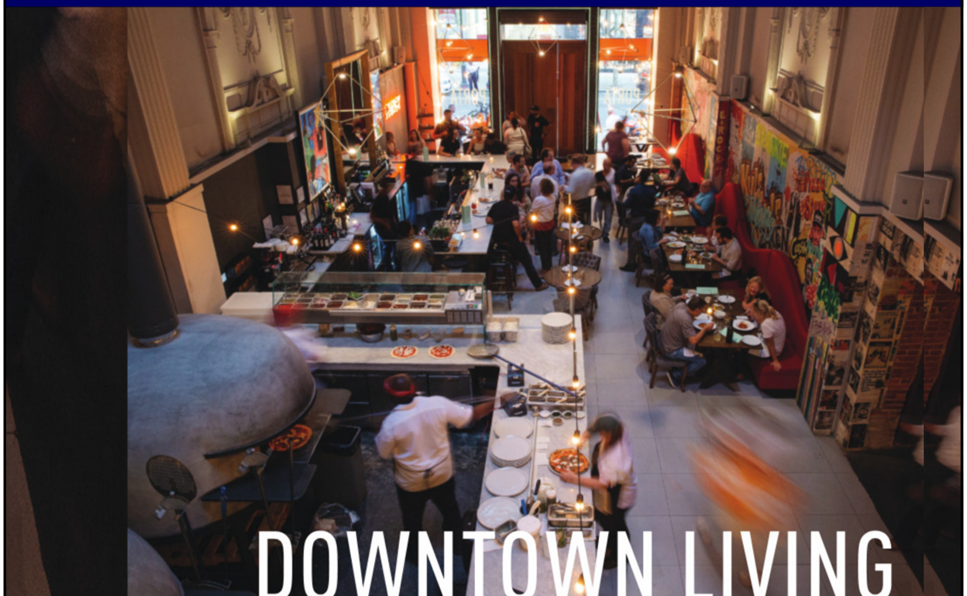
Source: February 2018 IRS Business Master File, compiled by SMU DataArts, US Census Bureau, Annual Population Estimates

Central Philadelphia Development Corporation

World-renown The Barnes Foundation

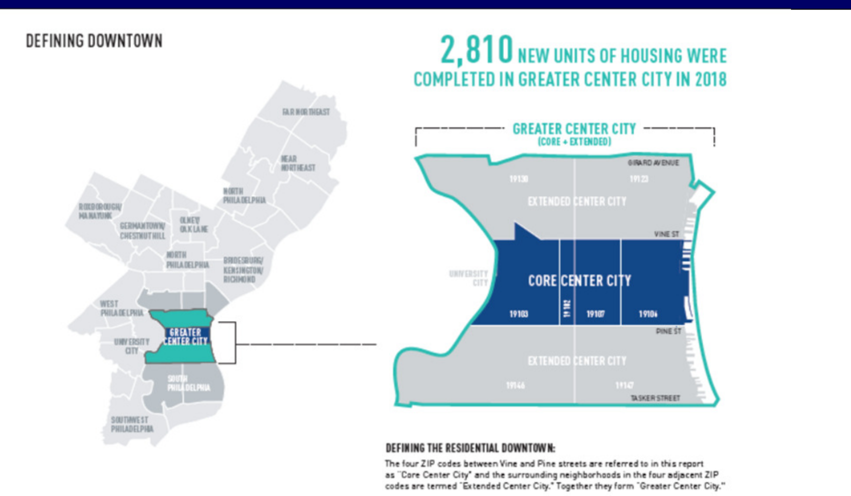
Central Philadelphia Development Corporation

Our most positive story



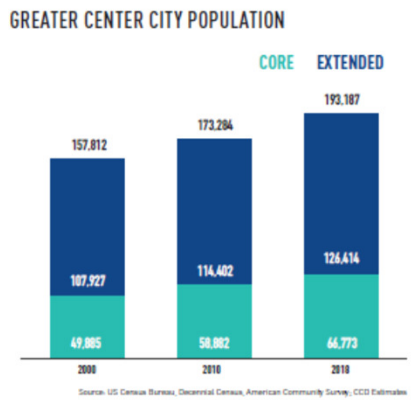
Central Philadelphia Development Corporation

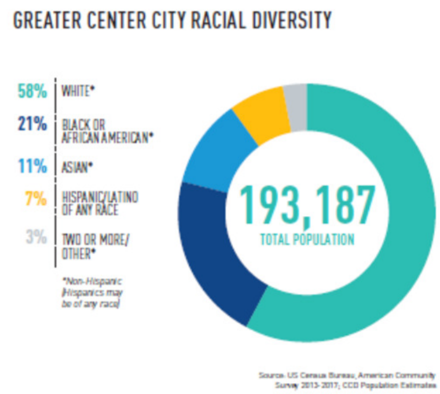
Greater Center City
8 zip codes: Girard Avenue to Tasker Street



Central Philadelphia Development Corporation

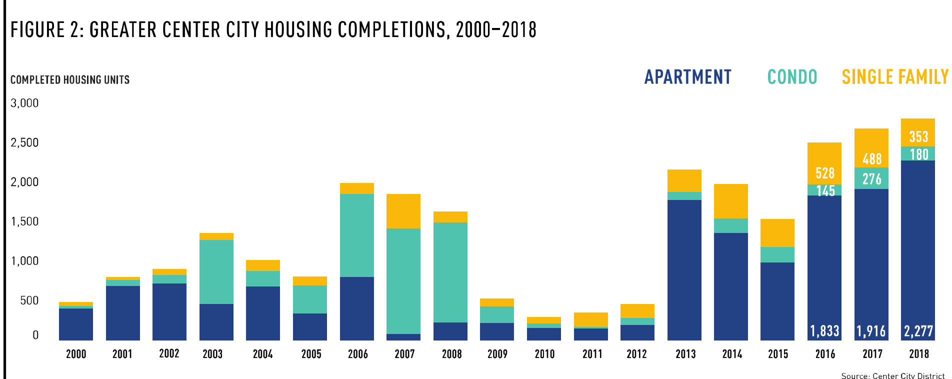
Fastest growing residential section of the city
Population up 22% since 2000 to 193,187





Central Philadelphia Development Corporation

Since 2000: 26,195 new housing units;
25% who moved to PHL between 2000-2018, moved downtown
12% moved into University City



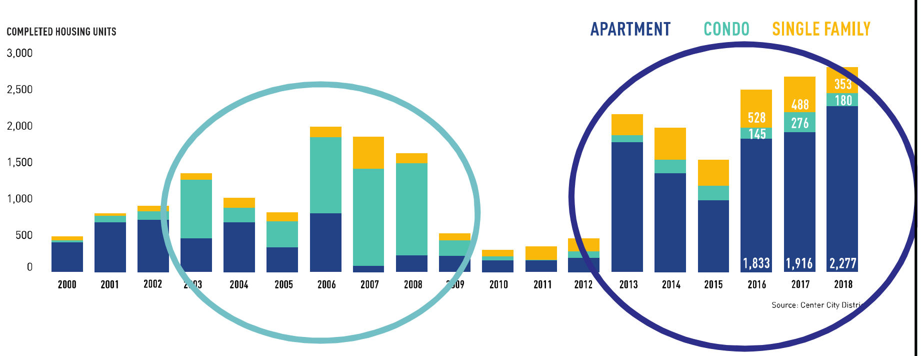
Central Philadelphia Development Corporation

Broad diversity of product being built
Apartments, townhouses & condos

Central Philadelphia Development Corporation

Very different from the condo boom of the 2000s

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



Source: Center City Distri

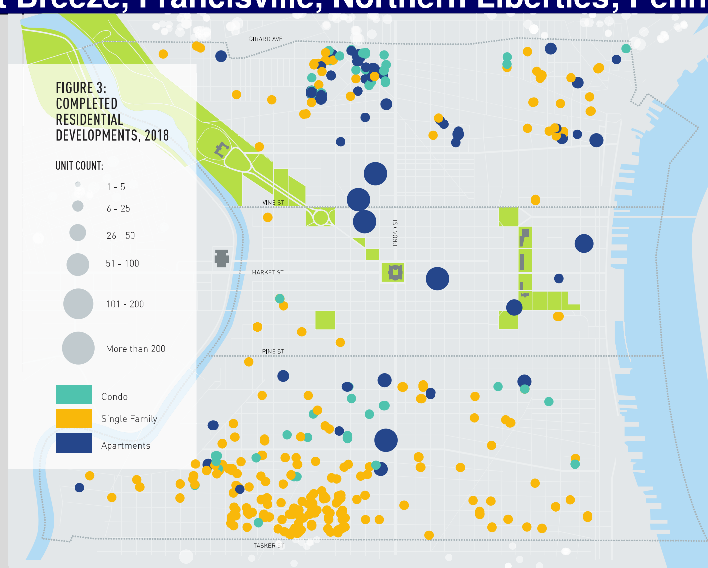
Central Philadelphia Development Corporation

81% of units built in 2018 apartments
66% of all supply in extended neighborhoods

FIGURE 4: HOUSING COMPLETIONS BY AREA OF CENTER CITY

AREA	APARTMENT	CONDO	SINGLE FAMILY	TOTAL
Core East	581	0	2	583
Core West	357	2	13	372
Core Total	938	2	15	955
Extended Northeast	100	13	65	178
Extended Northwest	745	84	36	865
Extended Southeast	40	20	48	108
Extended Southwest	454	61	189	704
Extended Total	1,339	178	338	1,855
GREATER CENTER CITY TOTAL	2,277	180	353	2,810

12% of units single family with strong clusters:
Point Breeze, Francisville, Northern Liberties; Pennsport

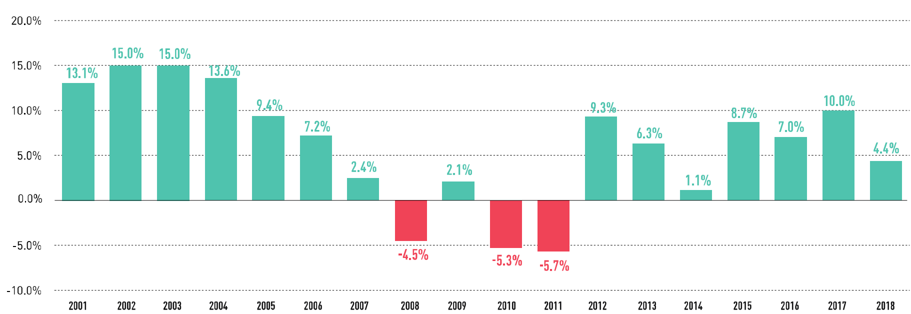


Averaged 400 new single-family homes/year since 2013

Central Philadelphia Development Corporation

Indexed pricing shows a slowing of growth in market
But still an appreciation in pricing of 4.4%
Demand remains strong

FIGURE 17: GREATER CENTER CITY – INDEXED PERCENT CHANGE FROM PREVIOUS YEAR, 2001–2018



Source: Econsult Solutions Inc

Central Philadelphia Development Corporation

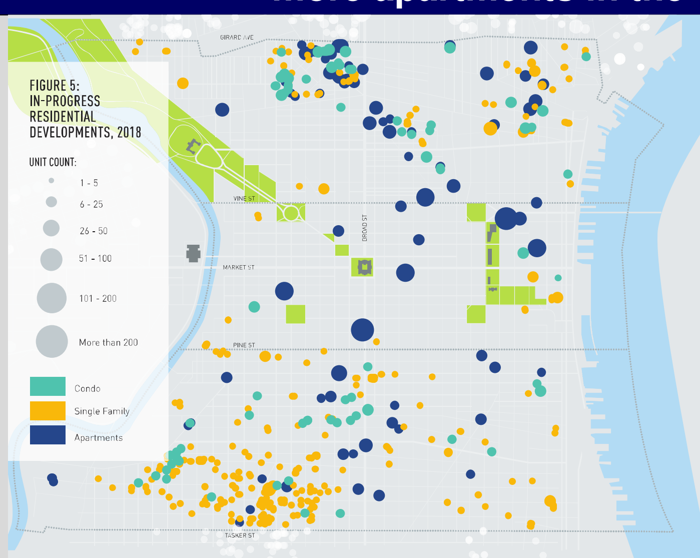
Another 3,017 units under construction start 2019 71% apartments; single family up to 18%

FIGURE 6: HOUSING UNDER CONSTRUCTION BY AREA OF CENTER CITY

AREA	APARTMENT	CONDO	SINGLE FAMILY	TOTAL
Core East	593	8	29	630
Core West	458	9	8	475
Core Total	1,051	17	37	1,105
Extended Northeast	531	68	109	708
Extended Northwest	303	140	59	502
Extended Southeast	111	25	80	216
Extended Southwest	145	70	271	486
Extended Total	1,090	303	519	1,912
GREATER CENTER CITY TOTAL	2,141	320	556	3,017

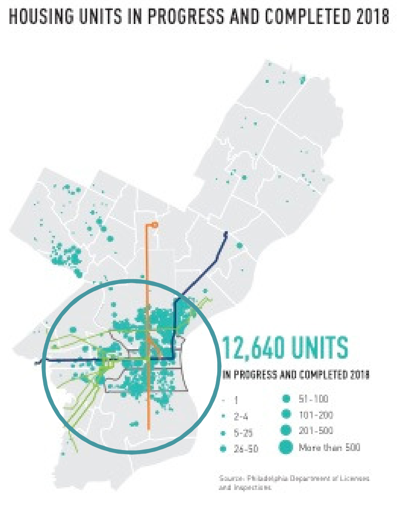
Central Philadelphia Development Corporation

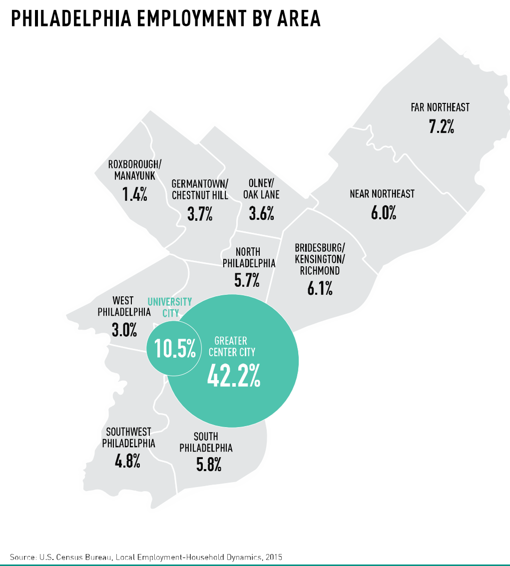
Single family pattern in 2019 similar to 2018; more apartments in the core



Central Philadelphia Development Corporation

81% of new supply built in just 17% of city's geography
Clustered around centers of job growth; transit connectively





Central Philadelphia Development Corporation

Filled with young professionals & empty nesters
45% of residents in the core, ages 20-34, 79% - BA degree
61% of residents in Greater Center City have a BA degree

Central Philadelphia Development Corporation

A growing number of families with children

2,223

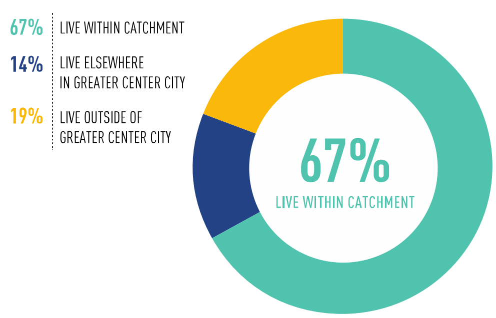
BABIES WERE BORN
TO GREATER CENTER CITY
PARENTS IN 2018

Central Philadelphia Development Corporation

75% of children living in Greater Center City

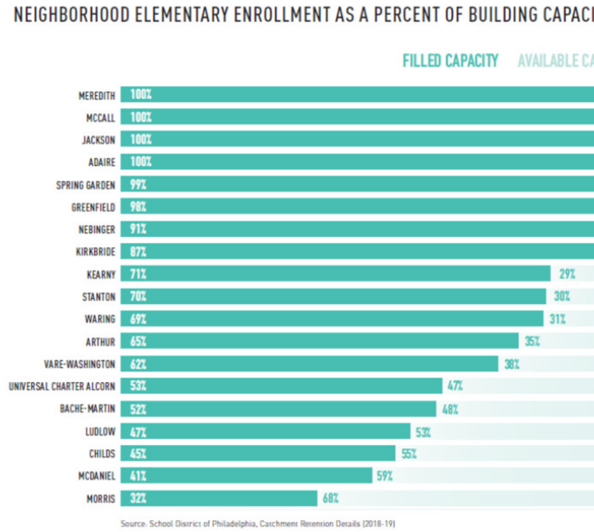
Attend one of 19 elementary public schools between Girard & Tasker

67% attend their catchment area (neighborhood) school



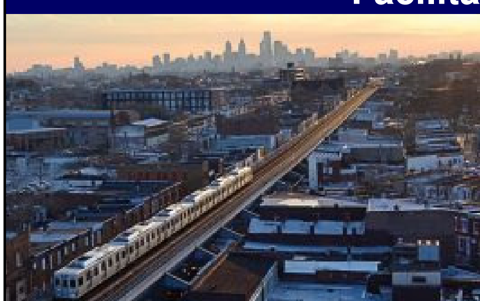
Central Philadelphia Development Corporation

4 elementary schools: demand exceeds capacity
Queen Village, Society Hill, Passyunk Square, Fishtown



Central Philadelphia Development Corporation

Development expanding beyond Greater Center City
Facilitated by SEPTA connections



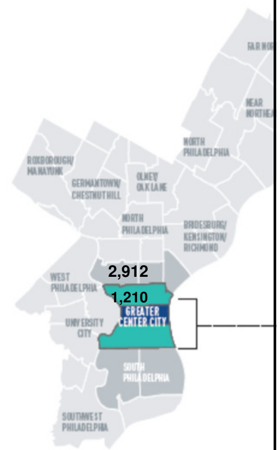
Central Philadelphia Development Corporation

In Zipcodes just north of Girard (19121, 19122, 19125)
2,912 units in progress compared to 1,210 just below Girard in 19123 & 19130

FIGURE 9: DISTRIBUTION OF NEW UNITS

AREA (ZIP CODE BASED)	TOTAL UNITS	PERCENT OF UNITS
Greater Center City	5,827	46%
Lower North Philadelphia	2,912	23%
Bridesburg/Kensington/Richmond	1,170	9%
University City	955	8%
Roxborough/Manayunk	495	4%
South Philadelphia	453	4%
Southwest Philadelphia	321	3%
Germantown/Chestnut Hill	253	2%
West Philadelphia	147	1%
Far Northeast	70	1%
Near Northeast	31	0%
Olney/Oak Lane	6	0%
TOTAL	12,640	100%

Source: Philadelphia Department of Licenses and Inspections



Since 2001: 78% increase in boarding on Market Frankford line in Fishtown & Kensington

While there is a lot attention focused on a handful of luxury condominiums in Center City

Central Philadelphia Development Corporation

Central Philadelphia Development Corporation

Home sales of $1 million or more

Just 1% of 158,863 citywide transactions from 2010-2018
78% of houses sold last year priced under $250,000

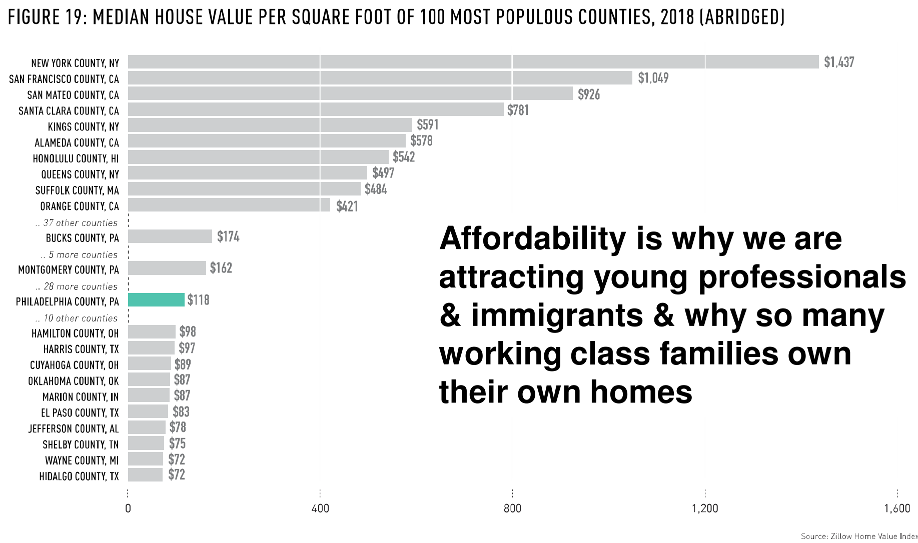
Central Philadelphia Development Corporation

Of 91 global metro regions Philadelphia = 15th most affordable

Much less expensive than Washington, Boston, New York or San Francisco

Central Philadelphia Development Corporation

On national scale, less expensive than 79 of 100 counties



Affordability is why we are attracting young professionals & immigrants & why so many working class families own their own homes

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

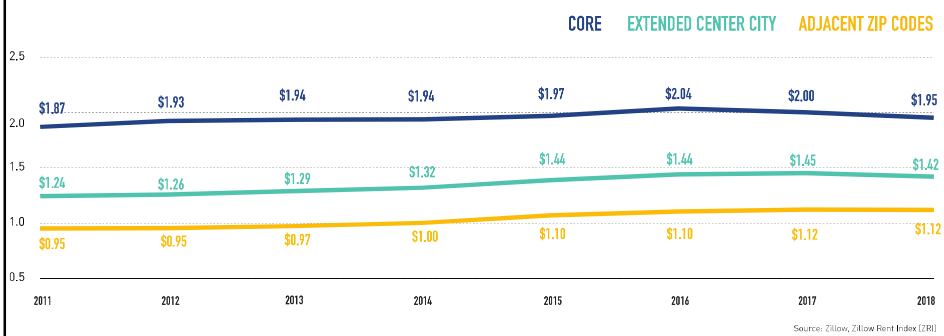
Are supply and demand in balance?

- **10,000 net new households since 2010 (ACS) (mirroring job growth)**
- **14,500 new units since 2010**
  (not counting deteriorated or obsolete units that may have been withdrawn from market or demolished to make way for new units)
- **Maximum 4,500 unit surplus out of 100,000 housing units in Greater Center City = 4.5% max surplus**

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

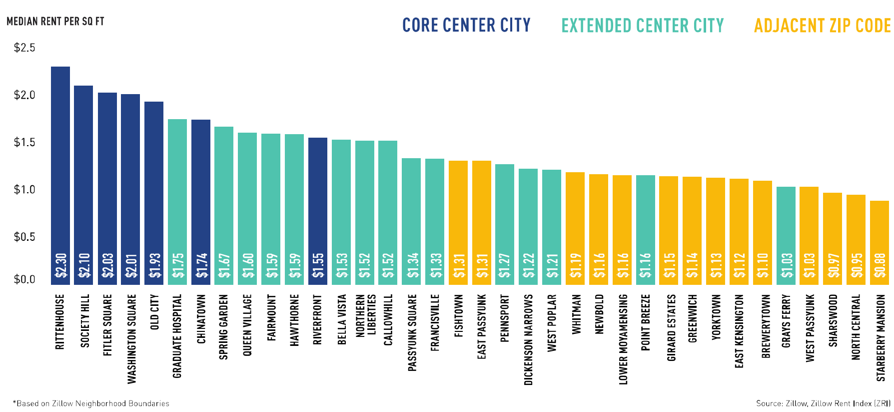
Rent growth slowed, flattened or edged downward
Free rent being offered in all new buildings
Demand remains strong

FIGURE 10: RENT PER SQUARE FOOT, 2011–2018

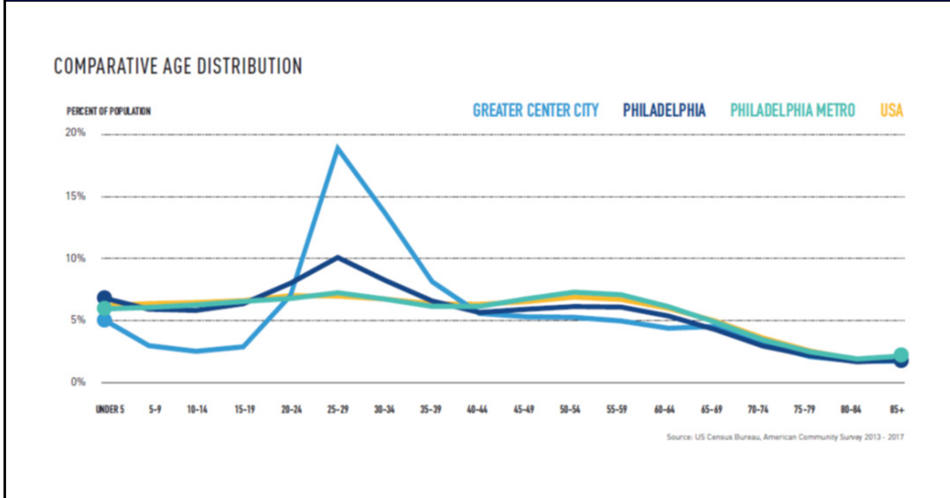


Highest rents remain in the core

FIGURE 11: RENT PER SQUARE FOOT BY NEIGHBORHOOD – GREATER CENTER CITY AND ADJACENT NEIGHBORHOODS (ZILLOW)



One caution flag: Millennials are not forever
There are less 17 year olds than 27 year olds
Expanding job growth will be key

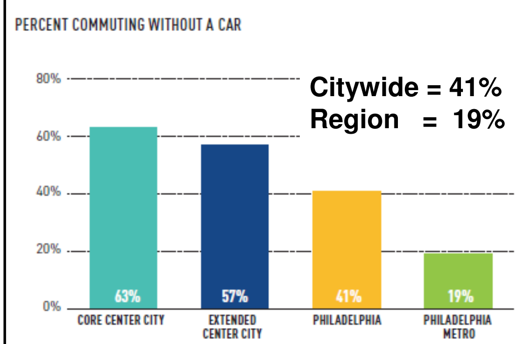


Central Philadelphia Development Corporation

Residential density increased in Core to 60 persons/acre
Compared to 39/acre PHL; 15/acre in suburbs
Center City = 4 x suburban population density

Central Philadelphia Development Corporation

Density = 63% of residents in core; 57% in extended Get to work without a car; 39% in core walk to work



Central Philadelphia Development Corporation

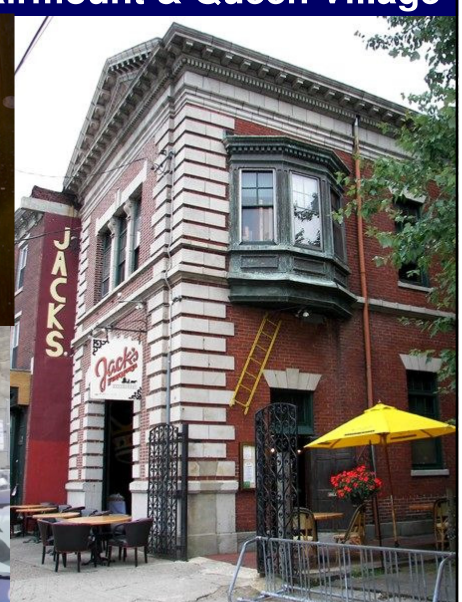
Density drives demand for retail: new supermarkets

Central Philadelphia Development Corporation

Return of corner stores in surrounding neighborhoods

Central Philadelphia Development Corporation

Revived retail corridors: Fairmount & Queen Village



Central Philadelphia Development Corporation

Passyunk Avenue & South Street West

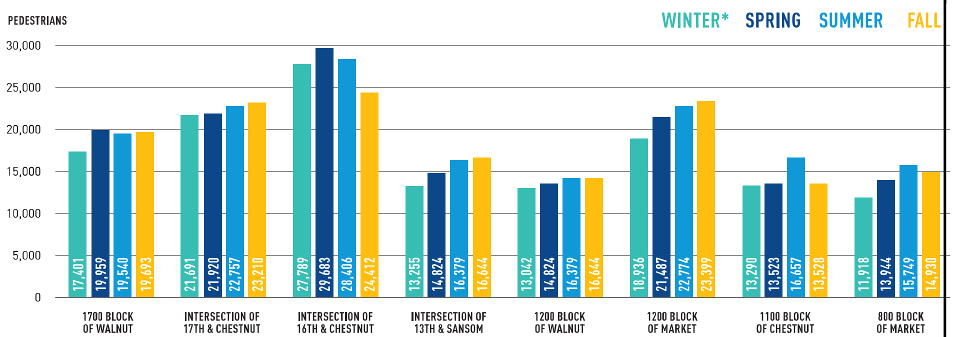
Central Philadelphia Development Corporation

Frankford Avenue in Fishtown

Central Philadelphia Development Corporation

Surging pedestrian volumes in the retail core: Market, Chestnut, & Walnut Streets

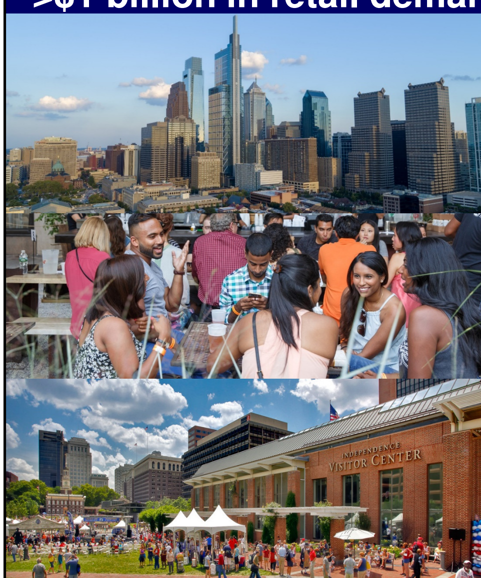
PEDESTRIAN VOLUMES ON PRIME RETAIL STREETS HAVE INCREASED 30% TO 40% SINCE THE CITY'S ECONOMY HAS COME OUT OF RECESSION



Source: Motionloft Pedestrian Counts; Center City District
*Note: Winter includes December 2017, January 2018 and February 2018

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Workers + residents + visitors = >$1 billion in retail demand concentrated downtown



RETAIL DEMAND FOR SHOPPERS' GOODS, 2018

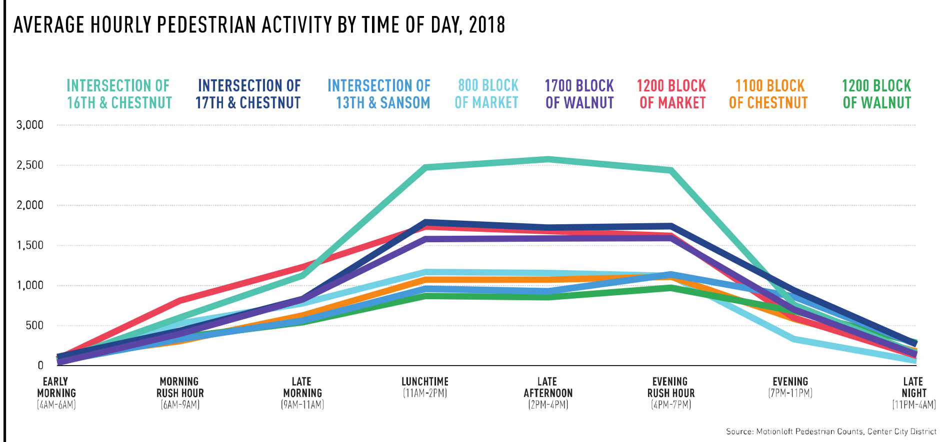
JOB MARKET	CORE CENTER CITY	GREATER CENTER CITY
Office Workers	146,400	158,300
Other Workers	114,000	147,200
Total Workers	260,400	305,500
RESIDENTIAL POPULATION MARKET		
Owner Occupied Housing	24,075	84,832
Renter Occupied Housing	39,122	102,102
Population in other living arragements	3,575	6,254
Population (2018)	66,773	193,187
VISITOR MARKET		
Hotel Rooms		12,283
Overnight Visitors		3,530,000
DOLLARS OF DEMAND FOR SHOPPERS' GOODS		
Office Workers	$155,769,600	$168,431,200
Other Workers	$60,306,000	$77,868,800
Residents	$128,204,160	$370,919,040
Overnight Visitors	$473,020,000	$473,020,000
TOTAL	**$817,299,760**	**$1,090,239,040**

* Dollars of demand for each market segment are CCD calculations based on retail industry standards.

U.S. Census Bureau, Local-Employment Household Dynamics; Bureau of Labor Statistics, Current Employment Statistics; U.S. Census Bureau, American Community Survey, 2013-2017, CCD Population Estimates; Philadelphia Convention & Visitors Bureau

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Multiple sources of demand mean that ped volumes rise at lunchtime & are sustained well into the evening hours

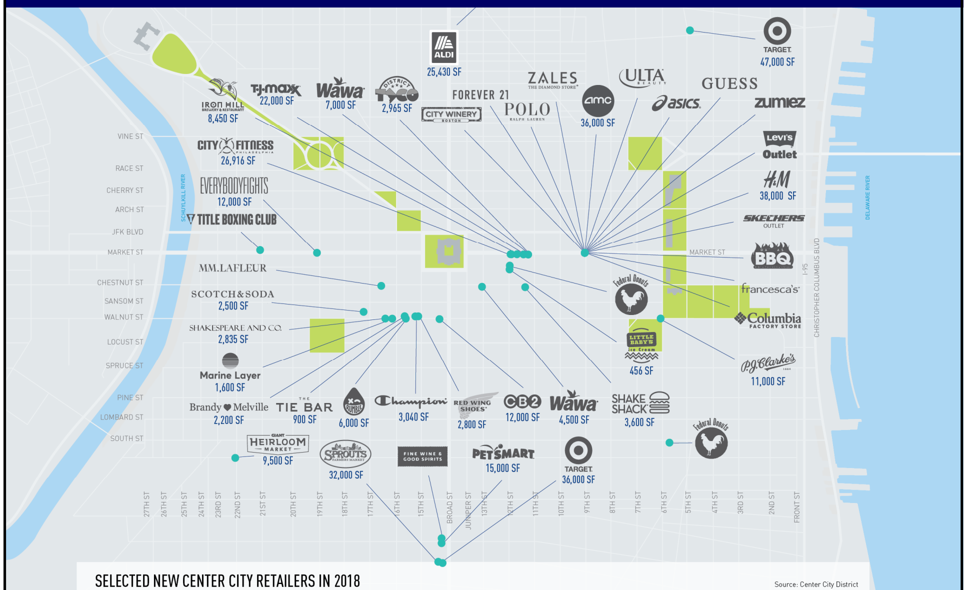


Central Philadelphia Development Corporation

Density supports a thriving retail scene
743 local proprietors; 243 national chains

Central Philadelphia Development Corporation

In retail, we are attracting many national, out-of-town brands

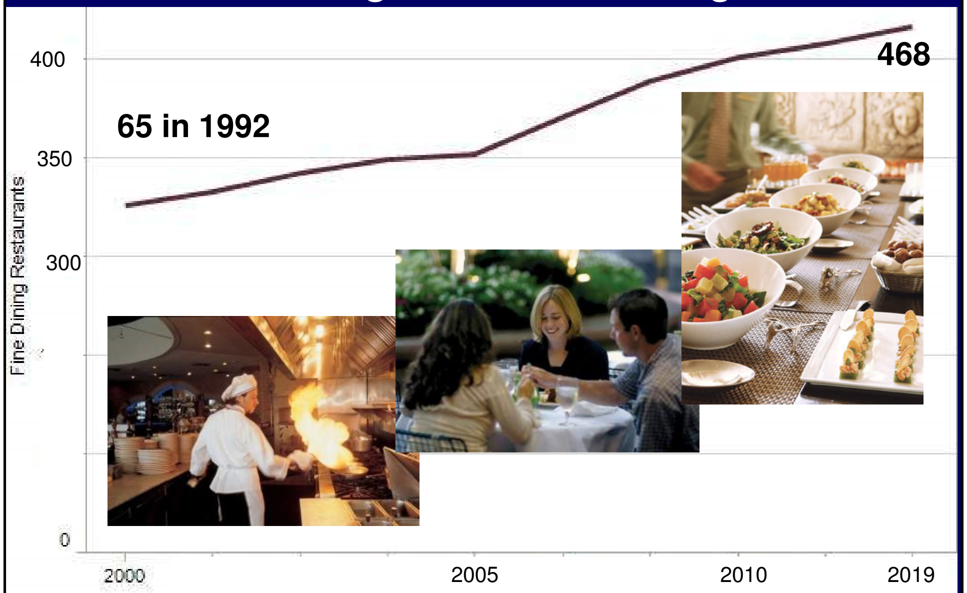


Central Philadelphia Development Corporation

Part of a broader effort to support retail attraction Philadelphia Retail Marketing Alliance

Central Philadelphia Development Corporation

Continuous growth in fine dining restaurants



Central Philadelphia Development Corporation

468 full-service restaurants

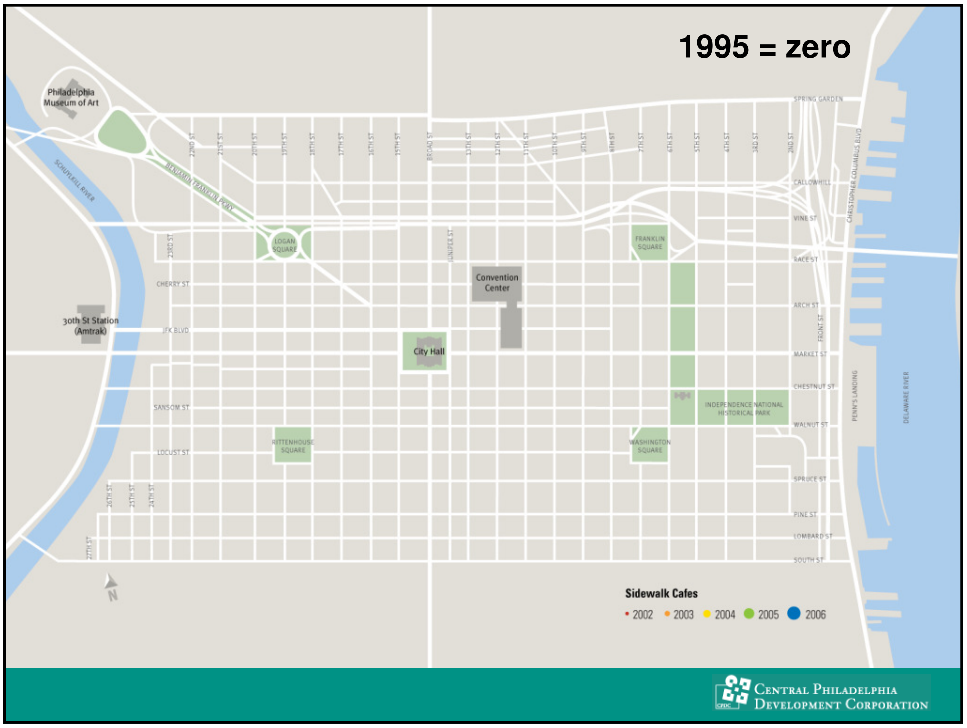
Central Philadelphia Development Corporation

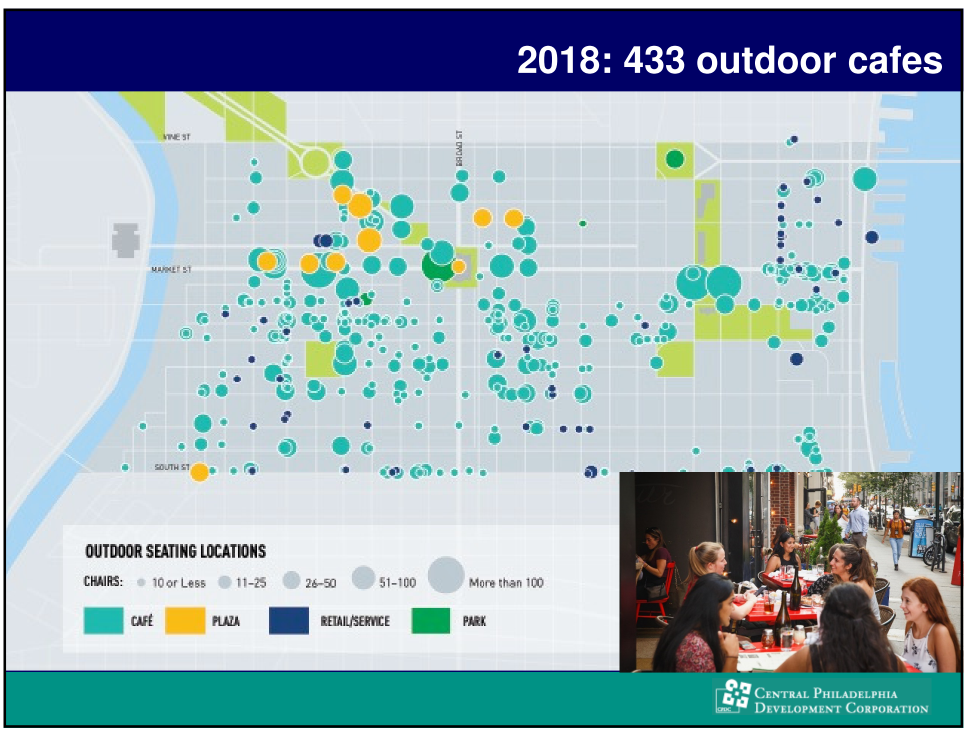
Largest retail promotion: 2 x year: Restaurant Week

Central Philadelphia Development Corporation

Flourishing of sidewalk cafes

Central Philadelphia Development Corporation


1995 = zero
Philadelphia Museum of Art
30th St Station (Amtrak)
Convention Center
City Hall
Sidewalk Cafes
2002 2003 2004 2005 2006
Central Philadelphia Development Corporation


2018: 433 outdoor cafes
VINE ST
BROAD ST
MARKET ST
SOUTH ST
OUTDOOR SEATING LOCATIONS
CHAIRS: 10 or Less 11–25 26–50 51–100 More than 100
CAFÉ PLAZA RETAIL/SERVICE PARK
Central Philadelphia Development Corporation

Promote after work amenities
Bars & outdoor cafes: SIPs

Central Philadelphia Development Corporation

Multiple mixed-use projects on Market East

Central Philadelphia Development Corporation

Changing the retail landscape: September 2019

PREIT's Fashion District will open

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

The challenge:

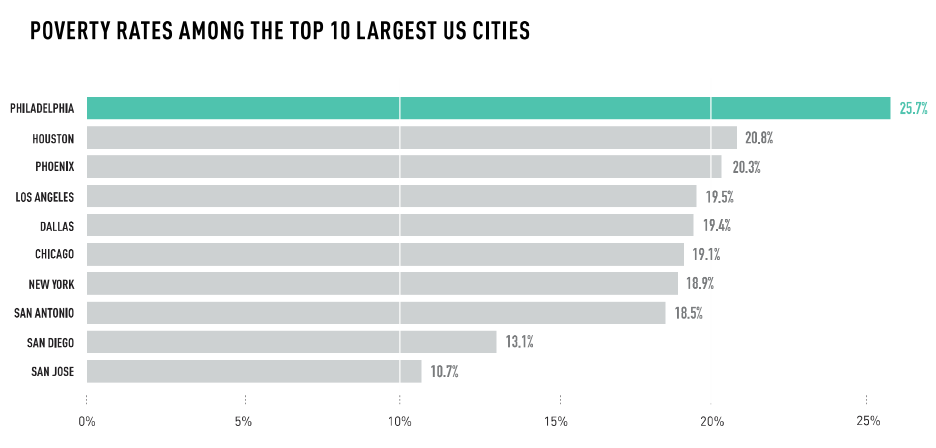
Growth in Center City & University City isn't broad enough to replace all the lost jobs from the manufacturing age

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

There is wealth of good news & business opportunity
But pull the camera back…………

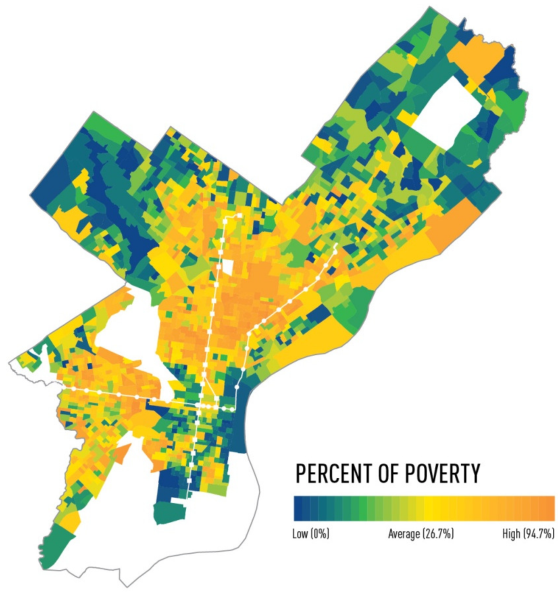
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

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



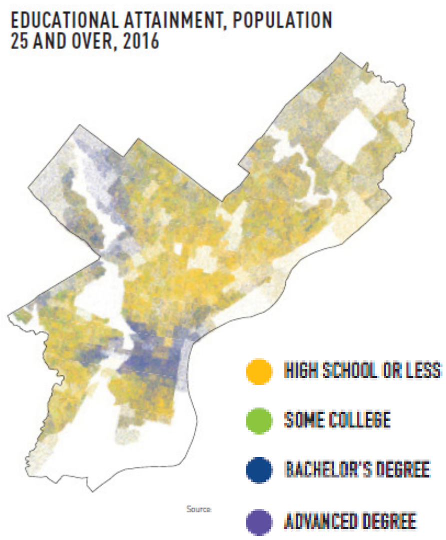
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Huge income disparities in the city: poverty



Central Philadelphia Development Corporation

Disparities in education levels



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

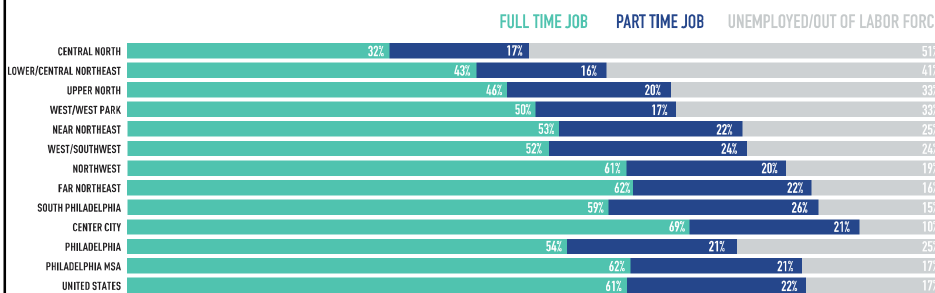
26% Citywide with BA

Many not completing HS

Central Philadelphia Development Corporation

Disparities in labor participation rates:
While 90% Center City's adults are engaged in the workforce
Drops to 49% in North Philadelphia & 59% in Lower Northeast

LABOR FORCE PARTICIPATION - PRIME WORKING AGE EMPLOYMENT (25-54)



Source: US Census Bureau, American Community Survey 2017

Central Philadelphia Development Corporation

Major challenges in housing affordability that stem 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.

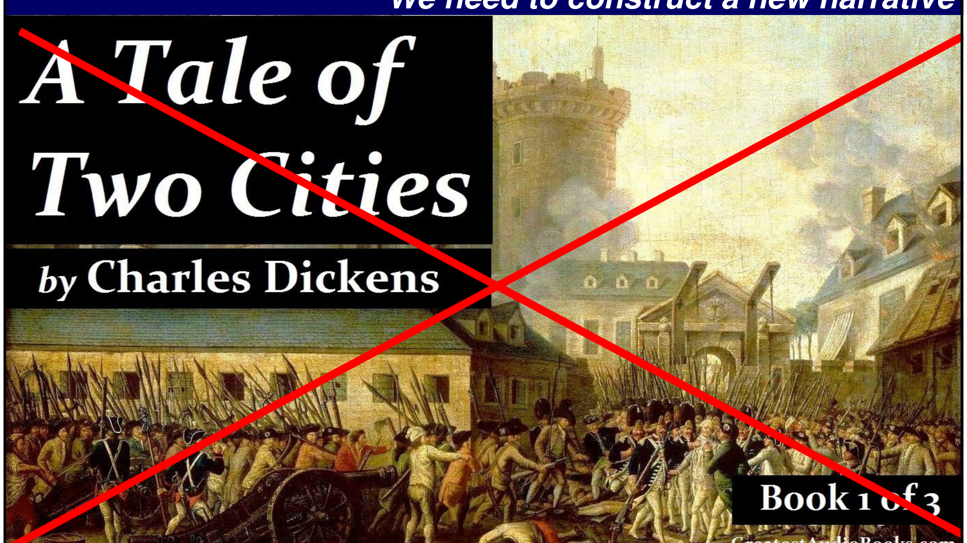
Source: US Census Bureau, American Community Survey 1 Year Estimates

Central Philadelphia Development Corporation

These disparities strongly impact public policy thinking
Produce local legislation that impacts the marketplace

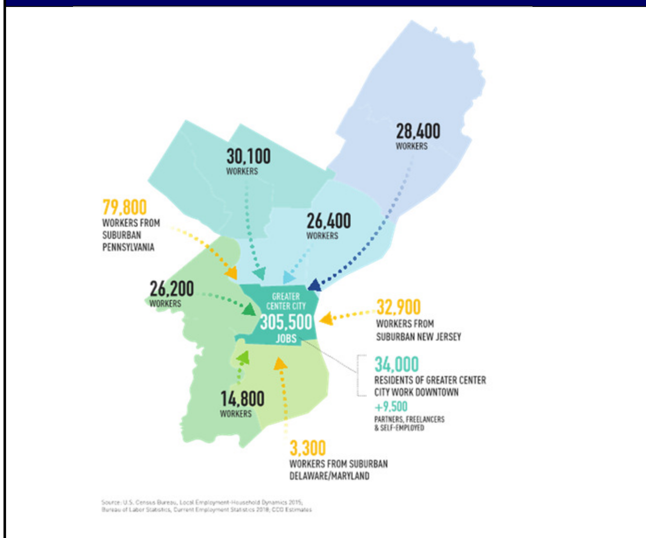
Central Philadelphia Development Corporation

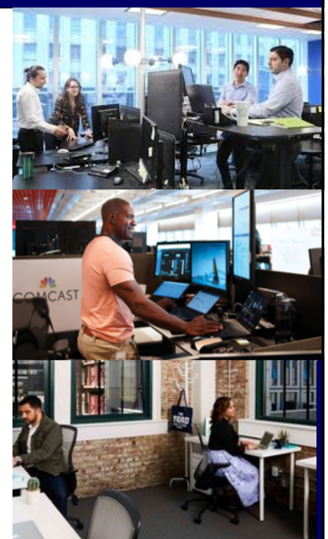
But we should reject the analogy of *two cities*
Because it leads to misguided legislative cures
We need to construct a new narrative



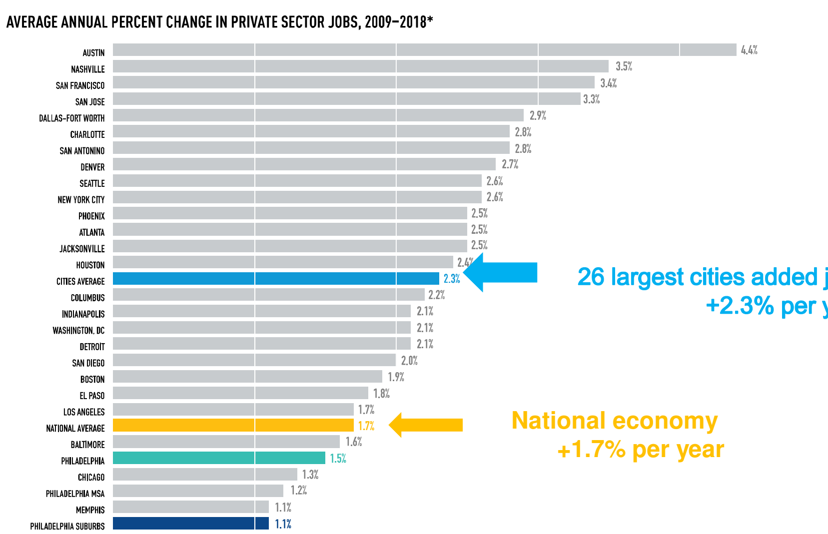
Central Philadelphia Development Corporation

Recall that 2/3 of jobs in Center City Don't require a college degree; accessible by SEPTA



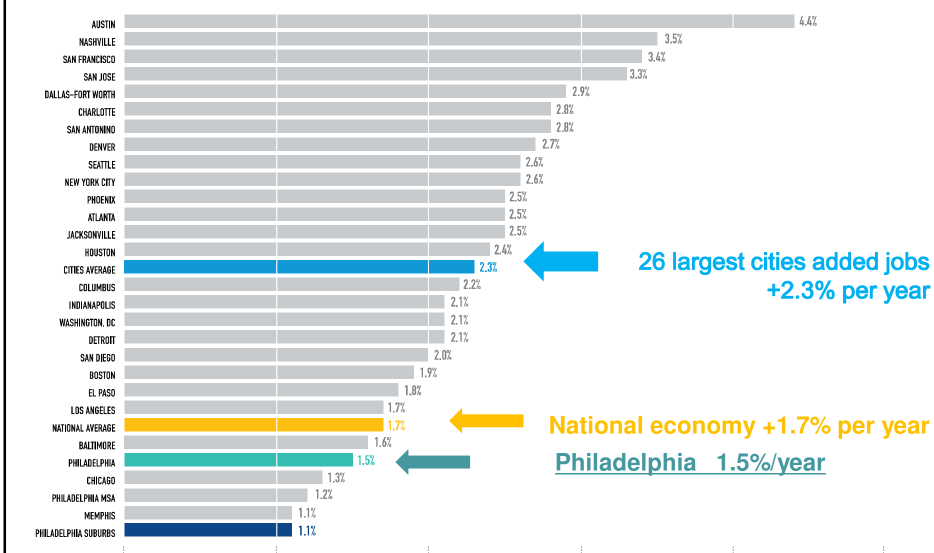


Nationally, since 2009 we've been living through an urban led economic recovery



Since 2009, Philadelphia averaged only 1.5%/year

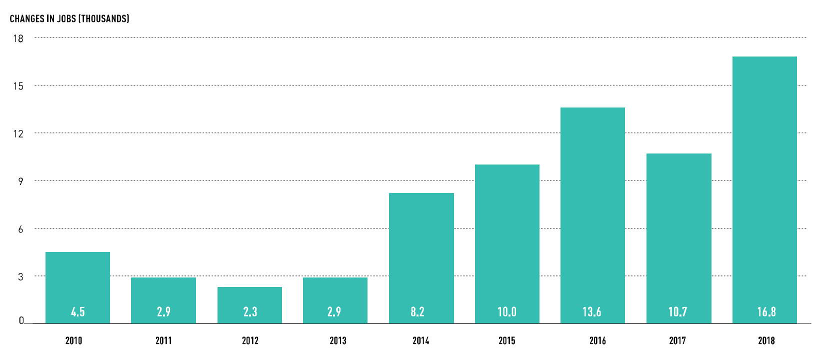
AVERAGE ANNUAL PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2009–2018*



Central Philadelphia Development Corporation

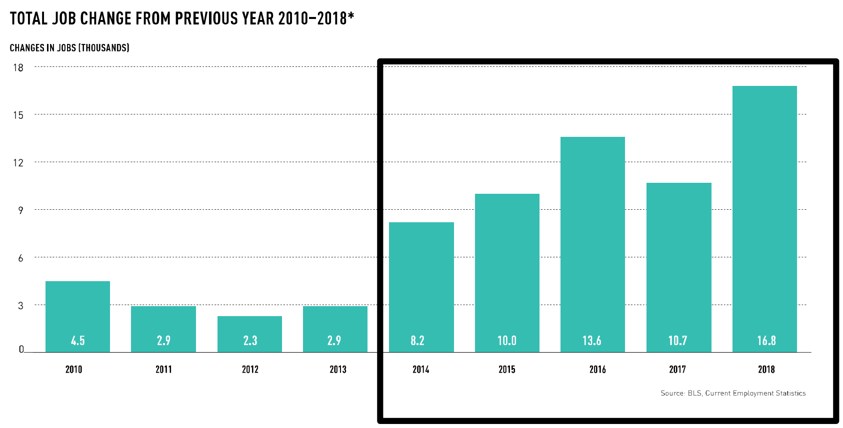
Last 3 years have been strong enough +2.1%
To lift us above Memphis & Chicago; 24th out of 26

TOTAL JOB CHANGE FROM PREVIOUS YEAR 2010–2018*



Central Philadelphia Development Corporation

But this pattern of late cycle growth….



Central Philadelphia Development Corporation

Documented in June Cushman report on employment
Over-achievers, Middle of Roaders & Late Bloomers

CUSHMAN & WAKEFIELD

CUSHMAN & WAKEFIELD RESEARCH

SPOTLIGHT ON U.S. EMPLOYMENT:
A Tale of 35 MSAs

JUNE 2019

Executive Summary

Office-using Job Growth and Net Absorption

Introduction

Overachievers: These MSAs, while not "all stars," are outperforming the U.S. as a whole. Employment growth from 2009 to 2018 ranged between 18.5% and 22.5% in these metros, all well above the national average.

MSA	COMPOSITE RANK LOWER IS BETTER	ASKING RENT CHANGE 2009-2018	TOTAL ABSORPTION (SF) 2010-2018	PROPERTY VALUE CHANGE CARG 2009-2018
Nashville	10.5	31.2%	7,342,590	6.8%
Phoenix	10.5	4.5%	16,675,050	6.7%
Denver	11.0	32.3%	14,206,696	8.7%
Atlanta	11.5	23.7%	13,599,173	5.3%
Houston	13.0	22.1%	7,854,337	12.7%
San Jose	13.0	45.9%	31,665,423	11.6%
Miami	13.5	26.6%	5,800,451	2.8%
Charlotte	14.0	30.1%	13,314,688	3.2%
Seattle	14.5	26.1%	23,972,729	6.2%
Los Angeles	15.5	22.8%	12,757,864	7.5%
San Antonio	18.5	21.6%	2,758,775	-1.6%

Late Bloomers. Some MSAs experienced relatively modest job growth early in the expansion, only to see that growth accelerate as the economy continued to expand. To capture this upshift in employment growth we looked at the change in employment in each of these MSAs in the first five years of the expansion compared to the most-recent four years. For each metro, growth in the last four years has far outperformed that in the first five years of the expansion. On average, the acceleration has been about 140 basis points (bps) per year. In every MSA except Tampa, growth more than doubled.

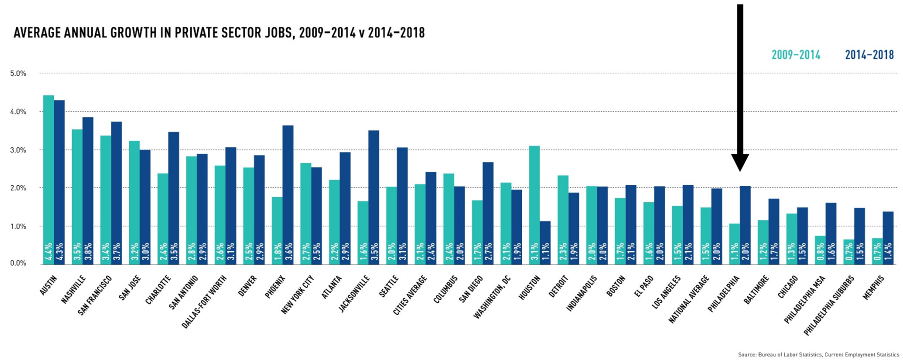
MSA	COMPOSITE RANK 2009-2014 LOWER IS BETTER	COMPOSITE RANK 2014-2018 LOWER IS BETTER	TOTAL RANK	ASKING RENT CHANGE 2009-2018	TOTAL ABSORPTION (SF) 2010-2018	PROPERTY VALUE CHANGE CARG 2009-2018
Las Vegas	30.5	14.5	22.0	-17.8%	3,838,730	-1.3%
Tampa	23.5	15.5	22.5	11.7%	5,895,441	4.5%
Jacksonville	31.5	19.5	26.0	3.2%	2,932,145	5.4%
Oakland	29.5	24.0	26.5	48.5%	9,014,206	4.0%
Sacramento	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philadelphia	36.0	24.5	31.5	15.2%	3,769,136	9.0%
Memphis	43.5	39.0	41.0	7.5%	1,505,564	-4.0%

Source: Cushman & Wakefield Research, Real Capital Analytics

Central Philadelphia Development Corporation

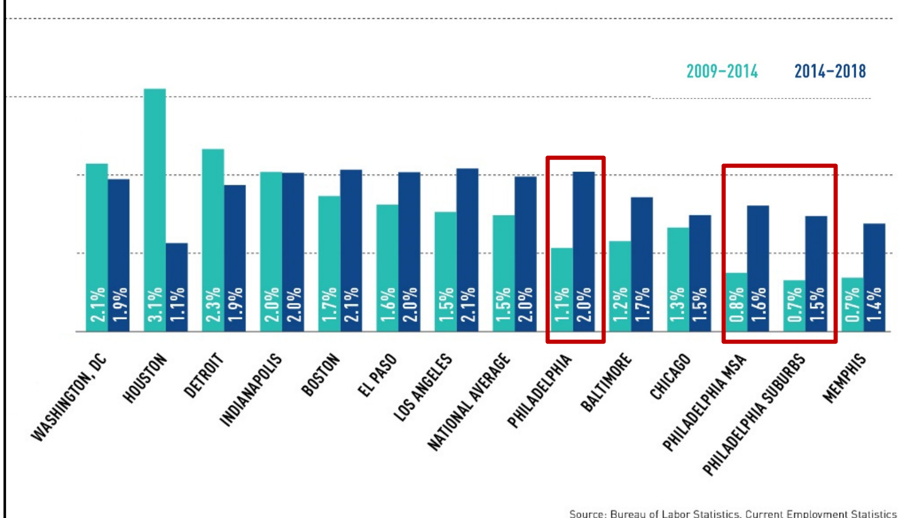
Report focused on MSA's; we've isolated just cities
Compared job growth 2009-2014; 2014-2018

Philadelphia as late bloomer



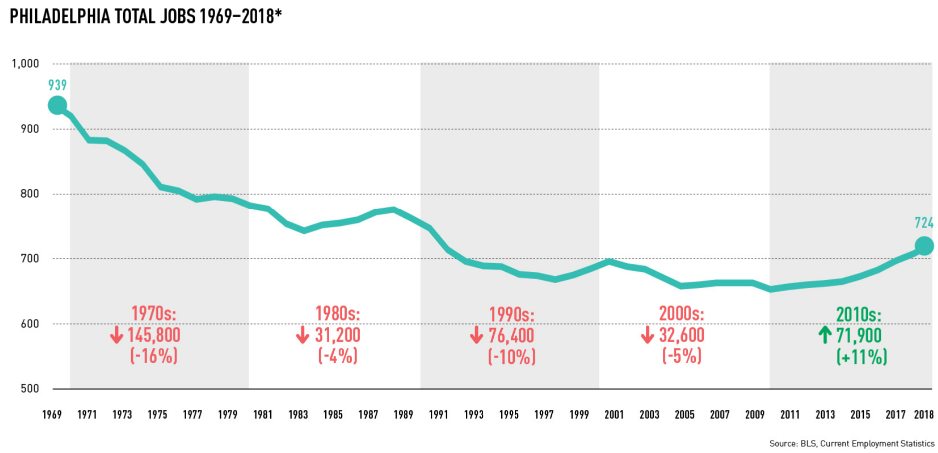
Central Philadelphia Development Corporation

Problem #1: Philadelphia as late bloomer



Central Philadelphia Development Corporation

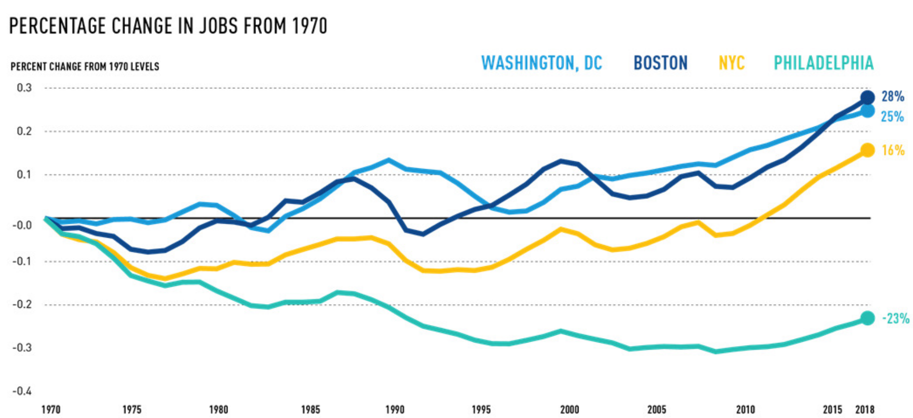
Problem #2: Digging out of really deep hole
23% below 1970 job levels; 22,300 jobs below 1990



Central Philadelphia Development Corporation

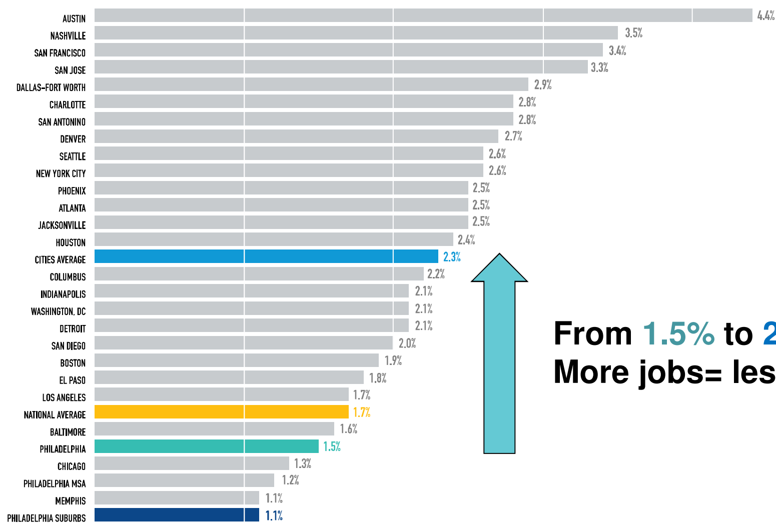
Boston & NYC also lost 85-90% of 1970 manufacturing jobs
Boston up +28% & New York +16% above their 1970 job levels

Philadelphia is down 23%



Central Philadelphia Development Corporation

Tale of one city that has not grown fast enough
We need to equal & sustain rate for 26 largest cities



From 1.5% to 2.3%
More jobs= less poverty

Central Philadelphia Development Corporation

What needs to be done?

Central Philadelphia Development Corporation

#1: Education & job training to prepare workforce
We can debate funding source, but not the need

Central Philadelphia Development Corporation

Elevate high-school & college graduate rates
Invest in job training

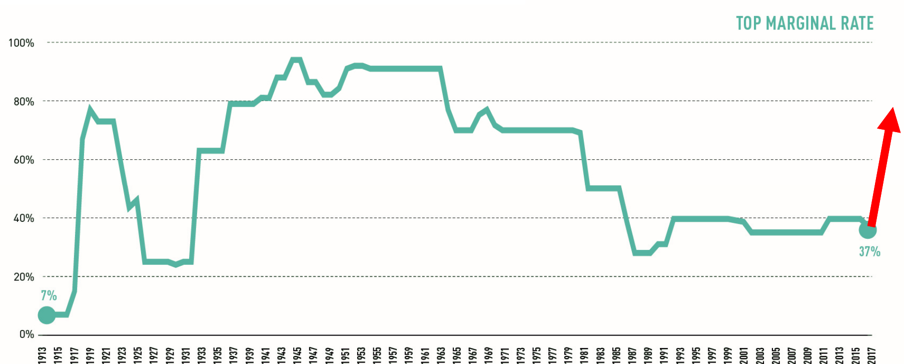
Center City District

#2: Need our elected leaders to understand "Equitable growth" is not just about redistribution It's about creating a tax & regulatory environment that encourages job growth

Central Philadelphia Development Corporation

Proposals at national level to raise marginal tax rates To fund health care, education & housing You can agree or disagree

Tax rates: 1913-2019

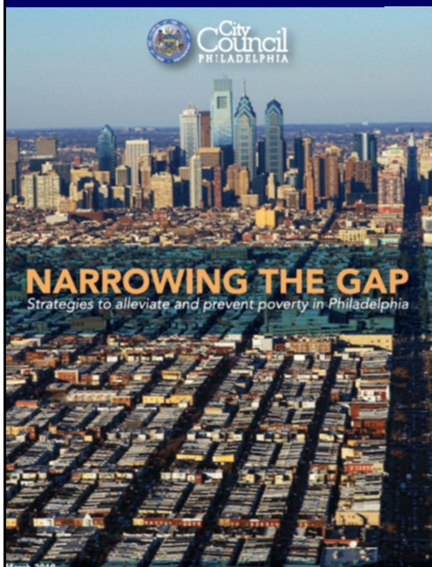


Note: This table contains a number of simplifiations and ignores a number of factors, such as a maximum tax on earned income of 50 percent when the top rate was 70 percent and the current increase in rates due to income-related reductions in value of itemized deductions. Perhaps most importantly, it ignores the large increase in percentage of returns that were subject to this top rate.

Source: Eugene Steuerle, The Urban Institute; Joseph Pechman, Federal Tax Policy; Joint Committee on Taxation, Summary of Conference Agreement on the jobs and Growth Tax Relief REconciliation Act of 2003. JCX-54-03, May 22, 2003; IRS Revenue Procedures, various years.

Central Philadelphia Development Corporation

In absence of federal action, this has led to city legislation that seeks to carry out redistribution at the local level



HOUSING

Preserve Housing Affordability and Protect Existing Homeowners

Create a dynamic linkage fee to provide resources for affordable housing 3
Require preservation or creation of affordable housing for tax incentive recipients 4
Require that housing built on public land contain affordable units 5
Fully leverage the benefits of the new Federal Qualified Opportunity Zones Program 6
Partner with health care institutions to support affordable housing investments 7
Expand existing housing preservation and homeowner relief programs 8

Ensure Fair Housing for All

Increase tenant access to affordable counsel in housing court 9
Create a data collection and advanced notification framework for rentals and evictions. 10
Explore opportunities to support relocation assistance for displaced tenants 11
Pass fair chance housing legislation 12
Provide resources to improve rental units in exchange for rent stabilization 13

JOBS AND EDUCATION

Closing the Skills Gap

Bolster support for the School District of Philadelphia 14
Increase support for micro-enterprise development & grassroots entrepreneurship 15
Partner with building trades to provide job training for returning citizens 16
Sponsor programs to support hiring and training entry-level workers 17
Provide resources to support vocational and middle-college programs 18
Provide resources for short-term credentialing programs 19
Partner with universities to provide career coaching in every neighborhood 20

Fair Wages for Workers

Establish "Living Wage Philadelphia," a dynamic, voluntary wage certification program. 21
Implement a $15/hour wage for City contract workers 22

Enforce Protections for Workers

Require surety bonds and/or wage liens for unpaid wages 23
Enhance outreach about worker protection and fair hiring laws 24

SOCIAL SAFETY NET

Maximize Enrollment in Benefits Programs

Share benefits enrollment data for cross-enrollment 25
Maximize benefit utilization through schools, community hubs, and correctional facilities ... 26
Cross-promote existing City initiatives through unifying marketing resources 27

Support Financial Fairness and Empowerment

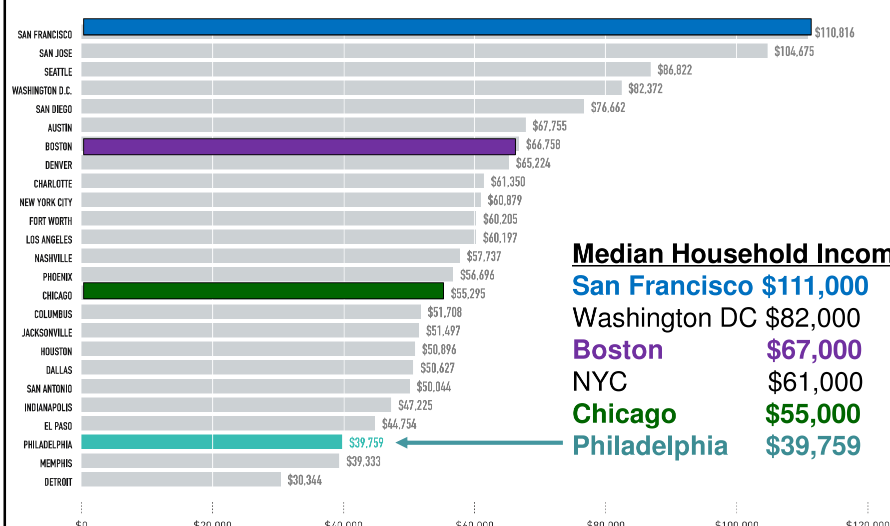
Make one-on-one financial counseling a right for all Philadelphians 28
Eliminate punitive supervision fees 29

About HR&A Advisors 30
References 31

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

We have limited wealth to redistribute locally

MEDIAN HOUSEHOLD INCOME AMONG THE TOP 25 LARGEST US CITIES



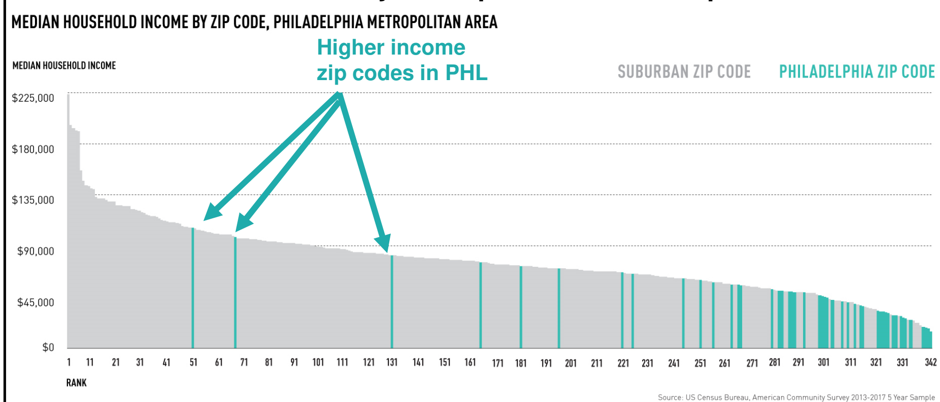
Median Household Income

San Francisco	$111,000
Washington DC	$82,000
Boston	$67,000
NYC	$61,000
Chicago	$55,000
Philadelphia	$39,759

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

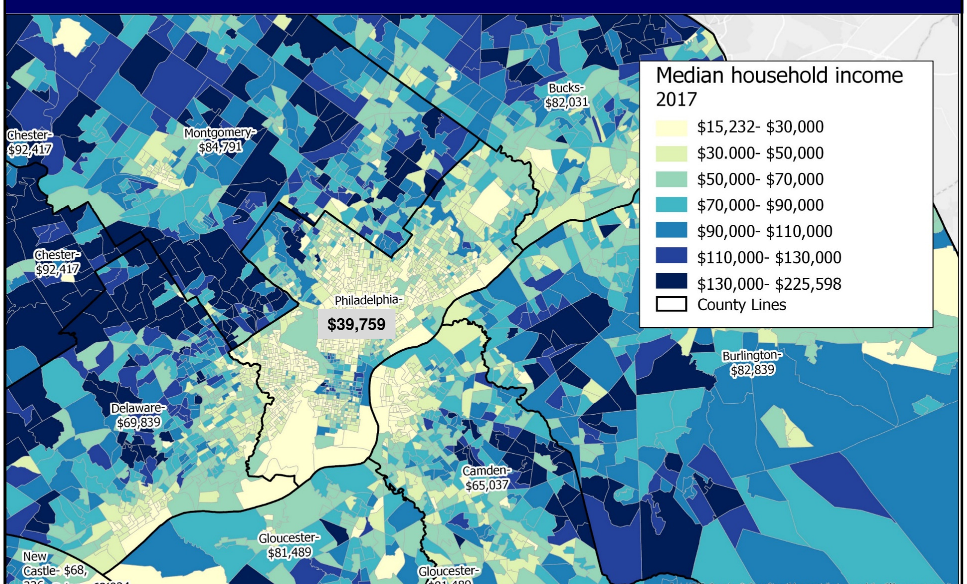
Despite a small handful of neighborhoods, wealth is NOT concentrated in the city

PHL's wealthiest Zipcode = 51st in region
Only 3 in top 150 out of 342 zips



Central Philadelphia Development Corporation

Wealth is concentrated in the suburbs



Central Philadelphia Development Corporation

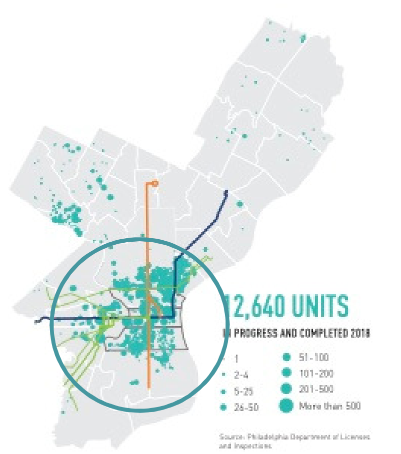
#3: City-wide Alliance for Growth
Raise incomes, reduce unemployment & poverty

By growing jobs: expand the pie - not just re-slice it

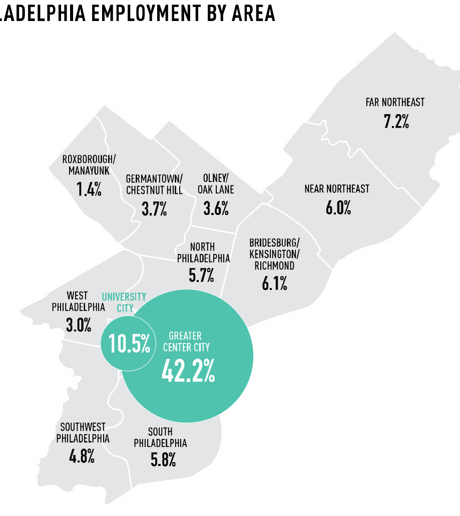
Central Philadelphia Development Corporation

81% of new housing built in just 17% of city's geography
Clustered around centers of job growth; transit connectively

HOUSING UNITS IN PROGRESS AND COMPLETED 2018



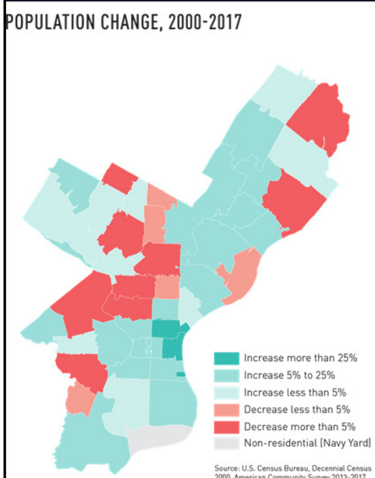
PHILADELPHIA EMPLOYMENT BY AREA



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

Central Philadelphia Development Corporation

But in 14 (30%) of zip codes, Philadelphia is still losing population



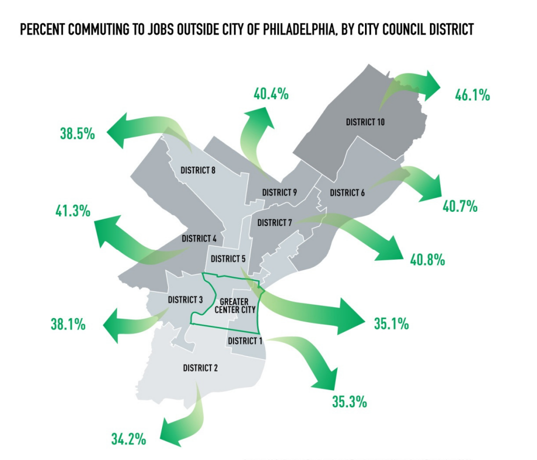
Despite success downtown, since 2010, 63,000 more residents of city neighborhoods left for homes in suburbs than moved from suburbs into city

Tide may be coming in young downtown
But in many areas old trends (1970s) persist

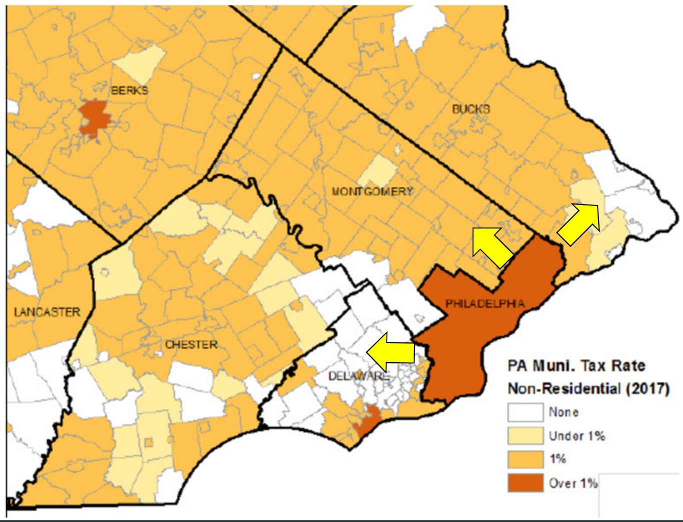
In both black & white neighborhoods outside downtown more individuals from households making over $100,000/year are moving out of the city than moving in

81% of households that left Philadelphia 2010-2017 *do not have children*

Likely explanation can be found 221,000 Philadelphia residents (40% of workforce) Reverse commute to suburbs each day



Find a home near your suburban job & get a raise! Philadelphia's 3.8% wage tax drops to 0% or 1%



Central Philadelphia Development Corporation

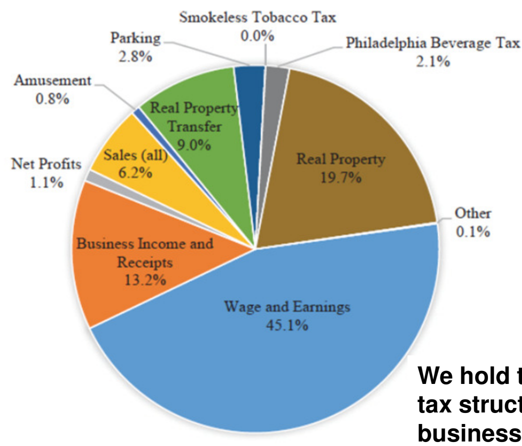
This may be the most potent tax incentive that Philadelphia offers

Central Philadelphia Development Corporation

Unusual mix of local taxes

61% Municipal tax revenue from wage & business taxes
19.7% comes from Real Estate tax

FY20 General Fund: Proposed Local Tax Revenues[1]

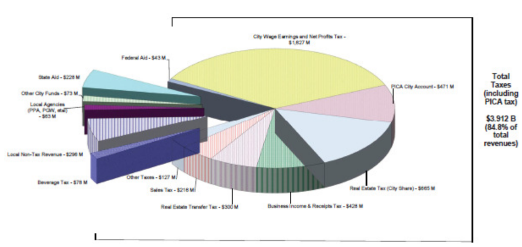


<u>**19.7% PHL RE TAX**</u>
92% Boston
42% NYC
32% Washington DC

We hold to manufacturing era tax structure when nearly all businesses are hypermobile

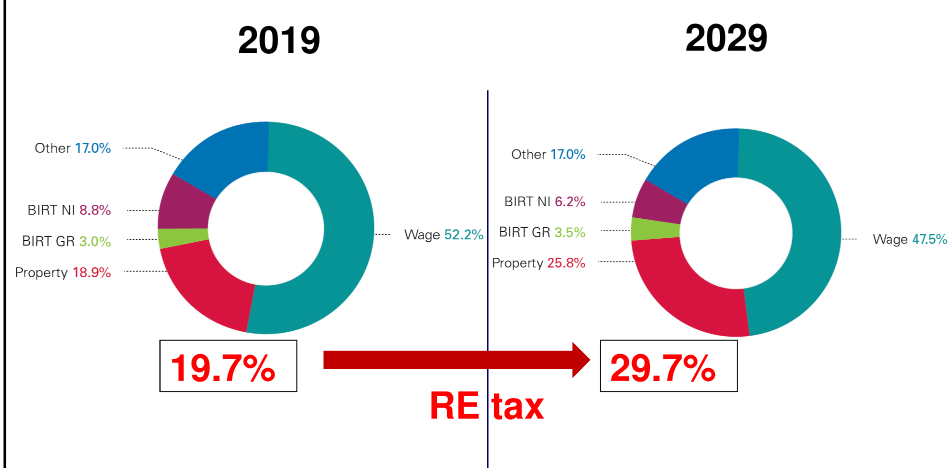
Tax Policy is not just about revenue generation It is about creating a climate that facilitates investment & job growth

City of Philadelphia
Fiscal Year 2019 Estimated Revenues
General Fund
Total Amount of Funds: $4.615 Billion



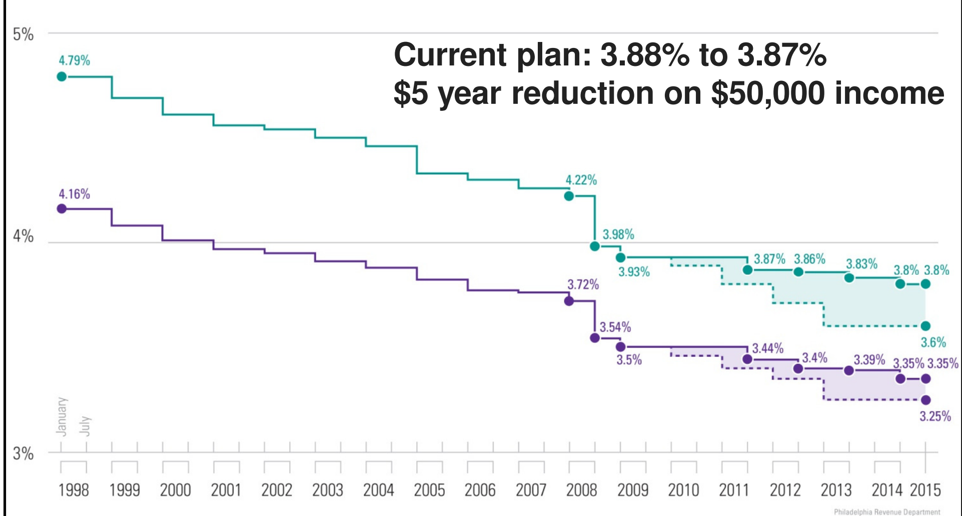
- **Philadelphia wage tax is almost 4 x regional median.**
- **BIRT has no counterpart & adds 20% to 50% premium**
- **Depresses office rents**
- **Property tax is 66% of suburban PA median**

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



CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

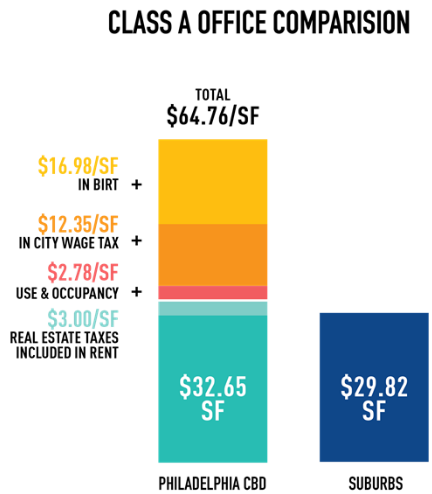
After robust tax reduction from 1996-2008
Rate of reduction significantly slowed after Recession



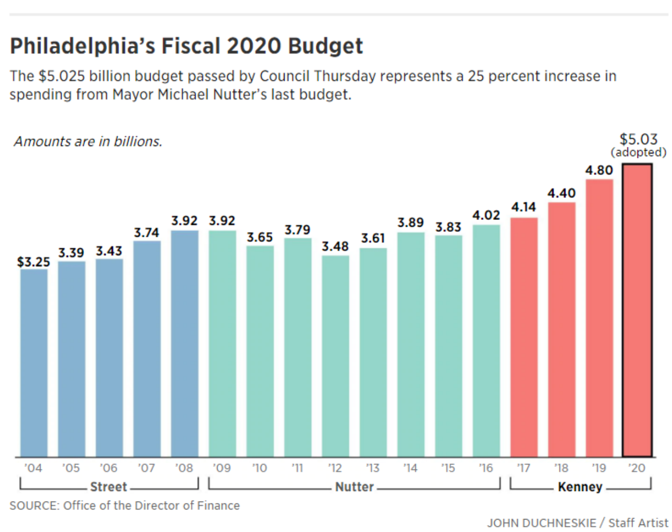
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

BIRT + U&O + wage tax puts damper of office rents Limiting all our competitive advantages

No reductions in BIRT; increases in U&0

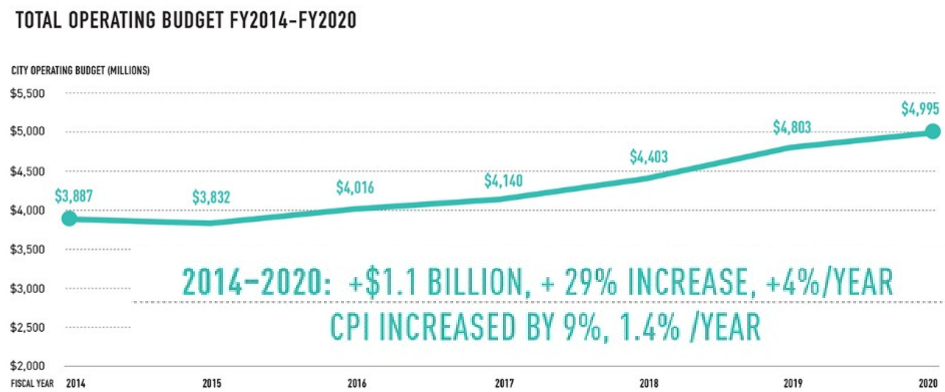


In this cycle of growth, Philadelphia spending nearly all the increased tax revenues that come in the door



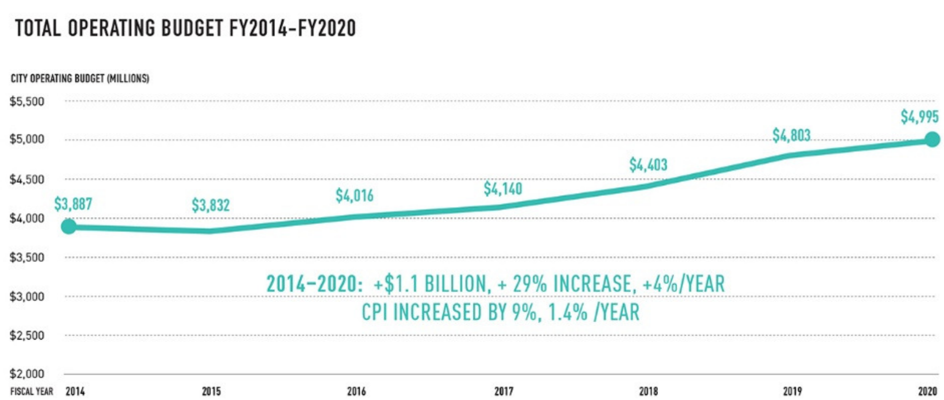
Central Philadelphia Development Corporation

City budget up by 29% since 2014 (4%/year; 1.4% cpi)
Additional expenditures for schools & pension liabilities



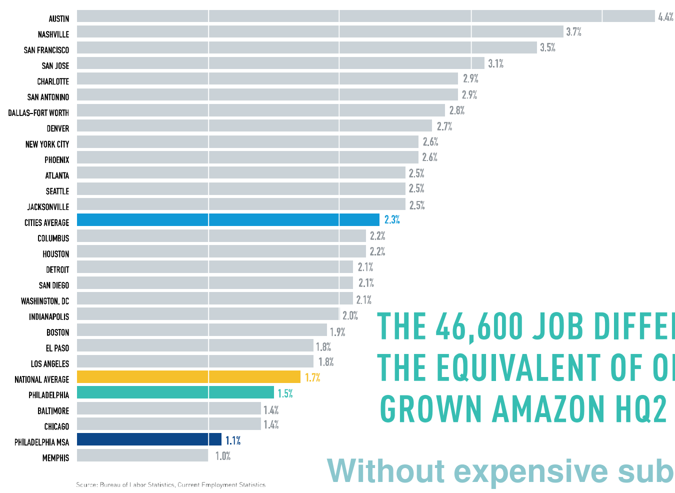
Central Philadelphia Development Corporation

We can achieve greater competitiveness if we invest some of proceeds of growth in accelerated wage & BIRT reduction
Job growth will expand the real estate tax base



Central Philadelphia Development Corporation

Had Philadelphia grown jobs since 2009 at the average rate of America's largest cities (2.3%/year) we would have added 117,000 new jobs, not 71,100….



THE 46,600 JOB DIFFERENCE IS THE EQUIVALENT OF ONE HOME-GROWN AMAZON HQ2

Without expensive subsidies

Central Philadelphia Development Corporation

City-wide Alliance for Growth
Raise incomes, reduce unemployment & poverty
Grow jobs: expand the pie - not just re-slice it

Central Philadelphia Development Corporation

Job growth will also generate more funding locally to fund public services & schools

Central Philadelphia Development Corporation

We have a dense, walkable downtown

Central Philadelphia Development Corporation

A city with great historical attractions

Central Philadelphia Development Corporation

Rich with cultural amenities

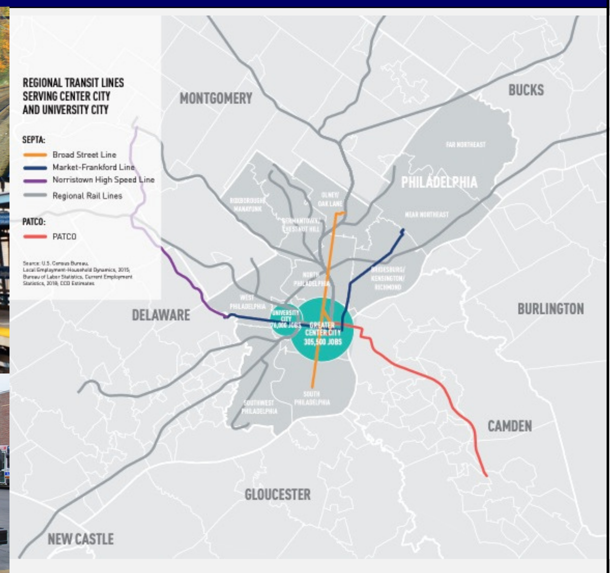
Central Philadelphia Development Corporation

A growing realm of high-quality public spaces

Central Philadelphia Development Corporation

Central Philadelphia Development Corporation

Transit & highways give employers access to…



Central Philadelphia Development Corporation

A very diverse 360 degree labor market

Central Philadelphia Development Corporation

Growing pool of talented & skilled young professionals living downtown

Central Philadelphia Development Corporation

Well-positioned for success

Central Philadelphia Development Corporation

To realize our full potential we need a city-wide alliance committed to job growth

Central Philadelphia Development Corporation

State of Center City 2019

INTRODUCTION & OVERVIEW	1
OFFICE	10
HEALTH CARE & HIGHER EDUCATION	17
CONVENTIONS, TOURISM & HOTELS	22
ARTS, CULTURE & CIVIC SPACES	28
RETAIL	32
EMPLOYMENT	38
TRANSPORTATION & ACCESS	48
DOWNTOWN LIVING	53
DEVELOPMENTS	60
CENTER CITY DISTRICT	62
ACKNOWLEDGEMENTS	71

Central Philadelphia Development Corporation