Job Growth through tax reform
Why HB 871 & SB 41 & how it will work

CHANGING THE TRAJECTORY
PUTTING PHILADELPHIA BACK TO WORK
A JOB GROWTH PROGRAM
APRIL 1, 2015

Philadelphia has been losing jobs for decades
People want to live & work here, but there are not enough jobs to retain them
We lost 284,344 (29.0%) jobs in the last four decades

THE CONSEQUENCES OF DECLINE

Philadelphia's unemployment rate increased from **6.3%** in 1990 to **10%** in 2013, while the national rate only rose from **5.6%** to **7.4%**.

Philadelphia has one of the highest poverty rates (**26.3%**) among major cities and one of the worst rates for deep poverty (**12.3%**).

37% of city residents outside of Center City need to commute to the suburbs to find work.

If Philadelphia continues on the same path we have followed since 1990, there will be **35,000 to 40,000 fewer jobs in the city by 2025**.

Small and minority-owned businesses struggle to grow in a contracting market.

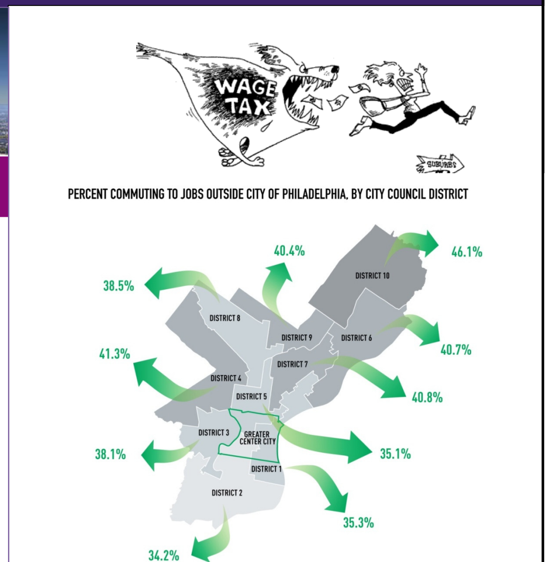
93% of Philadelphia's General Fund Revenues are generated locally; only **7%** comes from state or federal sources. As long as jobs decline, we will never have sufficient revenues for services and schools.

Philadelphia Wage and Salary Jobs, 1970-2013

The rate of decline has slowed, but Philadelphia has 10.6% (82,698) fewer wage and salary jobs than in 1990, while the nation added 22%. Peer cities rebounded from recession, Philadelphia still has 4% fewer wage and salary jobs than in 2000.

Comparison with Other Cities 1970-2013

Job decline is no longer the fate of old cities: Peer cities lost the same percent of manufacturing jobs but added many more new jobs. Employment levels in Boston, New York and Washington, D.C. are well above 1970 levels; Philadelphia's pattern looks more like Detroit's.



THE JOB GROWTH COALITION

A broad coalition of supporters
Has come together around jobs
www.PhiladelphiaGrowthCoalition.com

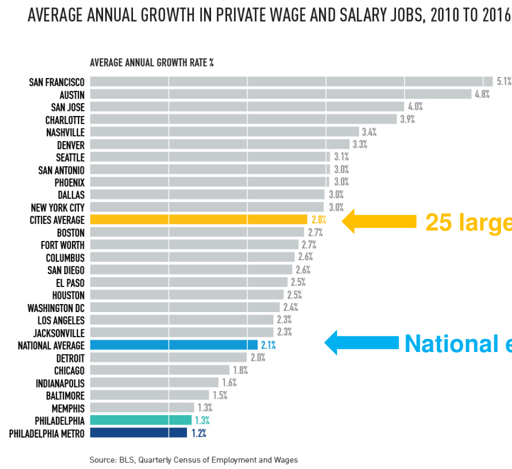
SUPPORTERS:

African American Chamber of Commerce
Brandywine Realty Trust
Building Owners' & Managers' Assoc., Phila
Central Philadelphia Development Corporation
Committee of 70
Economy League of Greater Philadelphia
General Building Contractors Association
Greater Philadelphia Hispanic Chamber of Commerce

Int'l Brotherhood of Electrical Workers, Local 98
Metropolitan Regional Council of Carpenters
Northeast Chamber of Commerce
Parkway Corporation
Philadelphia Building and Construction Trades Council
PREIT
Service Employees Int'l Union, Local 32BJ

THE JOB GROWTH COALITION

Nationally, we're in the midst of an urban led economic recovery

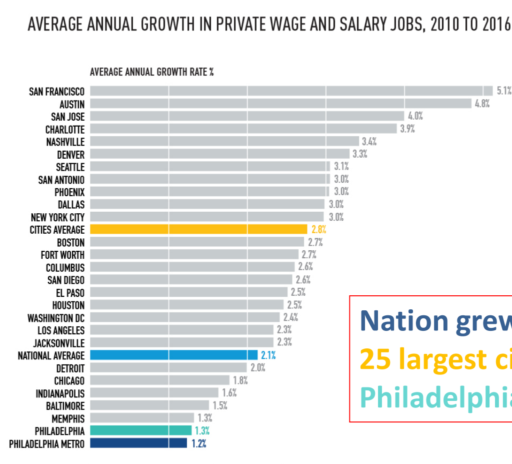


25 largest cities +2.8% per year

National economy +2.1% per year

THE JOB GROWTH COALITION

Coming out of recession: 25 largest cities all grew faster than Philadelphia 2010-2016

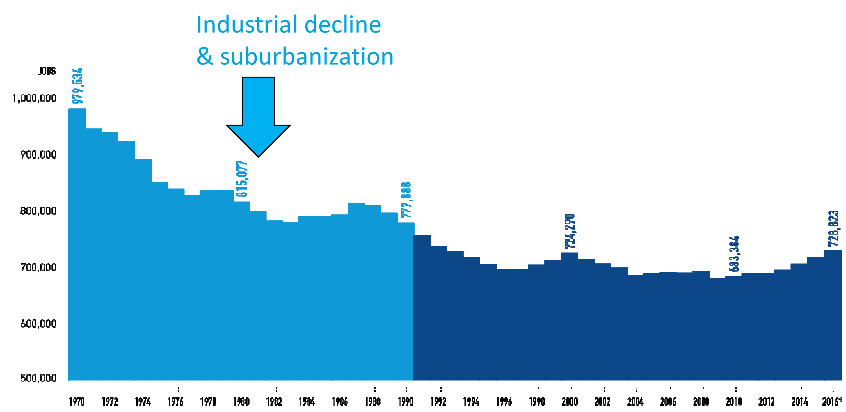


Nation grew at	2.1%/year
25 largest cities	2.8%/year
Philadelphia	1.3%/year

THE JOB GROWTH COALITION

PHL digging out from a long-period of job decline
Philadelphia has 27% fewer jobs than in 1970

FIGURE 6: TOTAL WAGE AND SALARY EMPLOYMENT, 1970–2016

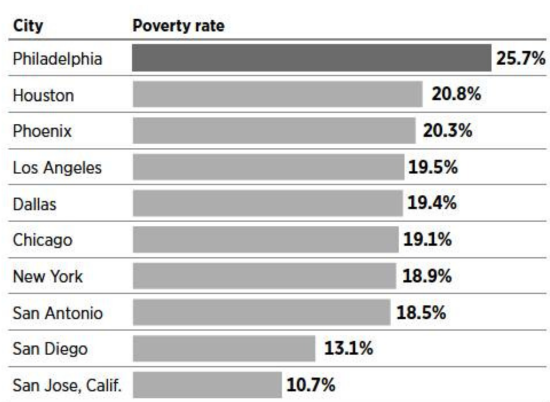


THE JOB GROWTH COALITION

Philadelphia has the highest poverty rate
& one of the highest unemployment rates in the northeast

Poverty Rate Among the Largest U.S. Cities

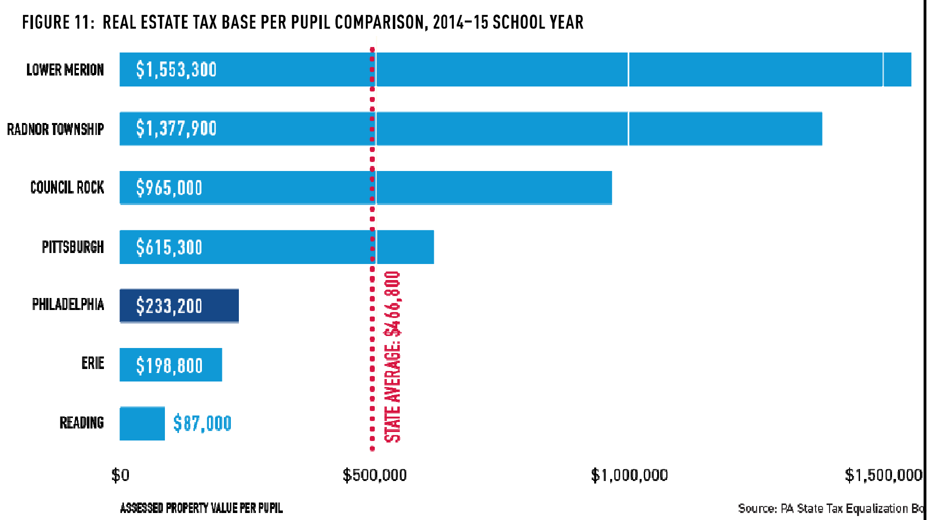
Philadelphia retains its distinction of having the highest poverty rate among the 10 largest U.S. cities, according to 2016 census estimates.



SOURCE: U.S. Census Bureau, 2016 American Community Survey Staff Graphic

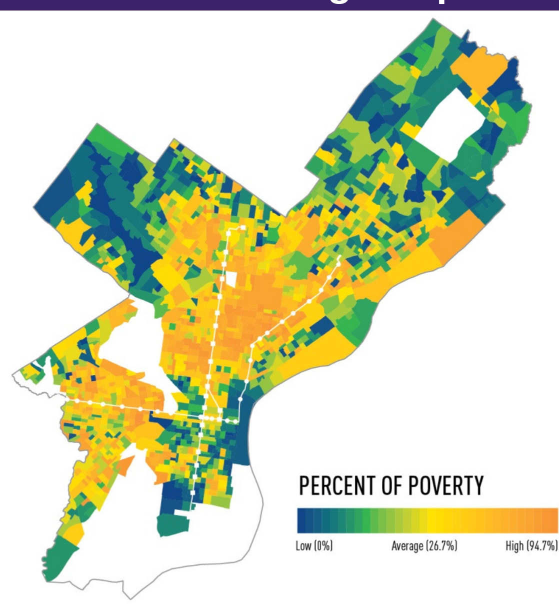
THE JOB GROWTH COALITION

Philadelphia has inadequate funding for schools
Assessed value per student



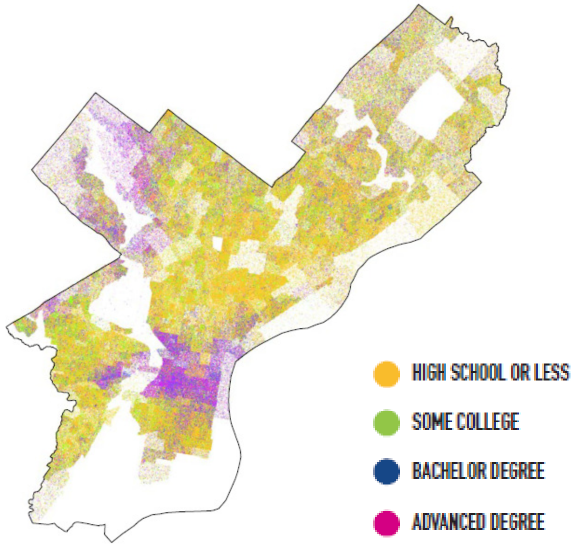
THE JOB GROWTH COALITION

Creates huge disparities in the city



THE JOB GROWTH COALITION

Education levels

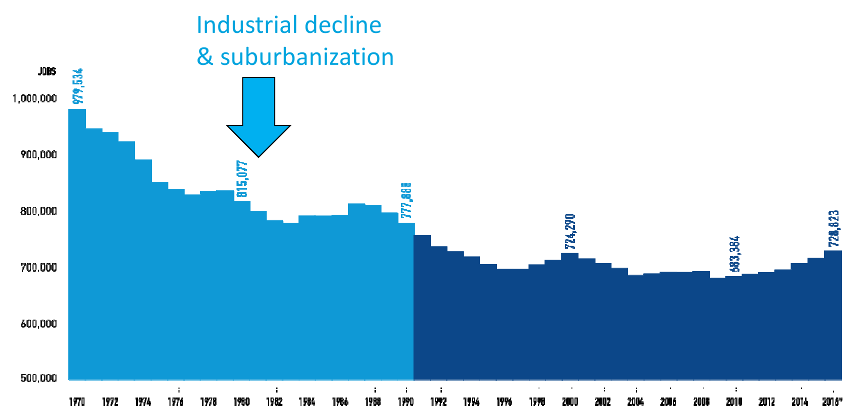


Source: US Census Bureau, American Community Survey 2010-2014

THE JOB GROWTH COALITION

Both poverty & under-funded schools are a direct result of job loss

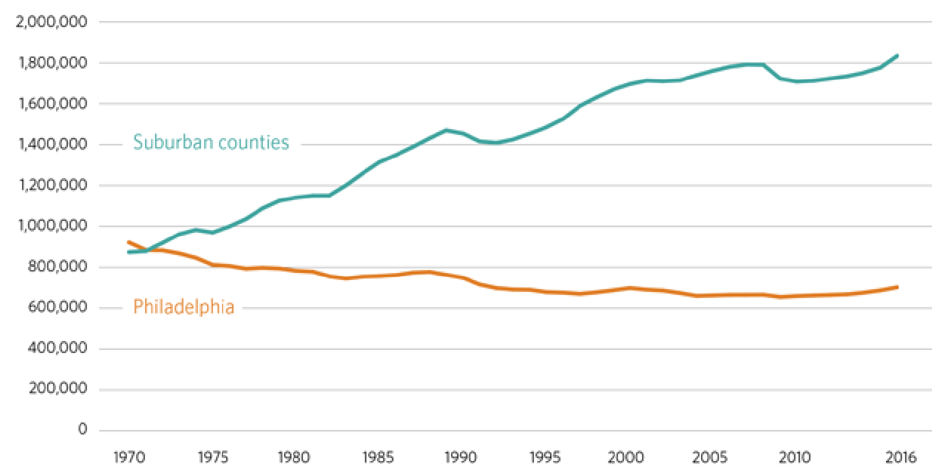
FIGURE 6: TOTAL WAGE AND SALARY EMPLOYMENT, 1970–2016



THE JOB GROWTH COALITION

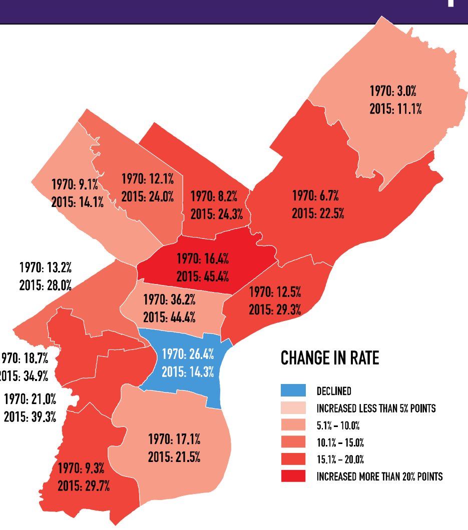
As Philadelphia lost ¼ of its jobs, Surrounding suburbs saw jobs increase by 110%

Number of Jobs in Philadelphia and Suburban Counties, 1970-2016



THE JOB GROWTH COALITION

Poverty rate went up everywhere in Philadelphia: Between 1970-2015 except Center City



*Boundaries on the maps on this page are based on Philadelphia City Planning Commission Districts.

Sources: U.S. Census 1970; ACS 2015 5-Year

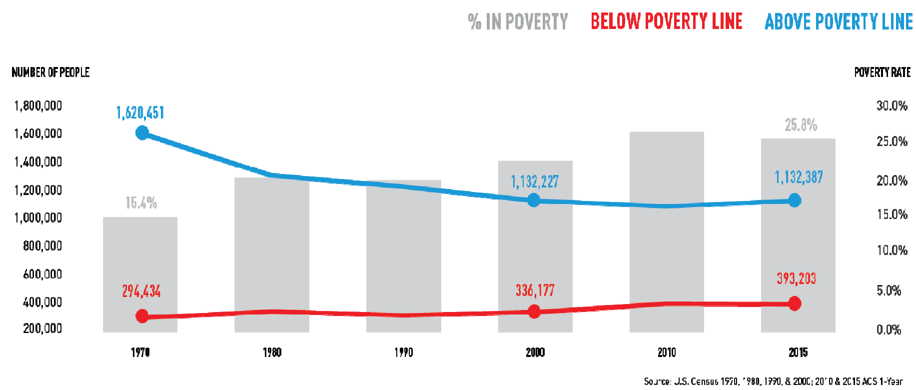
THE JOB GROWTH COALITION

Numbers, rather than rates, tell a different story

Modest increase in numbers in poverty +100,000

Big loss in middle income & working class residents (-500,000)

2,200/year compared to 11,100 per year



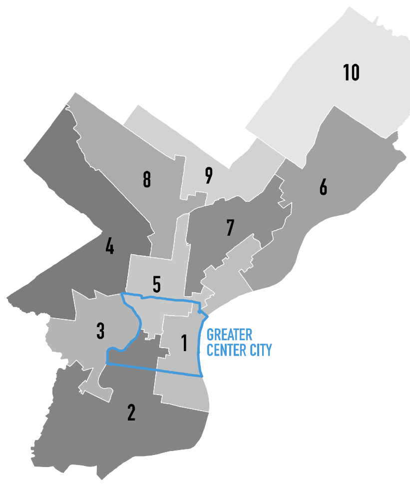
THE JOB GROWTH COALITION

Philadelphia poverty rate is a result in part of 5 times as many middle & working class residents leaving

THE JOB GROWTH COALITION

Shapes the politics of the city

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	14%	8%
2nd District	23%	9%
Outside Greater Center City	27%	10%
Inside Greater Center City	13%	7%
3rd District	39%	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%	5%

THE JOB GROWTH COALITION

Challenge of Incomplete Revival


CENTER CITY REPORTS

PHILADELPHIA: AN INCOMPLETE REVIVAL

JANUARY 2017

CENTER CITY DISTRICT
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

FIND MORE REPORTS AT:
CENTERCITYPHILA.ORG

MATT STANLEY

Time for Tax Reform: Last summer, both the Pennsylvania House and Senate passed HB 1871, providing Philadelphia with the flexibility to assess properties used for business purposes at a higher rate than residential properties, so long as all the incremental revenues raised are used to lower the City's wage and business taxes. In the coming session, the State House and Senate will vote again on what is now called *Joint Resolution 2016-3*. This report highlights the direct relationship between Philadelphia's antiquated tax policy, slow job growth and high poverty rate and suggests a path to more robust, citywide growth.

American cities have outperformed the national economy in recovering from the Great Recession. The 25 largest U.S. cities have added jobs at the rate of 2.8% per year between 2010 and 2015, while job growth for the nation as a whole has been 2.2% per year. Philadelphia's job growth, however, has lagged far below the national average, at just 1.1% per year, slower than in Baltimore, Detroit and Memphis. These statistics may seem out of sync with the signs of success rising on the skyline of Center City and University City each day, but they reveal the physically limited and incomplete nature of Philadelphia's revival.

Of the 25 most populous counties in the U.S., Philadelphia has the dubious distinction of ranking the highest for both its adult poverty rate (25%) and child poverty rate (38%) and last in terms of median income, at $41,210. In four of Philadelphia's ten Council Districts (Third, Fifth, Seventh and Eighth), the poverty rate is significantly above the citywide average, peaking at well above 40% in portions of eastern North Philadelphia and Kensington.

Philadelphia has experienced sustained employment and population growth in its two largest employment nodes, Center City and University City, which together provide 53% of all jobs in the city (see Figure 1). Both are thriving success stories. Thirty-one percent of the working residents of each Council District, living outside Greater Center City, commute to work in these two transit-oriented job centers. The Navy Yard, the Port of Philadelphia, Philadelphia International Airport, Temple University, industrial parks and retail centers in the northeast provide other smaller nodes of city-based opportunities, totaling less than 10% of city jobs.

But on average, 39% of the working residents of each Council District are reverse commuting to jobs each day in the suburbs, sometimes taking multiple train and bus trips more than an hour each way.[1] The educational requirements for suburban jobs are not different from those required for city-based jobs; there are simply more suburban opportunities. Except where population is being replenished by foreign immigration, these same neighborhoods with high reverse-commuting rates are continuing to lose residents to the suburbs. Outside Greater Center City (Girard Avenue to Tasker Street), every portion of the city has seen its poverty rate increase substantially since 1970 (Figures 2 and 3).

1: For an analysis of city resident commuting patterns, see Getting to Work: Transit, Density & Opportunity, CCD/CPDC June 2016, available on-line at http://centercityphila.org/transitreport.

CENTER CITY DISTRICT & CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION WWW.CENTERCITYPHILA.ORG 1

FIGURE 13: AVERAGE ANNUAL GROWTH IN PRIVATE WAGE AND SALARY JOBS, 2010 TO 2015

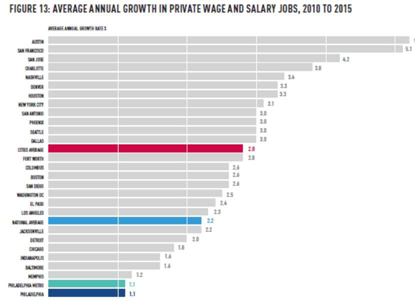
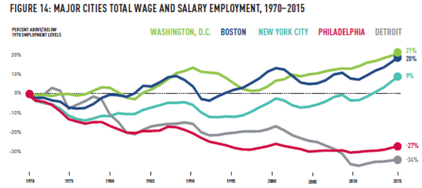


FIGURE 14: MAJOR CITIES TOTAL WAGE AND SALARY EMPLOYMENT, 1970–2015



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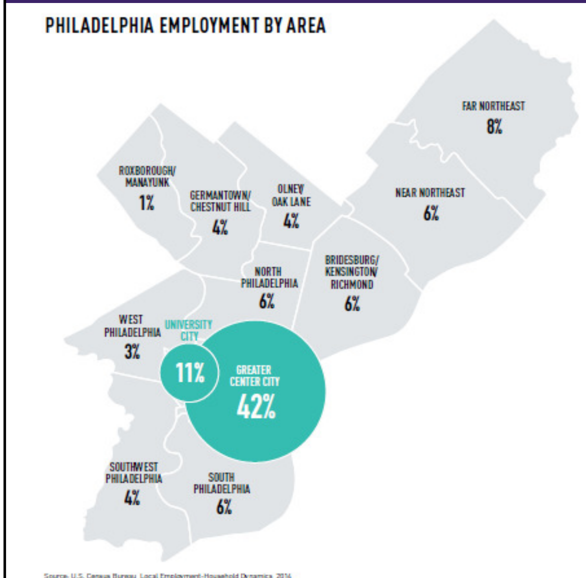
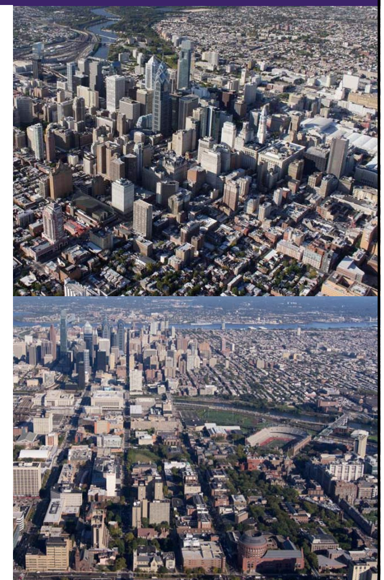
THE JOB GROWTH COALITION

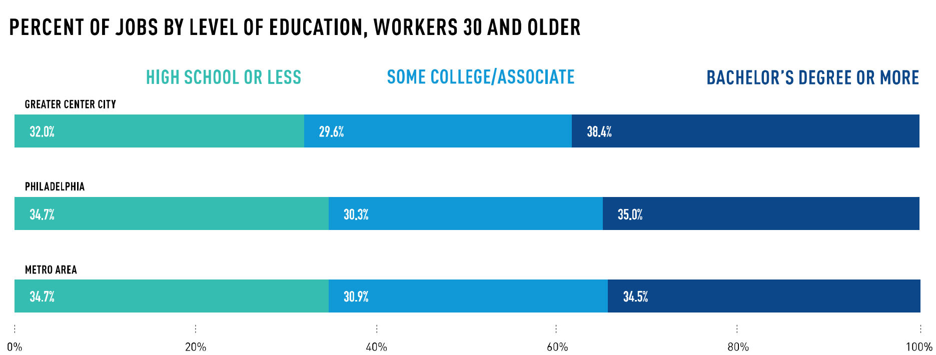
Center City (42%) + University City (11%) = 53% of all jobs
Account for 37% of all in-movers to city 2010-2015





THE JOB GROWTH COALITION

Positioned at the center of the transit system
Center City provides job opportunities at all skill levels



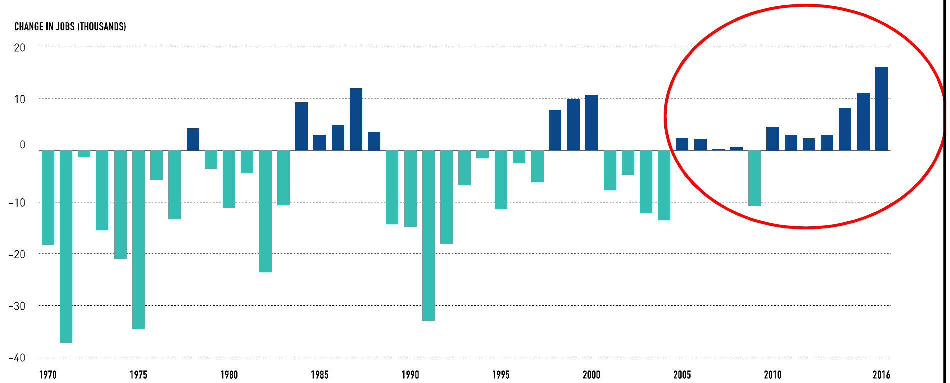
10.1% of Center City's jobs held by Greater Center City residents; **41.1%**, 120,000 jobs are held by residents from *other* neighborhoods in the city.

THE JOB GROWTH COALITION

Sustained period of job growth, added jobs for 11 of the last 12 years

Best run in the last 40 years

PHILADELPHIA ANNUAL CHANGE IN JOBS, 1970–2016

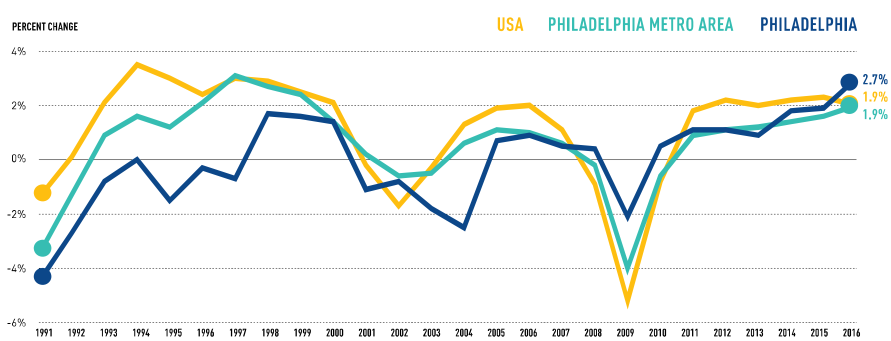


Source: Bureau of Labor Statistics, Current Employment Statistics

THE JOB GROWTH COALITION

2016 was a very good year: first time in an up-cycle we outperformed our suburbs

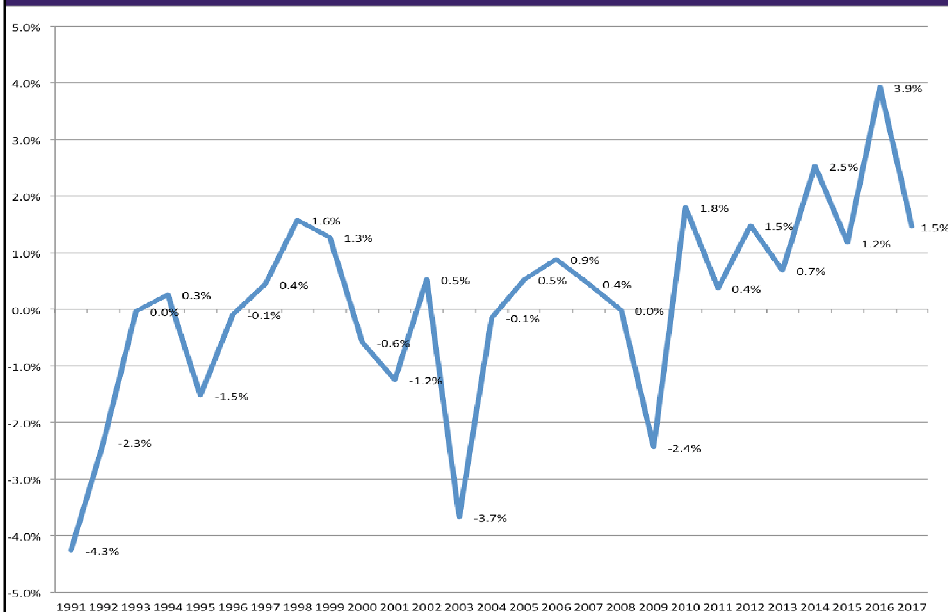
PRIVATE WAGE & SALARY PERCENT CHANGE, 1991–2016



Source: Bureau of Labor Statistics, Current Employment Statistics

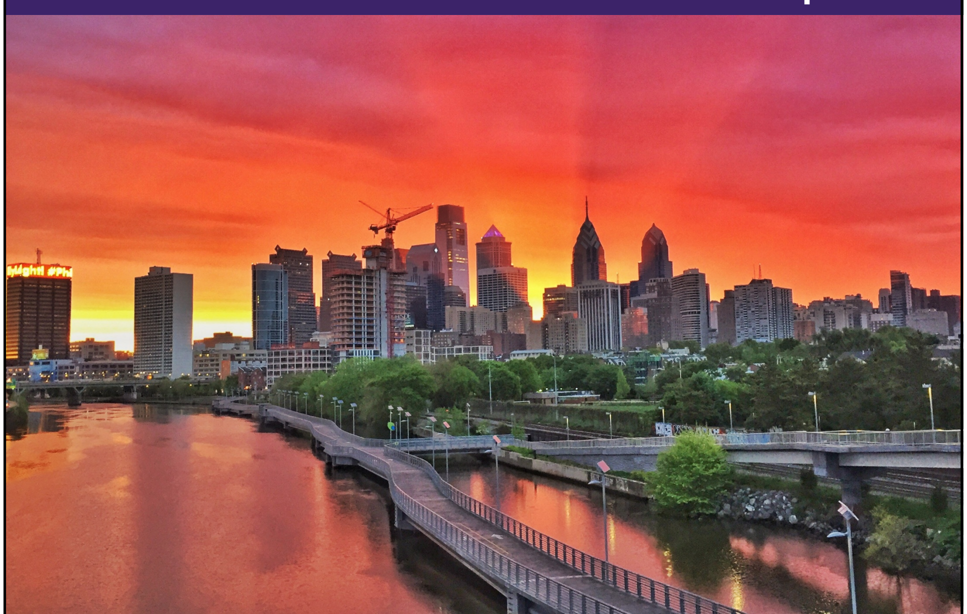
THE JOB GROWTH COALITION

2017 appears positive, though slowing



THE JOB GROWTH COALITION

Lots of reasons for optimism

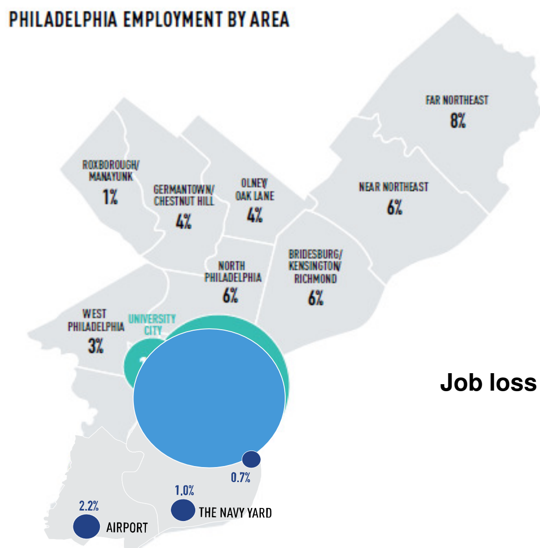


THE JOB GROWTH COALITION

But the renewal of Center City & University City not big enough to offset citywide industrial decline

THE JOB GROWTH COALITION

Outside of Center City, University City & Navy Yard

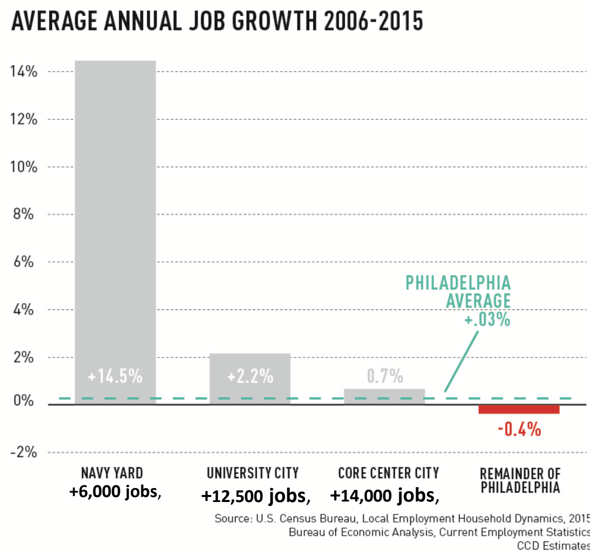


Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2014

Job loss continues

THE JOB GROWTH COALITION

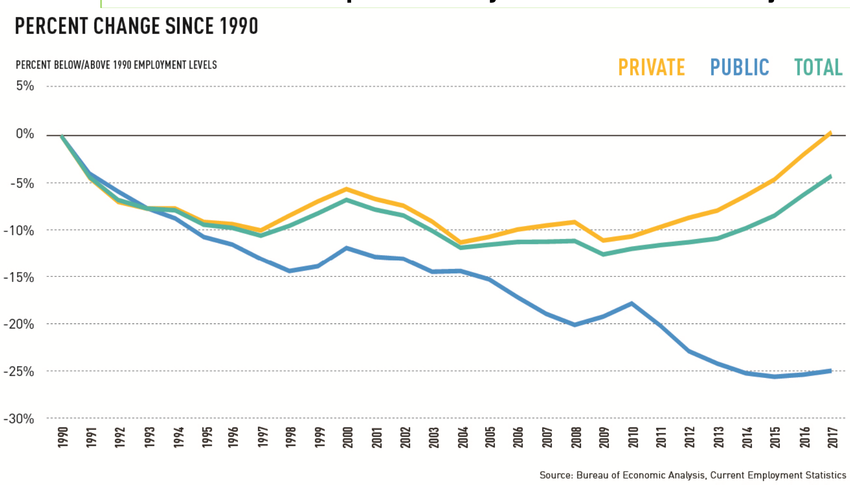
Very different rates of growth



THE JOB GROWTH COALITION

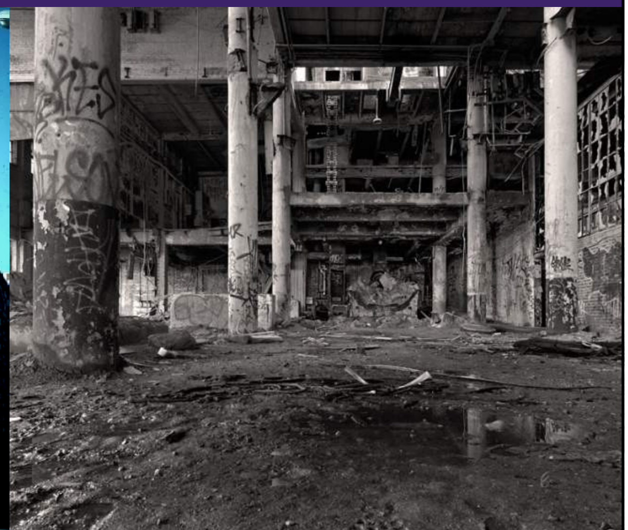
Philadelphia has rebounded from Recession
Barely regained private sector job levels of 1990

But loss of 32,000 federal, state & local *public* sector jobs, puts the city 4% below 1990 total job levels



THE JOB GROWTH COALITION

Our peer cities: Boston, New York & Washington DC
All lost 85%-90% of manufacturing jobs they held in 1970

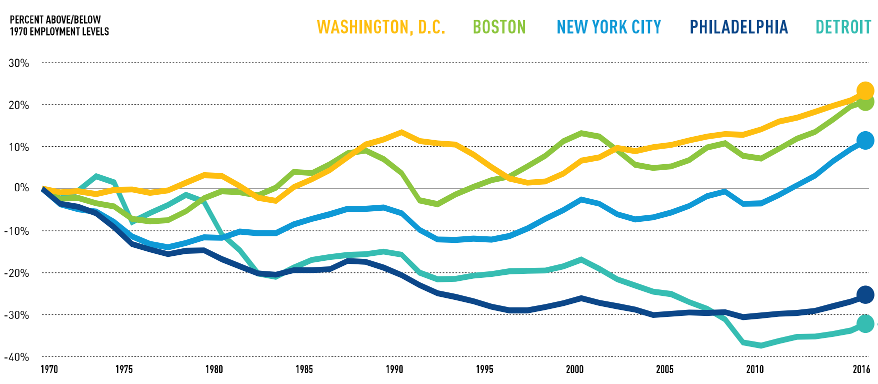


THE JOB GROWTH COALITION

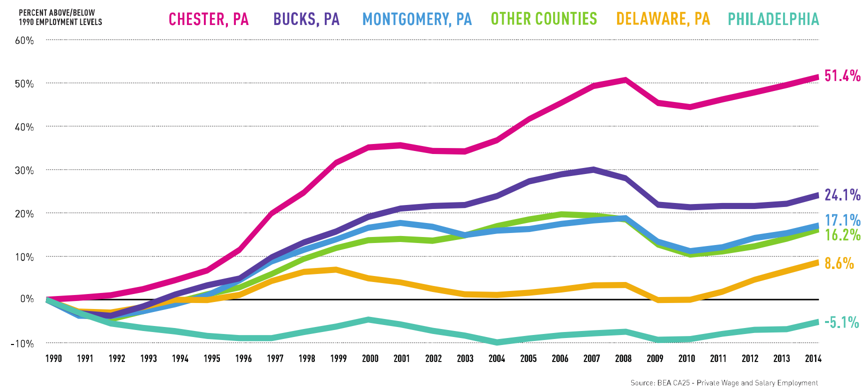
But they surpassed their 1970 levels with new jobs while Philadelphia is down 25%; similar to Detroit

Imagine we are in a race: looking in our rear-view, we've come really far
But looking out the side windows, our peers are passing us by

MAJOR CITIES TOTAL WAGE & SALARY EMPLOYMENT, 1970–2016

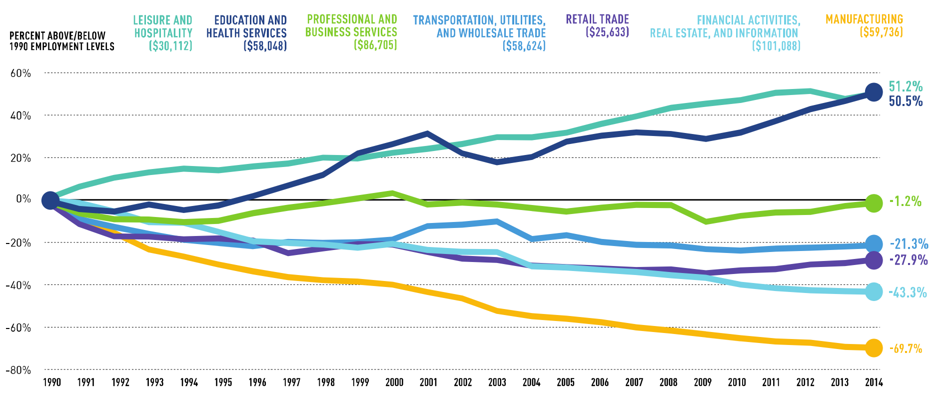


THE JOB GROWTH COALITION



Uneven job growth: Eds & Meds + 50.5% citywide since 1990 Lower wage leisure & hospitality + 51.2%. But office industries down 23% in the last 25 years

PHILADELPHIA PRIVATE WAGE & SALARY JOBS BY SECTOR, 1990–2014 (2014 AVERAGE EARNINGS)



THE JOB GROWTH COALITION

Office jobs: highest wage; most diverse, most dense

Job growth

strengthens the demand for construction jobs, retail services and hotel rooms.

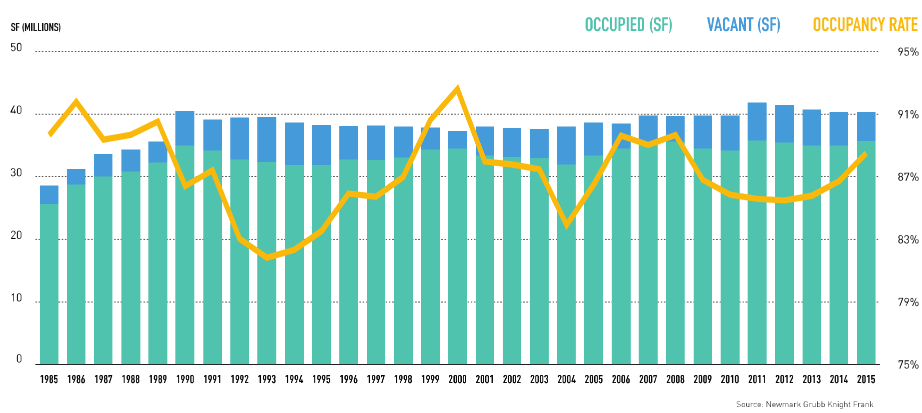
Every 500,000 square feet of occupied office space:

- Provides 3,333 office jobs, 5 building engineering, 18 cleaning and 12 security positions.
- Supports 11,000 hotel rooms filled with business travelers
- Generates $2.8 million in retail demand
- Adds 2,333 riders to SEPTA

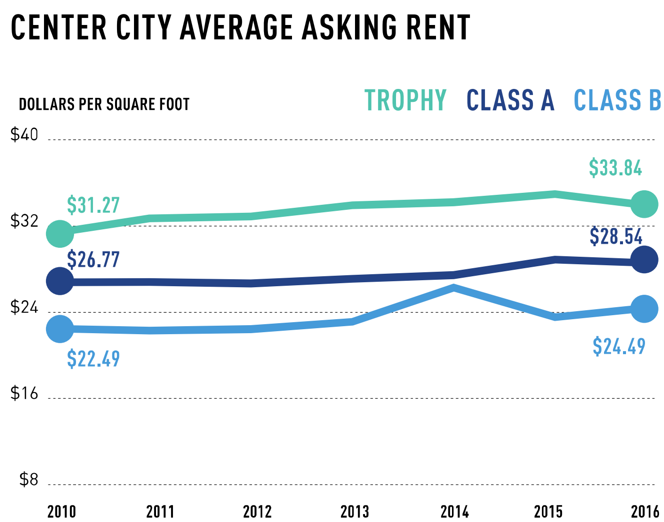
THE JOB GROWTH COALITION

Occupied office supply is identical to 1990; New supply offset by conversions to housing

CENTER CITY PHILADELPHIA OFFICE MARKET, 1985–2015

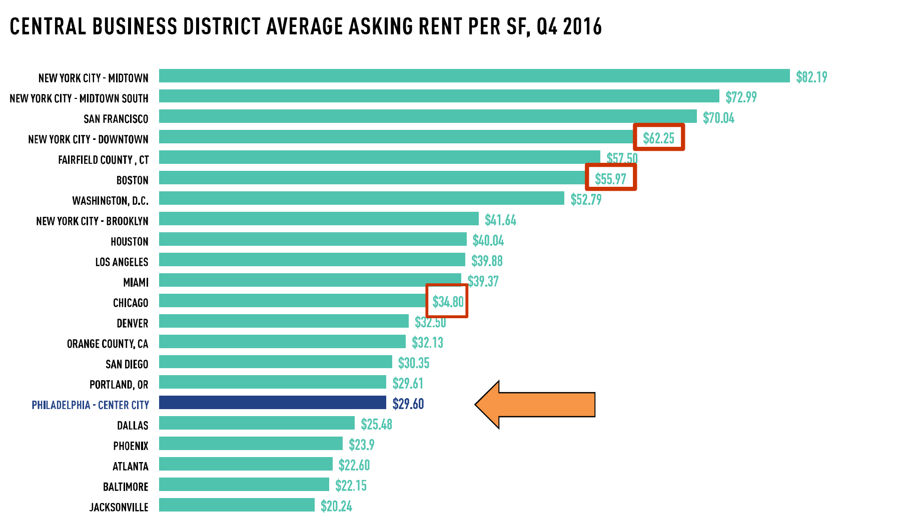


Rents appreciating slowly



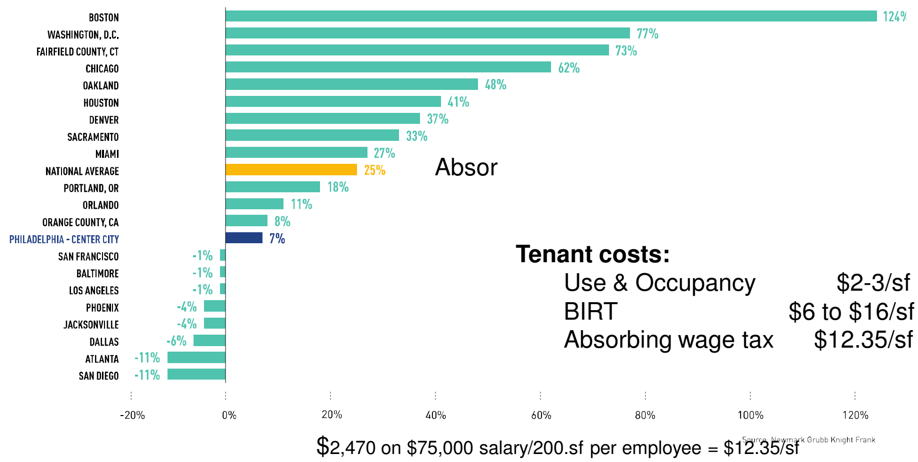
THE JOB GROWTH COALITION

Rents are far below comparable cities



There ought to be a rent-premium for locating in the employee & amenity rich downtown
National CBD average = 25%; PHL rent premium= 7%

DOWNTOWN PREMIUM: CBD CLASS A RENTS COMPARED TO REGIONAL RENTS, 2016



Absor

Tenant costs:

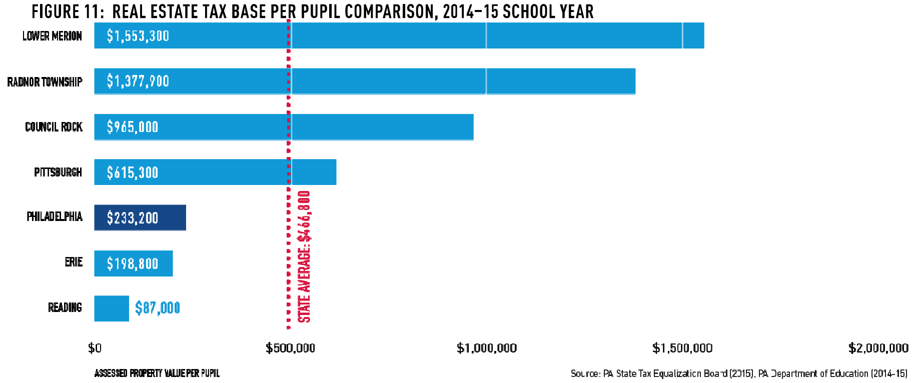
Use & Occupancy	\$2-3/sf
BIRT	\$6 to \$16/sf
Absorbing wage tax	\$12.35/sf

\$2,470 on \$75,000 salary/200.sf per employee = \$12.35/sf

THE JOB GROWTH COALITION

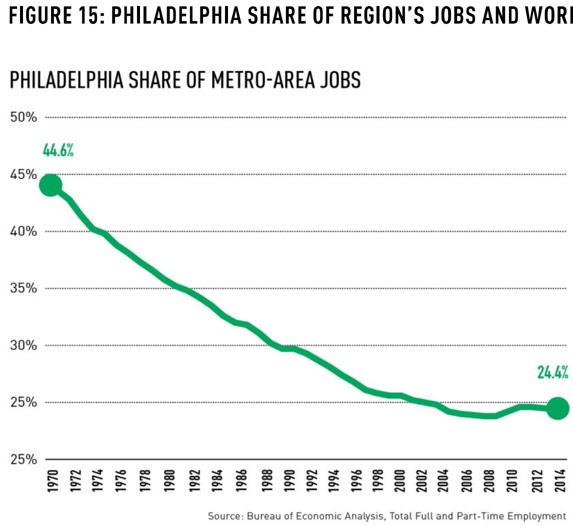
Low rents = diminished real estate values = inadequate funding for schools

FIGURE 11: REAL ESTATE TAX BASE PER PUPIL COMPARISON, 2014–15 SCHOOL YEAR



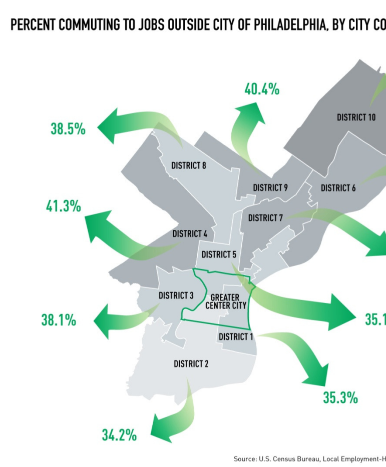
THE JOB GROWTH COALITION

Loss of regional share of jobs
Since 1970: from 44.6% to 24.4% of regional jobs



THE JOB GROWTH COALITION

People follow jobs:
Outside Center City 188,000 Phila. residents (40% of workforce)
Reverse commute to suburbs each day

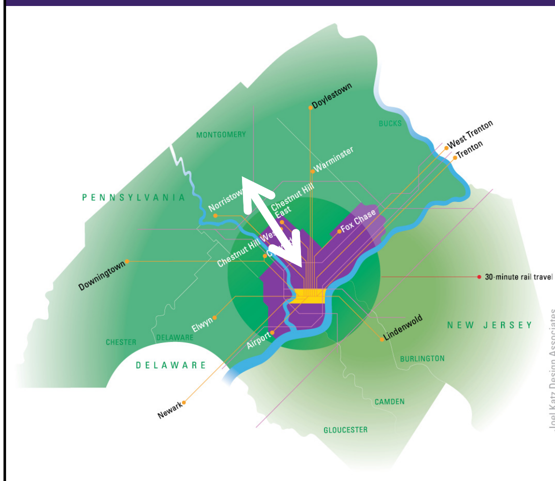


By contrast only 15.3% of NYC residents commute to suburbs

THE JOB GROWTH COALITION

Beyond Center City residents still moving to suburbs

Since 2010 37% of those who moved into Philadelphia moved to Center City & University City



But city as a whole was still net-negative in region:

62,000 more residents decamped for the suburbs than moved in

Twice as many moved to Montgomery County as came our way.

Immigration and local births kept us population positive

THE JOB GROWTH COALITION

2003 & 2009 tax commissions both concluded: Local tax policy: major cause of decline

If you over-tax what can move (wages & business revenues),

it will!

THE JOB GROWTH COALITION

Municipal tax policy responds to decline & exacerbates the problem

- Philadelphia introduced 1.5% “temporary” wage tax in 1939 when industry was tied to factories, railroads & ports & Philadelphia was the only employment center in region

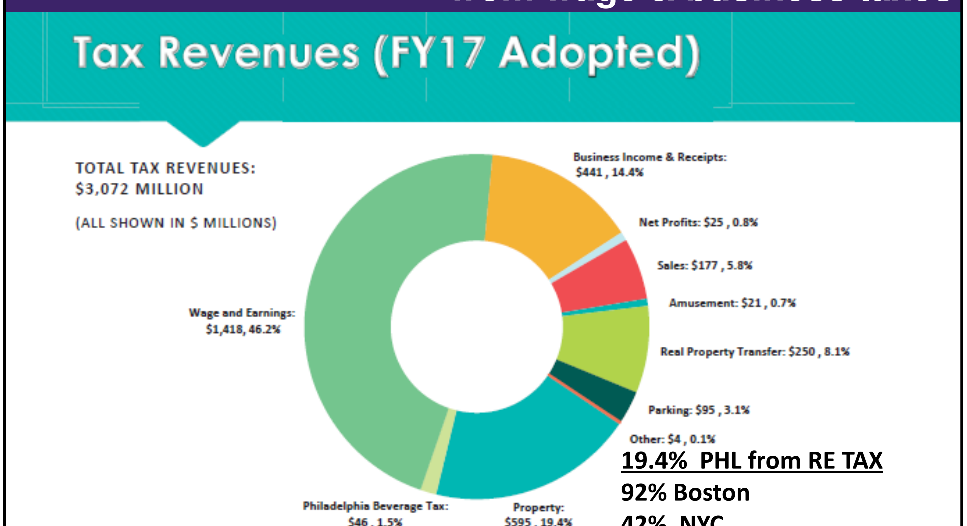
- As jobs & population declined in 1960s & 1970s, wage tax rose to 4.96% by 1990- levied on all employees in Philadelphia, living in city or suburb.

- In the 1980s Philadelphia introduced “business privilege tax” levied on both gross & net business revenues

- Philadelphia carefully avoided raising resident property tax, until it was required to carry-out comprehensive re-evaluation in last 5 years

THE JOB GROWTH COALITION

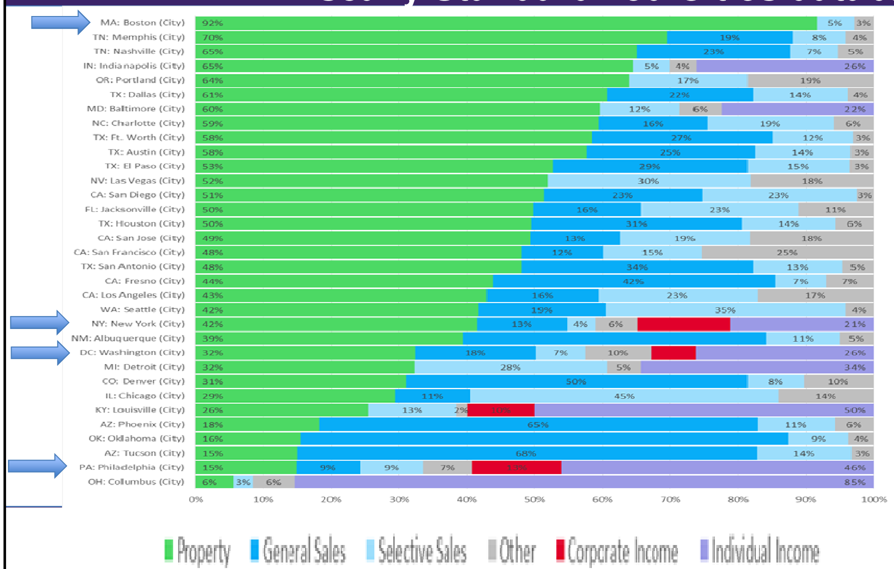
60.6% of Municipal tax revenue now comes from wage & business taxes



19.4% PHL from RE TAX
92% Boston
42% NYC
32% Washington DC

Wage tax dependency: Detroit

2014: Lincoln Land Institute's Fiscally Standardized Cities database

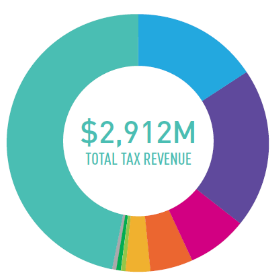


THE JOB GROWTH COALITION

Regional tax competitiveness

FY16 GENERAL FUND TAX REVENUES

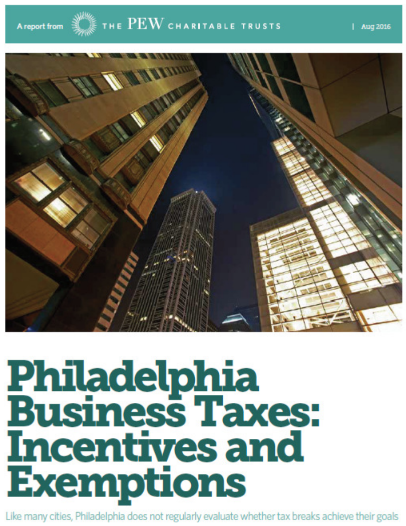
47% WAGE AND EARNINGS ($1,371M)
16% BUSINESS INCOME & RECEIPTS ($454)
20% PROPERTY ($581)
8% REAL PROPERTY TRANSFER ($222M)
5% SALES ($149M)
3% PARKING ($89M)
.7% AMUSEMENT ($19M)
.6% NET PROFITS ($18M)
.3% OTHER ($9M)



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

THE JOB GROWTH COALITION

Pew report on business taxes



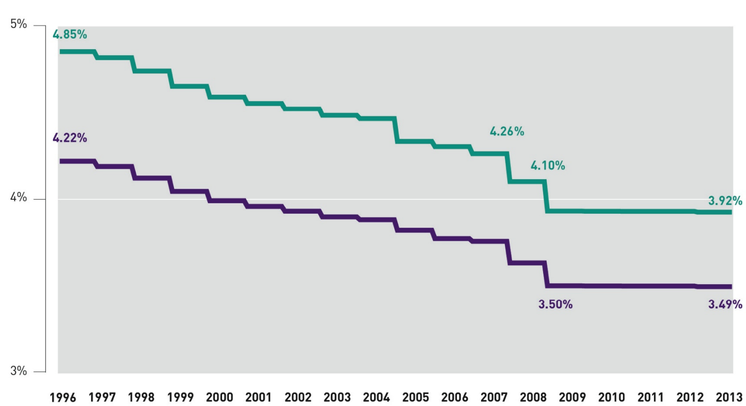
Among highest of all large cities

Only large city to tax both
gross revenues & net income

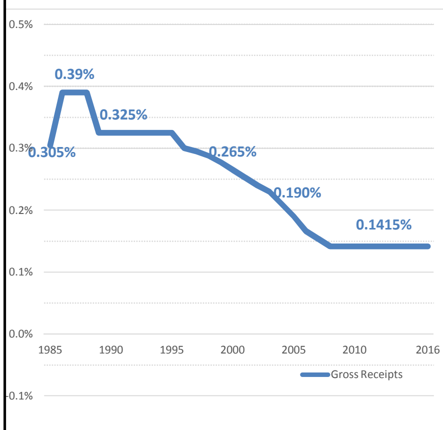
THE JOB GROWTH COALITION

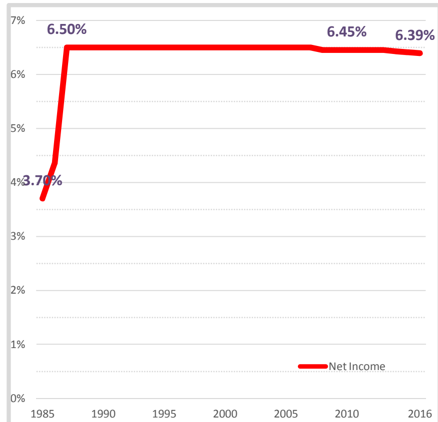
Philadelphia commenced tax reduction in 1996
Suspended in 2008 & 5 years of tax increases

Schedule of Wage Tax Reduction Since 1996



Gross & Net BIRT: 1985-2015





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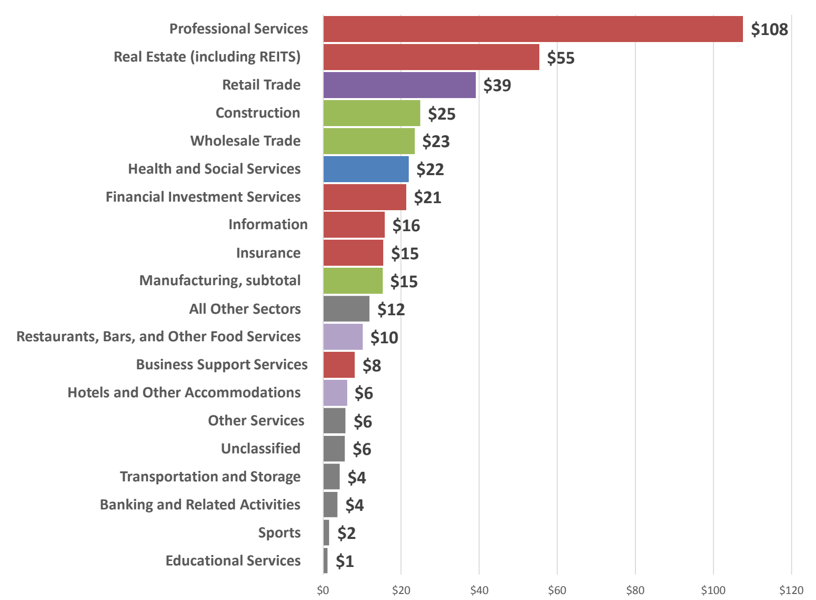
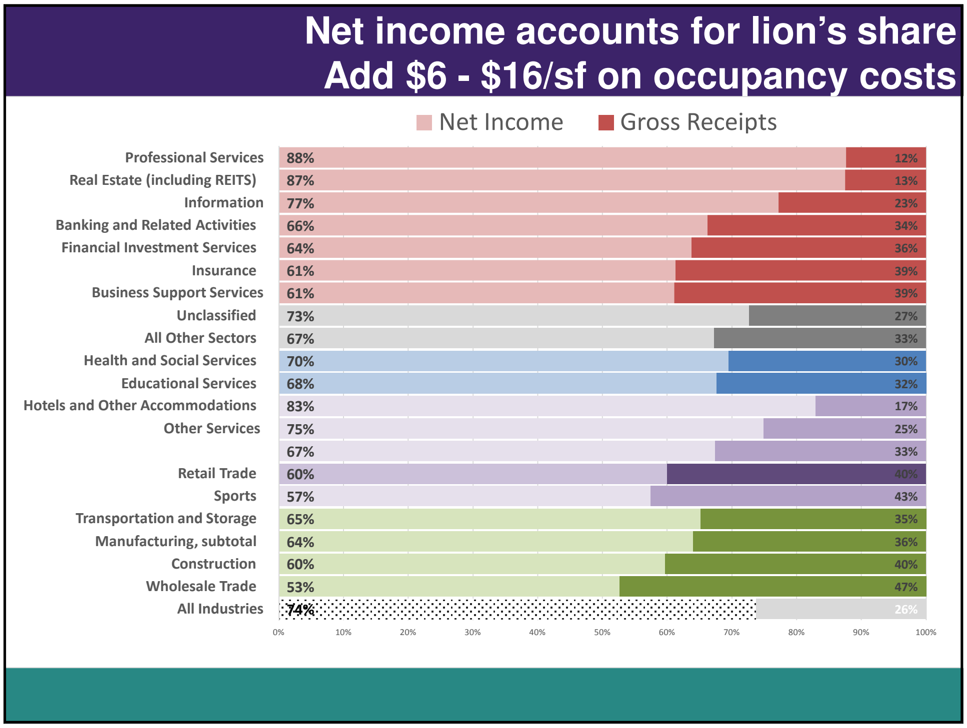
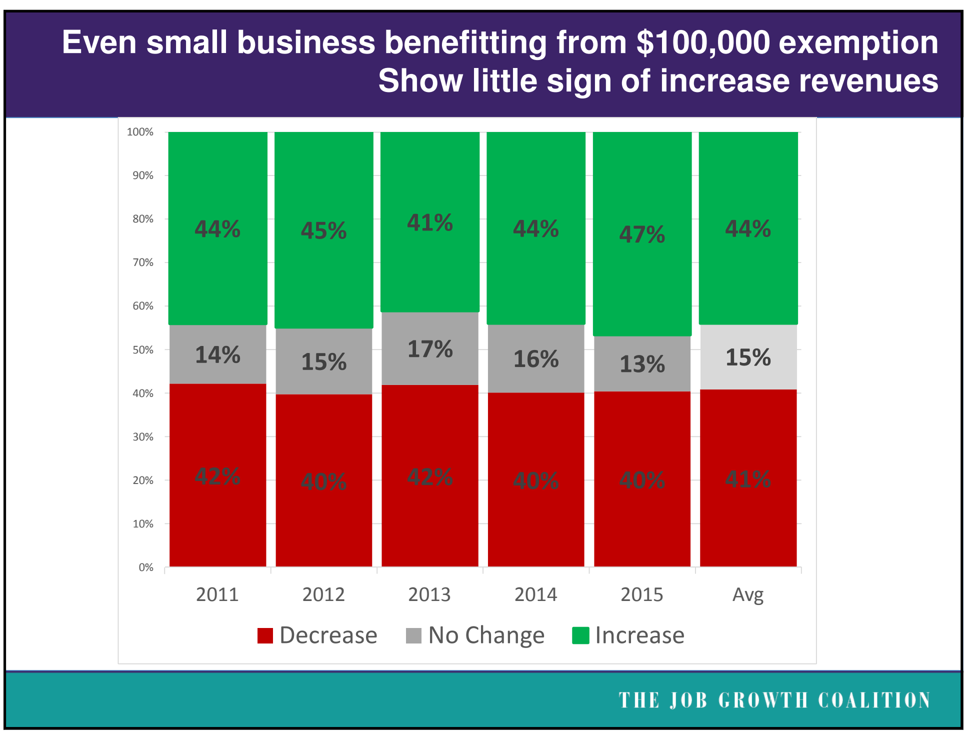
41% of all BIRT is paid by office sector jobs

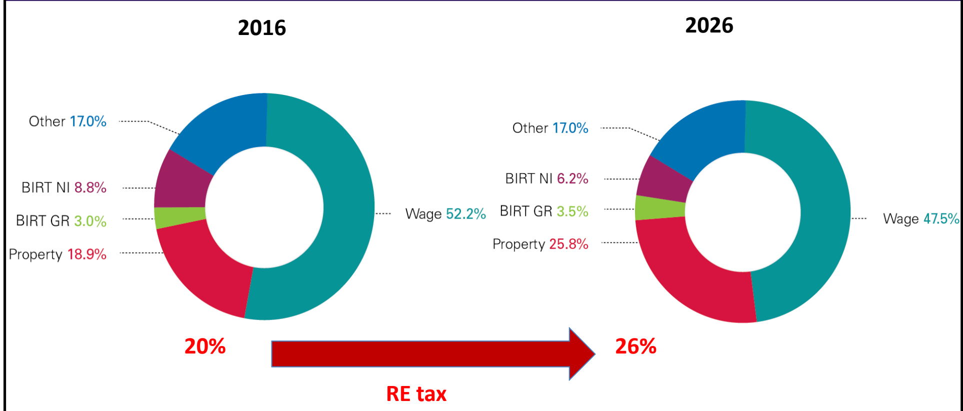



Net income accounts for lion's share
Add $6 - $16/sf on occupancy costs
Net Income
Gross Receipts
Professional Services 88% 12%
Real Estate (including REITS) 87% 13%
Information 77% 23%
Banking and Related Activities 66% 34%
Financial Investment Services 64% 36%
Insurance 61% 39%
Business Support Services 61% 39%
Unclassified 73% 27%
All Other Sectors 67% 33%
Health and Social Services 70% 30%
Educational Services 68% 32%
Hotels and Other Accommodations 83% 17%
Other Services 75% 25%
67% 33%
Retail Trade 60% 40%
Sports 57% 43%
Transportation and Storage 65% 35%
Manufacturing, subtotal 64% 36%
Construction 60% 40%
Wholesale Trade 53% 47%
All Industries 74% 26%


Even small business benefitting from $100,000 exemption
Show little sign of increase revenues
2011 2012 2013 2014 2015 Avg
Increase: 44% 45% 41% 44% 47% 44%
No Change: 14% 15% 17% 16% 13% 15%
Decrease: 42% 40% 42% 40% 40% 41%
Decrease
No Change
Increase
THE JOB GROWTH COALITION

Both 2003 & 2009 Tax Commissions:

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



THE JOB GROWTH COALITION

The logic of reform

- Taxing salaries & revenues discourages small business formation, weakens demand for commercial office space, depresses rents & reduces share of real estate taxes local government derives from business properties across city.
- As the burden of wage & BIRT (the cost of working & doing business in the city) goes down, job growth & the demand for real estate will go up, increasing the RE tax base & the share of real estate taxes that can be derived from business properties.

THE JOB GROWTH COALITION

Recommendations from 2009 Tax Commission

• Cut 5% from City's budget, so municipal government needs less revenue. *In a city with huge social needs & county functions, like courts & prisons to support, City Council has consistently opposed; Mayor Kenney opposes*

• Reduce City's need for taxes by selling a large public asset to pay down pension liabilities which are eating our municipal budget. *Failure to sell PGW*

• Raise RE millage rate for all real estate & use new revenues both to achieve reduction in wage tax & BIRT.
Raises residential rates
Creates major problem for small apartment building owners

Restarting without opening gap in City budget
Proposed modification of Uniformity

Commonwealth enables Philadelphia to assess business properties at 15% more

(1.39 residential; 1.61 commercial).

15% differential (not actual rates) set by state law.

Revenues generated from differential are dedicated by state law to reducing wage & business taxes.

Dedicated modification not open-ended modification

Goal: Reduce wage tax below 3% over next decade & cut net income portion of BIRT in half over same period

THE JOB GROWTH COALITION

Up-front increase in commercial RE taxes to insure no gap opens in City's budget

Recommended tax structure below, but

Implemented on a "pay as you go basis"

TEN-YEAR PLAN FOR TAX COMPETITIVENESS

Fiscal Year	RE Residential	RE Commercial	Wage Resident	Wage Non-Resident	NPT Resident	NPT Non-Resident	BIRT Gross	BIRT Net
2016	1.3998%	1.3998%	3.9102%	3.4828%	3.9102%	3.4828%	0.1415%	6.3900%
2017	1.3998%	1.6098%	3.8192%	3.3845%	3.8192%	3.3845%	0.1415%	6.0510%
2018	1.3998%	1.6098%	3.7282%	3.2862%	3.7282%	3.2862%	0.1415%	5.7120%
2019	1.3998%	1.6098%	3.6371%	3.1880%	3.6371%	3.1880%	0.1415%	5.3730%
2020	1.3998%	1.6098%	3.5461%	3.0897%	3.5461%	3.0897%	0.1415%	5.0340%
2021	1.3998%	1.6098%	3.4551%	2.9914%	3.4551%	2.9914%	0.1415%	4.6950%
2022	1.3998%	1.6098%	3.3641%	2.8931%	3.3641%	2.8931%	0.1415%	4.3560%
2023	1.3998%	1.6098%	3.2731%	2.7948%	3.2731%	2.7948%	0.1415%	4.0170%
2024	1.3998%	1.6098%	3.1820%	2.6966%	3.1820%	2.6966%	0.1415%	3.6780%
2025	1.3998%	1.6098%	3.0910%	2.5983%	3.0910%	2.5983%	0.1415%	3.3390%
2026	1.3998%	1.6098%	3.0000%	2.5000%	3.0000%	2.5000%	0.1415%	3.0000%

CENTER CITY DISTRICT

Amendment does not specify rates

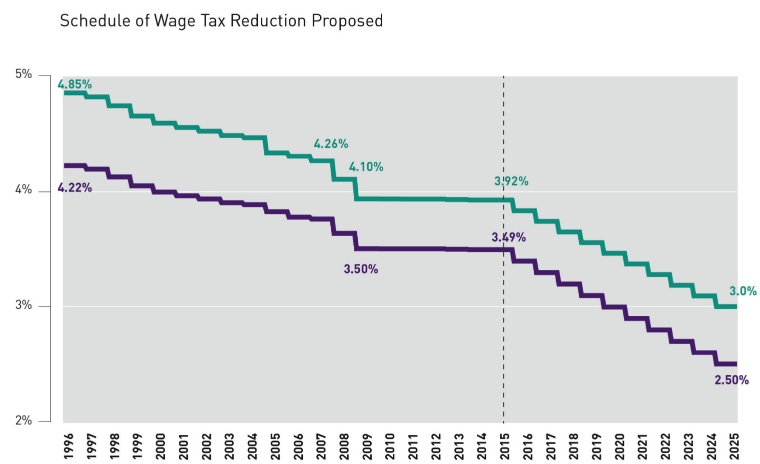
- **Proposed amendment does not specify tax rates to be charged by the City. The amendment specifies only that if the City chooses to raise commercial property taxes, the rate on commercial properties can be no more than 15% higher than on residential & the extra revenue generated through that increase is devoted to wage & business tax reduction.**

- **Philadelphia remains free to raise or lower its real estate rates, so long as commercial & residential rates move together, maintaining15% maximum differential. There's no requirement that enabling legislation specify Philadelphia's tax rates.**

- **City is free to structure its own tax policy on a "pay-as-you-go" basis. When there is an increment, it must be pledged to wage & business tax reduction; but if, in any year, there is no increment, the City is not forced into a deficit position.**

THE JOB GROWTH COALITION

Restarting tax reduction can induce job growth



How the plan works

- By January each year, the City's Office of Property Assessment (OPA) produces the assessed value for all real estate in advance of the coming July 1st municipal fiscal year.
- As part of budget planning process, the Director of Finance will multiply the total taxable assessed value of all properties "used for business purposes" times (A) the current tax rate of 1.3998 and then repeat the exercise using (B) a tax rate that could be up to 15% higher, 1.6098%.
- Then "B" minus "A" = the real estate tax increment available to pay for wage and business tax reduction.
- This simple math is calculated each year by the Finance Director, based on known, certified assessed values, not relying on any econometric model or on "supply-side" assumptions about tax base growth.

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How the plan works

- **Assume this calculation results in an increment of $100 million; then assume a collection rate of 90% to allow for delinquency and appeals and $90 million is available in incremental revenues**
- **According to proposed amendment, this increment must be used for tax reduction purposes, reducing aggregate revenues collected by the City from wage and business taxes**
- **Growth Coalition's recommendation is for this allocation to be defined in the Enabling Legislation as approximately 70% directed to wage tax reduction & 30% to BIRT reduction, resulting in a projection of the City's ability to reduce the wage tax below 3% for City residents over the next decade and to cut the net income portion of BIRT in half.**

THE JOB GROWTH COALITION

A self-help, pay-as-you-go plan

This is a *pay-as-you-go* plan that insures that no gap opens in the City's budget – each dollar in wage and BIRT reduction is paid for from the real estate tax increment.

If there is no increment, there is no obligation to reduce other taxes, so no deficit is ever created.

This is also a plan that guarantees by law, not by "handshake" that if real estate taxes on properties used for business purposes are raised by up to 15%, the increment must go to wage and business tax reduction, not into General Fund spending.

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Enabling Legislation
Definition of properties used for business purposes

Following types of properties would be subject to the increment: Office buildings, retail, industrial, hotel & large apartment buildings.

For most businesses, the reduction in BIRT more than offsets the impact of the 15% increase passed through in real estate taxes

The Growth Coalition recommends that Enabling Legislation should exempt from the increment approximately 14,000 apartment buildings of 4 units or less and another 8,286 stores with dwellings above because they are not classified as *business properties* by the City of Philadelphia.

The coalition also propose to exempt 15,000 units of subsidized housing, which are separately classified by the City.

THE JOB GROWTH COALITION

Impact on businesses

- Analysis by major accounting firms show a positive impact on tenants & owners as BIRT taxes & employee wages go down more than RE tax pass-through goes up
- Similar analysis for small business owners
- We have accountant under contract analyzing tax returns on a confidential basis for any business who requests

THE JOB GROWTH COALITION

ECONSULT SOLUTIONS
economics | policy | strategy

1435 Walnut Street, Ste. 300
Philadelphia, PA 19102
215-717-2777
econsultsolutions.com

Modeling the Impact of Tax Reform in Philadelphia

August 2015

- 80,000 new jobs

- It will produce more tax revenues than the City's most recent Five-Year Plan (it is "revenue positive"), because it pays for wage and business tax reductions with an increase in the commercial real estate tax rate.

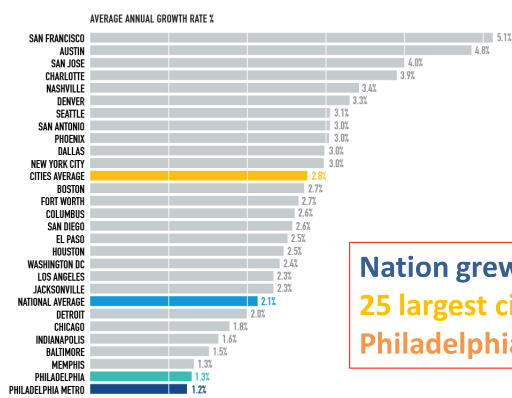
- It generates $362 million more for School District over next 10 years than City's Five-Year plan. It will also, will generate additional tax revenues for School District from the use & occupancy tax, liquor tax, & school income tax.

THE JOB GROWTH COALITION

Amazon promises 50,000 over next 10 years
But what if PHL *just got to be average*, growing at 2.8%/year

= 190,000 jobs over next 10 years

AVERAGE ANNUAL GROWTH IN PRIVATE WAGE AND SALARY JOBS, 2010 TO 2016



Source: BLS, Quarterly Census of Employment and Wages

Nation grew at	2.1%/year
25 largest cities	2.8%/year
Philadelphia	1.3%/year

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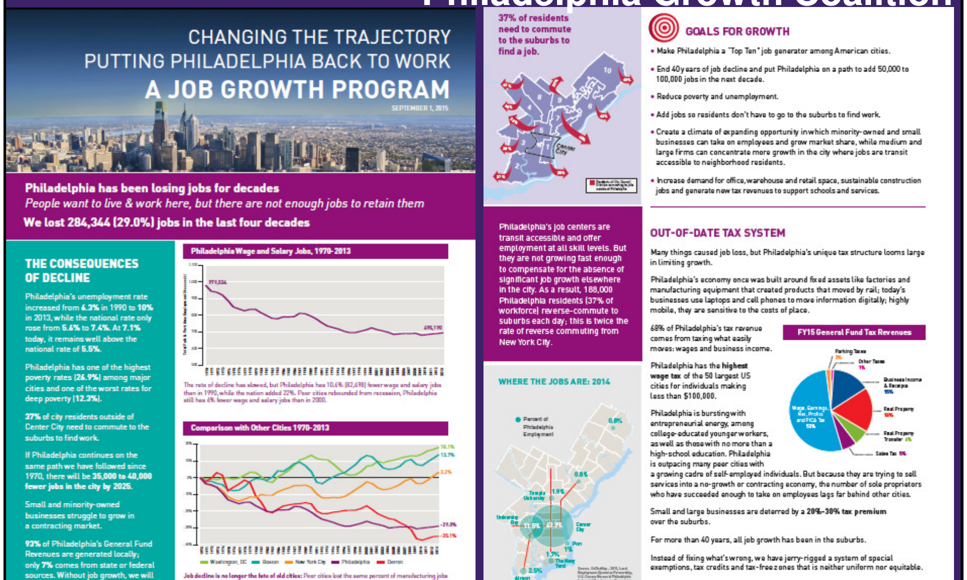
Case for comprehensive tax reform
Philadelphia Growth Coalition



CHANGING THE TRAJECTORY
PUTTING PHILADELPHIA BACK TO WORK
A JOB GROWTH PROGRAM
SEPTEMBER 1, 2015

Philadelphia has been losing jobs for decades
People want to live & work here, but there are not enough jobs to retain them
We lost 284,344 (29.0%) jobs in the last four decades

THE CONSEQUENCES OF DECLINE

Philadelphia's unemployment rate increased from **6.3%** in 1990 to **10%** in 2013, while the national rate only rose from **5.6%** to **7.4%**. At **7.1%** today, it remains well above the national rate of **5.5%**.

Philadelphia has one of the highest poverty rates **(26.9%)** among major cities and one of the worst rates for deep poverty **(12.3%)**.

37% of city residents outside of Center City need to commute to the suburbs to find work.

If Philadelphia continues on the same path we have followed since 1970, there will be **35,000 to 40,000 fewer jobs in the city by 2025.**

Small and minority-owned businesses struggle to grow in a contracting market.

93% of Philadelphia's General Fund Revenues are generated locally; only **7%** comes from state or federal sources. Without job growth, we will

The rate of decline has slowed, but Philadelphia has 10.6% (82,698) fewer wage and salary jobs than in 1990, while the nation added 22%. Peer cities rebounded from recession, Philadelphia still has 6% fewer wage and salary jobs than in 2000.

Job decline is no longer the fate of old cities: Peer cities lost the same percent of manufacturing jobs

37% of residents need to commute to the suburbs to find a job.

Philadelphia's job centers are transit accessible and offer employment at all skill levels. But they are not growing fast enough to compensate for the absence of significant job growth elsewhere in the city. As a result, 188,000 Philadelphia residents (37% of workforce) reverse-commute to suburbs each day; this is twice the rate of reverse commuting from New York City.

WHERE THE JOBS ARE: 2014

GOALS FOR GROWTH

- Make Philadelphia a "Top Ten" job generator among American cities.
- End 40 years of job decline and put Philadelphia on a path to add 50,000 to 100,000 jobs in the next decade.
- Reduce poverty and unemployment.
- Add jobs so residents don't have to go to the suburbs to find work.
- Create a climate of expanding opportunity in which minority-owned and small businesses can take on employees and grow market share, while medium and large firms can concentrate more growth in the city where jobs are transit accessible to neighborhood residents.
- Increase demand for office, warehouse and retail space, sustainable construction jobs and generate new tax revenues to support schools and services.

OUT-OF-DATE TAX SYSTEM

Many things caused job loss, but Philadelphia's unique tax structure looms large in limiting growth.

Philadelphia's economy once was built around fixed assets like factories and manufacturing equipment that created products that moved by rail; today's businesses use laptops and cell phones to move information digitally; highly mobile, they are sensitive to the costs of place.

68% of Philadelphia's tax revenue comes from taxing what easily moves: wages and business income.

Philadelphia has the **highest wage tax** of the 50 largest US cities for individuals making less than $100,000.

Philadelphia is bursting with entrepreneurial energy, among college-educated younger workers, as well as those with no more than a high-school education. Philadelphia is outpacing many peer cities with a growing cadre of self-employed individuals. But because they are trying to sell services into a no-growth or contracting economy, the number of sole proprietors who have succeeded enough to take on employees lags far behind other cities.

Small and large businesses are deterred by a **20%-30% tax premium** over the suburbs.

For more than 40 years, all job growth has been in the suburbs.

Instead of fixing what's wrong, we have jerry-rigged a system of special exemptions, tax credits and tax-free zones that is neither uniform nor equitable.

THE JOB GROWTH COALITION

A broad coalition of supporters
www.PhiladelphiaGrowthCoalition.com

SUPPORTERS:

African American Chamber of Commerce
Brandywine Realty Trust
Building Owners' & Managers' Assoc., Phila
Central Philadelphia Development Corporation
Committee of 70
Economy League of Greater Philadelphia
General Building Contractors Association
Greater Philadelphia Hispanic Chamber of Commerce
Int'l Brotherhood of Electrical Workers, Local 98
Metropolitan Regional Council of Carpenters
Northeast Chamber of Commerce
Parkway Corporation
Philadelphia Building and Construction Trades Council
PREIT
Service Employees Int'l Union, Local 32BJ

THE JOB GROWTH COALITION