

## Sustaining the Housing Boom, Growing Jobs, Attracting Regional Firms

There may be a touch of irrational exuberance in the *number* of residential projects proposed downtown. But the extraordinary Center City housing boom is not a bubble that's easily burst.

Downtown's residential revival is 40 years in the making, triggered by transforming investments in the 1960s that enabled offices, hospitals and universities to expand downtown. It is being driven too by long-term demographic trends, as graying baby boomers become empty nesters and young, well-educated professionals flock to center cities.

Downtown got even more attractive in the 1990s with a clean and safe environment, the flourishing of arts and entertainment, restaurants and cafes. But fundamentally, the housing boom is sustainable only so long as Center City remains a competitive place for professionals to work.

In 1997, following the passage of the 10-year tax abatement that prompted the current cycle of construction, CPDC surveyed over 3,000 office workers. Responses about the primary lure for living downtown were unequivocal: *the ability to walk to work*. In 2003, CPDC surveyed 25-34 year olds at selected locations throughout Center City.<sup>1</sup> While this group was routinely dining out downtown or going to movies, museums, theaters and nightclubs, it wasn't the music scene or skateboard parks that had drawn them: 81% were employed full-time and half were working in Center City. Since 79% had at least college degrees, it is not surprising that 44% held jobs in professional and business services and 33% were employed in health care and education. Only 8% were employed in arts, entertainment and hospitality.

Now, a comprehensive new analysis of city tax data by CPDC suggests that 84% of all wages earned by downtown residents are earned from Philadelphia employers and 60% come from firms in Center City. Only 14% of wages are earned by reverse commuting to the suburbs.<sup>2</sup> No downtown jobs, no downtown housing boom.

But, while education and health care have been growing in Philadelphia, office employment is trending the other way. Between 1986 and 2005, the region's office inventory expanded from 58.9 million to 122 million square feet, an average of 3.3 million square feet added per year. Yet, because Center City office employment has contracted by 15% since 1990, no new downtown commercial office buildings were added in the nineties. As a result, Center City dropped from a 41% share of the region's office space in 1993 to only 28% in 2004, six points below the national average. During the same period, higher wage office jobs and employers in finance, insurance, real estate and information services were migrating to the suburbs.

Housing demand clearly can be sustained for quite a while by empty nesters returning from the suburbs to live near their Center City jobs. So too, rental units and starter homes can be filled by college grads beginning careers downtown. But, if we want to retain professionals as they rise in their careers, and if Center City's revival is to expand

even further in coming decades, Philadelphia must regain its attractiveness for higher wage jobs and begin to grow again as the region's primary employment center.

### Neighborhood Revival

Downtown jobs stand behind not only Center City's housing boom, they are a driving force for neighborhood transformation, accounting for \$5.9 billion in annual salaries paid to Philadelphia residents. Downtown employers may be concentrated in just 3% of the city's land area, but they account for 35% of all private-sector wages paid citywide.

This dense clustering of downtown jobs is made possible by an extensive regional transit system that also makes Center City a center of opportunity for residents of all Philadelphia neighborhoods. Downtown jobs in offices, hospitals, hotels and educational institutions pay \$364 million in annual salaries to households in Northwest Philadelphia, \$344 million to residents of the Far Northeast, \$245 million to households in North Philadelphia, \$340 million to residents



Downtown jobs stand directly behind the downtown housing boom.

of South Philadelphia and \$348 million to residents of West Philadelphia. So let's not waste another moment diverted by false disputes between downtown and neighborhoods.

The *Select Greater Philadelphia* business marketing initiative creates an opportunity to attract new firms to the region. But if the city is to capture its share of new growth, enhance the prosperity of neighborhood residents and sustain citywide residential markets, Philadelphia must make long-term improvements to fundamentals: **more competitive tax policies and enhanced, well-funded public transit.**

### Short-Term Attraction Strategy

But there are immediate actions that can help fill vacancies caused by contraction and by firms relocating to new tax-exempt buildings. Center City owners and brokers can focus *now* on the many growing regional firms with no presence in the city, suggesting they consider an office downtown.

Center City already has distinct competitive advantages: access to a young, well-educated workforce; extraordinary amenities; a wage tax that will fall significantly as gaming revenues kick in; and the ability to walk or take transit to work, instead of wasting time and money in suburban traffic jams. Taken together, they make Center City surprisingly cost-effective.

### Consider a Move

All large firms in the region draw a significant percent of their workforce from adjacent counties. A recent Greater

Philadelphia Chamber of Commerce analysis concluded that nearly a third of the region's workforce, over 810,000 workers each day, cross county lines in their journey to work. For those suburban-based firms who already employ a significant number of Philadelphia residents, a downtown branch office could actually *lower* the commuting time for many employees and significantly *reduce* their transportation costs.

### Employee Transportation Savings

Nearly all employees of suburban firms drive to work. While most auto-commuters complain about traffic jams, few calculate the real costs of their commute. The composite cost of driving a car

Thirty-seven percent of Center City residents walk to work, compared to only 4% in the region as a whole.<sup>6</sup> When their employer locates downtown, employees who live in Center City could walk to work and save all commuting-related expenses. Employees who switch from driving to transit could reduce 80% of their auto-related expenses, saving \$5,512 a year in commuting costs.<sup>7</sup> Those who continue to drive would have to pay an additional \$2,892 a year for parking.<sup>8</sup>

Suburban residents, who earn the Philadelphia region's average office worker salary of \$58,210, but who begin to pay the Philadelphia wage tax when their office moves downtown, would still realize a net savings of \$2,274 a year by

**Philadelphia must improve the fundamentals: more competitive tax policies and enhanced, well-funded public transit. But Center City is already a very cost-competitive location in the region.**

10,000 miles each year is \$6,890, including fuel, finance, tires, maintenance, insurance, registration and depreciation.<sup>3</sup> With current fuel prices, this cost is probably even higher. By contrast, 70% of Center City office workers use public transit to get to work.<sup>4</sup> The annual cost for a SEPTA regional rail pass is \$1,774. But employers can bulk purchase them at a 10% discount, resulting in an annual cost of \$1,613 to employees.<sup>5</sup>

switching from commuting by car to public transit.<sup>9</sup> In fact, every suburban resident who earns less than \$150,000 per year and switches to public transit would realize a savings. Those who live in Center City would realize a savings of \$6,890. Based on a composite commuting mode of 10% walking, 30% driving and 60% taking SEPTA, the average employee would save \$1,337 annually as a result of an employer locating downtown. These calculations are summarized in chart 1.

CHART 1: EMPLOYEE COSTS WHEN FIRM LOCATED IN CENTER CITY, 2007\*

New Commute Mode	Percent of Employer Workforce	Suburban Wage Tax	City Wage Tax w/ Gaming	Change in Wage Tax	Prior Cost of Driving to Suburbs	Cost of Commuting to City	Change in Commuting Cost	Net Savings
<b>For Suburban Dwelling Employees (50%)</b>								
SEPTA**	30%	\$582	\$2,087	\$1,505	\$6,890	\$3,111	(\$3,779)	\$2,274
Drive	20%	\$582	\$2,087	\$1,505	\$6,890	\$9,782	\$2,892	(\$4,397)
<b>For City Dwelling Employees (50%)</b>								
Walk	10%	N/A	\$2,238	\$0	\$6,890	\$0	(\$6,890)	\$6,890
SEPTA**	30%	N/A	\$2,238	\$0	\$6,890	\$3,111	(\$3,779)	\$3,779
Drive	10%	N/A	\$2,238	\$0	\$6,890	\$9,782	\$2,892	(\$2,892)
		<b>Tax for Suburban Workplace</b>	<b>Tax for City Workplace</b>					
<b>Composite</b>	<b>100%</b>	<b>\$1,410</b>	<b>\$2,162</b>	<b>\$752</b>	<b>\$6,890</b>	<b>\$4,801</b>	<b>(\$2,089)</b>	<b>\$1,337</b>

\* Based on the regional average office worker salary of \$58,210.

\*\* Assumes 50% of SEPTA commuters, living in city or suburbs, pay \$20 per month for station parking.

## Employer Occupancy Cost Calculations

There's a distinct advantage for a regional employer that places its sales and marketing division in Center City, close to Amtrak's 30th Street Station, Philadelphia International Airport and a wide array of restaurants and other venues in which to entertain clients. Another employer may benefit by being close to downtown's colleges and universities and a population of young professionals. For other firms, back-office and support functions may be most economically located at the center of the region's transit network.

In chart 2, we have compared the costs for a typical office tenant located in Center City to those of a Pennsylvania suburban-based firm, showing employer-borne, employee-borne and then combined expenses by square foot.

## Consider a Move

Many downtown firms that have brought suburban residents from suburban branch offices into Center City have felt compelled to give these employees a raise equal to the amount deducted by the Philadelphia wage tax. But as this analysis suggests, employers can demonstrate effectively that a switch to transit more than offsets the impact of the wage tax for an employee making up to \$150,000 per year, given falling tax rates in Philadelphia. By offering their workers discounted transit passes instead of more costly wage increases, **suburban-based employers can actually reduce the total cost of doing business when they open a downtown office and take advantage of all the benefits of a Center City location.**

To support this effort, the CCD has created an online database to assist in the search for available office space by location, price or square footage. For regional employers interested in evaluating a Center City option, we have also created an online calculator. (For details, see page 4 or visit our Web site [www.centercityphila.org](http://www.centercityphila.org) and click on "Doing Business.")

**Paul R. Levy**  
President

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**CHART 2: CENTER CITY'S COMPETITIVE ADVANTAGE IS TRANSIT**

Cost	Center City	PA Suburbs	Suburban Differential (per SF)
Inclusive Rent	\$24.60	\$24.81	
Use & Occupancy Tax	\$1.30	\$0.00	
Business Privilege Tax	\$3.67 <sup>a</sup>	\$0.00	
<b>Employer-Borne</b>	<b>\$29.57</b>	<b>\$24.81</b>	
Wage Tax	\$8.65	\$5.64	
Commute & Parking <sup>b</sup>	\$19.20	\$27.56	
<b>Employee-Borne</b>	<b>\$27.85</b>	<b>\$33.20</b>	
<b>Total Cost</b>	<b>\$57.42</b>	<b>\$58.01</b>	<b>\$0.59</b>

### Assumptions for Chart 2

Office space requirement (for 60 employees)	15,000 sf
Share of employees residing in suburbs <sup>c</sup>	50 %
Average employee salary <sup>d</sup>	\$58,210 per year
Estimated 2007 non-resident City wage tax with gaming	3.5847 %
Estimated 2007 resident City wage tax with gaming	3.8477 %
Typical suburban wage tax rate <sup>e</sup>	1 %
Average City Business Privilege Tax <sup>f</sup>	\$3.67 per sf
Estimated City Use and Occupancy Tax	\$1.30 per sf
Suburban market rent (all inclusive) <sup>g</sup>	\$24.81 per sf
Center City market rent (all inclusive) <sup>g</sup>	\$24.60 per sf
Composite annual cost of driving (10,000 miles) <sup>h</sup>	\$6,890
Annual Center City parking cost <sup>i</sup>	\$2,892
Annual cost of suburban SEPTA pass <sup>j</sup>	\$1,613

1 *Retaining College Graduates*, 2003 is available on line at [www.centercityphila.org](http://www.centercityphila.org)

2 *Center City's Office Sector: Restarting the Engine for Growth*, 2005.

3 American Automobile Association, 2004.

4 Results of a 2001 CPDC survey, to which 39 Center City firms and a total of 3,287 employees responded.

5 Cost calculated as the average of a SEPTA Zone 2 and Zone 3 monthly trailpass.

6 U.S. Census, 2000.

7 This assumes an employee will still drive to the train station and periodically bring his car downtown.

8 Based on monthly Center City parking cost from Colliers International CBD Parking Rate Survey, 2004.

9 Average 2003 salary for employees in the information, finance, and business and professional-services sectors for Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Quarterly Census of Employment Wages, US Bureau of Labor Statistics.

a Philadelphia's new job creation tax credit allows employers to deduct \$1,000 a year for five years from their business privilege tax obligation for each new job created over an initial five-year period.

b Per-square-foot calculations were created by taking the information detailed in the assumptions for chart 2 (commuting and parking cost at both the current suburban location and after the firm relocates to Center City), aggregating the costs for an entire staff of 60 employees, then dividing by 15,000 square feet.

c A CPDC analysis of Center City office sector W2 returns for 2001 found that 52.8% of employees lived in the suburbs and 63.1% of total wages were paid to suburban residents, thus 50% is a conservative estimate.

d Average 2003 salary for employees in the information, finance, and business and professional-services sectors for Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Quarterly Census of Employment Wages, US Bureau of Labor Statistics.

e Residents of 70% of suburban PA municipalities pay a wage tax of 1% or more, including school taxes.

f Average paid by all commercial tenants in Class A Center City office space, CPDC analysis of Philadelphia Department of Revenue data.

g First Quarter 2005 Class A rent plus electric and HVAC, Studley.

h American Automobile Association, 2004.

i Based on monthly Center City parking cost from Colliers International CBD Parking Rate Survey, 2004.

j Cost calculated as the average of a SEPTA Zone 2 and Zone 3 monthly trailpass.



## Keeping Center City Green and Lush all Summer Long

*Farmers' Almanac* is predicting a warm, wet summer — ideal for Center City's greenery. Still, maintaining trees and other plantings in an urban environment can be a challenge for private property owners and those who have a role in the upkeep of the public landscape, including the Center City District (CCD).

Watering is key to keeping urban greenery healthy throughout the hot weather. The Fairmount Park Commission emphasizes that newly planted trees are especially in need of regular and sufficient watering to develop properly. Water at least once a week, using 10 to 12 gallons of water. "Gator bags" can insure that water gets to the tree's roots without running off.

Tree pits must be kept clean and free of weeds, grasses and other volunteer growth. Pets should be kept away; animal urine can injure and even kill young trees. For further tips and a list of recommended trees for planting in Philadelphia, go to [www.phila.gov/fairpark/trees](http://www.phila.gov/fairpark/trees).

The Pennsylvania Horticultural Society (PHS) is another good resource on caring for the urban landscape. Its Tree Tenders program provides free training on tree care, proper pruning and care of tree pits to community groups and individuals. For more information, visit [www.pennsylvaniahorticulturalsociety.org](http://www.pennsylvaniahorticulturalsociety.org).

"Trees add beauty to any landscape, but they are especially beneficial in the city," says Mindy Maslin of PHS Philadelphia Green Program. "They reduce heat, help control run-off, act as noise buffers, filter pollution, provide shade and soften the urban landscape."

Although container gardens need to be watered more frequently — every day if the weather is hot — they are ideal for adding color and interest to the urban landscape. The PHS Web site has information on container gardening, including a list of recommended plants and retail sources.

### Who Does What

The CCD has planted and maintains almost 800 trees in Center City, along with 128 container planters and planter beds maintained as parking screens at surface parking locations. The CCD contracts with PHS to oversee the



Most trees planted and maintained by the CCD have this characteristic, brick tree pit.

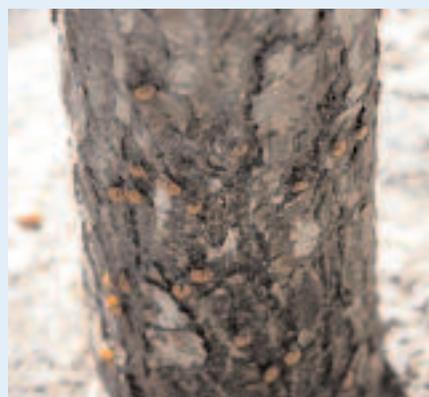
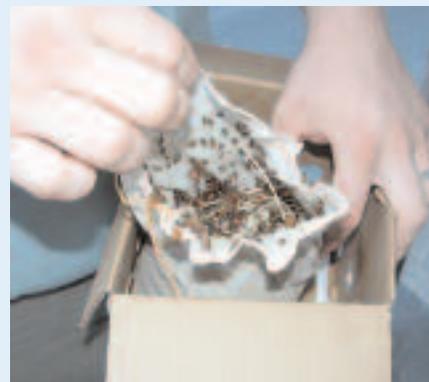
maintenance of this landscape collection. The CCD does not maintain trees that were planted by others.

During spring, CCD and PHS systematically inspect and replace any trees or shrubs that were damaged during the winter. Throughout the year, landscape contractors water, prune, fertilize and groom all the CCD trees, parking lot screens and container plantings.

There is also an Integrated Pest Management program (IPM) to monitor the entire tree collection for pests and disease. IPM is an environmentally responsible approach that incorporates the use of beneficial insects and relies on targeted inspections and treatment.

Trees planted and maintained by CCD are mostly concentrated on and around Sansom, Walnut and Locust streets from 7th to 20th, Market Street from 6th to City Hall and Chestnut from 6th to 21st and are typically located in rectangular, brick tree pits.

The Fairmount Park Commission has jurisdiction over all park and street trees in Philadelphia. Property owners are asked to contact the Commission at 215-683-0220 before planting, removing or pruning street trees. For alley tree problems or problems with trees on private property, call the Department of Licenses and Inspections, 215-686-2463. If there is a problem with a street tree near your property you think is maintained by CCD, call us at 215-440-5500.



The Center City District has successfully used lady beetles (the insects also known as ladybugs) for environmentally friendly pest control on street trees. A spoonful of "Hippodamia Convergens," released at the base of infested trees, kills the aphids, psyllids and mites that damage foliage. The CCD released about 18,000 lady beetles last summer on street trees in Center City, with excellent results. Another release is set for July.

## Wachovia Bank Honors 2 Alert CCD Workers for Helping to Foil a Bank Robber

Center City District Community Service Representative **Maxine Barr** and sidewalk cleaning crewmember **Sherron Dudley** were recognized April 5 by Wachovia Bank for their quick thinking and action that helped police apprehend a robbery suspect and recover stolen cash.

The two were working a routine shift in March when a suspected bank robber ran from Wachovia's main branch at 123 S. Broad St., dropping money before jumping into a cab. Acting quickly, Ms. Barr relayed the taxicab information to Center City District dispatch, which immediately forwarded the alert to Philadelphia Police. Meanwhile Ms. Dudley swept up and returned the money that the suspect had dropped while fleeing. Police apprehended the suspect within minutes of receiving the call.

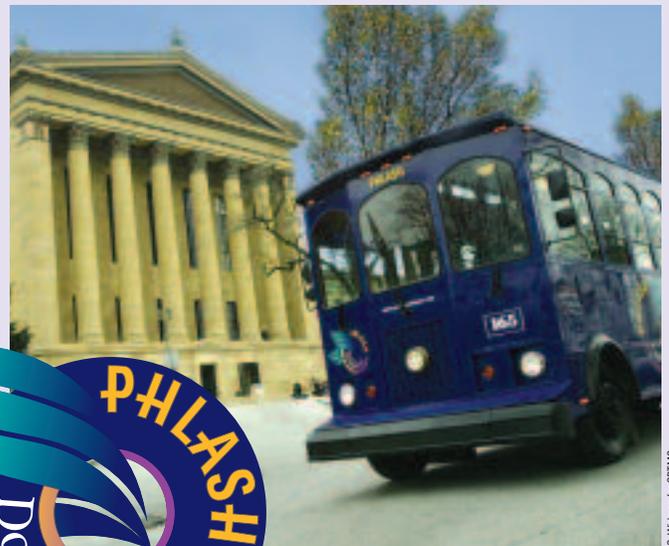


Wachovia also donated two handheld computers with Computerized Neighborhood Environment Tracking Program or ComNET<sup>SM</sup> software, used to monitor the public environment, to the CCD.

From left, CCD Police Substation Capt. Carol O'Neill, CCD President Paul Levy, CSR Maxine Barr, Wachovia Bank Regional President Vik Dewan, CCD cleaning crew member Sherron Dudley and Police Inspector Michael Banach.

## This Summer: Get Around Center City in a Phlash

The **PHLASH** downtown shuttle continues to provide an easy, inexpensive and fun way to get around Center City. The purple trolley makes 19 stops, connecting the waterfront, downtown cultural attractions and hotels for only \$1 per ride, \$4 for an all-day ticket or \$10 for a family of four. PHLASH runs every 12 minutes from 10 a.m. to 6 p.m. through November 30. It is managed by the Central Philadelphia Transportation Management Association, a subsidiary of the CCD. For a route map, discount park-and-ride locations and more, go to [www.phillyplash.com](http://www.phillyplash.com).

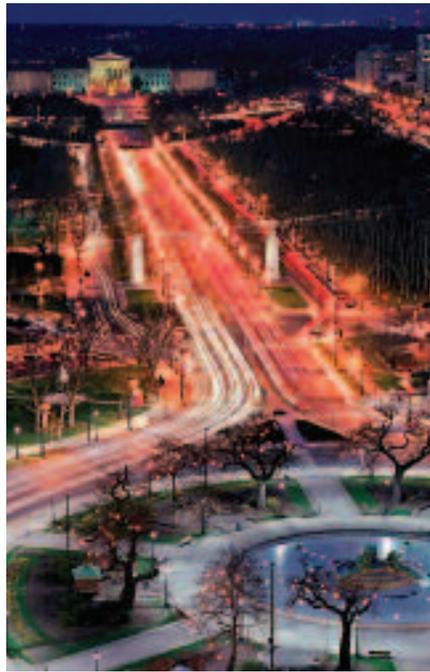


G. Widman for GPTMC

## CCD's Parkway Work Wins Awards

The Center City District's work on the Benjamin Franklin Parkway has won several recent awards. The American Society of Highway Engineers, Delaware Valley Section, named the CCD's Parkway lighting and installation of new, signalized crosswalks at Logan Square as its 2004 Project of the Year. The award was presented at a dinner in April. Named along with the CCD were **Cope Linder Architects, Urban Engineers** and **Grenald-Waldron Associates**.

The Parkway's sculpture and façade lighting, street lighting and the lighting of City Hall received three awards from the Illuminating Engineering Society of North America's Philadelphia Section. **The Lighting Practice** and **Grenald-Waldron** were honored.



Tom Crane

The CCD's spectacular re-lighting of the Benjamin Franklin Parkway continues to garner acclaim.

## Logan Square Fair



Jim McWilliams

Logan Square was alive with outdoor, family-friendly activities at the first **Logan Square Fair, A Celebration of Arts and Sciences**, held April 30. Logan Square's renowned institutions joined with the Center City District to bring their activities outside. Here children observe a pottery making demonstration, part of Moore College of Art & Design's Young Artist Workshop Family Day. Also featured were The Friends of the Free Library Big Book Sale, the Franklin Institute, the Four Seasons Hotel, the Academy of Natural Sciences, Friends Select School, the Fairmount Park Commission, the Free Library of Philadelphia, Logan Square Neighborhood Association, the United Way and live music sponsored by the World Café and *PW*. Thanks to all participants and to additional sponsors, the Parkway Council Foundation, *Metro*, *the Philadelphia Daily News*, WJJZ 106.1 and Sunny 104.5. The Logan Square Fair will return in spring 2006.



## Center City RESTAURANT WEEK

The popular Center City Restaurant Week returns September 18–23, serving up three-course dinners for only \$30 at dozens of downtown's most popular eateries. For a full list of participating restaurants, and all the news about Center City Restaurant Week, go to [www.centercityphila.org](http://www.centercityphila.org).

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CPDC gratefully acknowledges its newest member and June membership meeting sponsor, **ChildrenFirst**. ChildrenFirst is a leading provider of employer-sponsored backup childcare, meeting the needs of employees when their regular childcare arrangements are unavailable. ChildrenFirst is currently developing its first Philadelphia facility in Center City.



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## Summer in the City: Hot Town, Cool Stuff

Once again, Center City Philadelphia comes alive during the summer with cool activities for the hot season. The Center City District's **Summer in the City** programming features happy hours and free weekly concerts, all designed to encourage Philadelphians to skip the shore and take in the town.

The popular **Sidewalk Soundbites Concert Series** returns for its ninth year, bringing free lunchtime music — everything from blues to beach style — to locations throughout Center City every Wednesday through August 31.

Catch up with friends over drink specials and free appetizers at more than 30 downtown bars and restaurants participating in **Center City Sips**, the weekly Wednesday night happy hours. There

will be \$4 cocktails, \$3 wine and \$2 beer, plus those free appetizers, from 5 to 7 p.m. every Wednesday through August 31.

For the Sidewalk Soundbites Concert schedule, a list of participating Center City Sips locations and other details about Summer in the City events, visit [www.centercityphila.org](http://www.centercityphila.org).

Summer in the City is produced by the Center City District and is sponsored by Hudson United Bank, *Metro*, *Philadelphia Style*, Sunny 104.5, Smooth Jazz WJJZ 106.1 and Q102.



The *Center City Digest* is a publication of the Center City District (CCD), a private-sector sponsored municipal authority committed to providing supplemental services that make Philadelphia's downtown clean, safe and attractive; and of Central Philadelphia Development Corporation (CPDC) with 50 years of private-sector commitment to the revitalization of downtown Philadelphia. **Editor:** Elise Vider **Designer:** Amy Newnom