Diversifying Downtown from the Ground Up
Setting and Managing the Stage for Downtown Revival

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diversifying downtown
FROM THE GROUND UP
By Paul Levy

A TALE OF TWO RECESSIONS

Act 1. Time: 1990. Setting: The real estate boom of the last five years has transformed Center City’s skyline. State-of-the-art office towers have broken an informal, decades-old rule that skyscrapers should be no taller than 548 feet, the height of the peak of the hat on Alexander Milne Calder’s 27-ton cast-iron statue of William Penn atop City Hall. But at street level, there are windstorms of litter; graffiti is lathered on buildings; retailers roll down security gates by 6 pm; the commercial district is empty and avoided after dark.

A decade of federal disengagement has compounded the impact of four decades of suburbanization, leaving declining resources for cities. Philadelphia’s municipal budget is severely stressed, verging on bankruptcy. To cope, local government has been raising the real estate tax from 4.475 percent in 1970 to 8.264 percent; a real estate transfer tax has gone from 1 percent to 4.07 percent; a resident wage tax, first levied in 1937 in the midst of the Depression has climbed from 1 percent to 4.96 percent; a perversely named business privilege tax takes 3.25 percent of gross revenues and 6.5 percent of net revenue from every business. As a result, businesses are decamping for the suburbs. By the time this recession is over, downtown real estate will have lost 26 percent of its assessed value.

Act 2. Time: The present. Setting: The 58-story, Comcast Center, at 974 feet, is the tallest building in Philadelphia looming over lesser giants from the late 1980s. But unlike those towers, each with several hundred parking spaces below ground, the LEED certified Comcast Center has only an 87-space parking garage underground. It features instead, a 500-seat concourse level dining court and direct connections to the regional train lines. On a landscaped, surface plaza, adorned with a café, generous landscaping and playful fountain, parking was provided for 100 bicycles. Between 200 and 300 are parked there each day in a downtown where 74 percent of residents get to work without a car.

The surrounding environment has been transformed: 419 non-profit arts and cultural institutions provided 26,000 performances, classes and exhibitions in 2011 and the ten major performing arts organizations attracted more than 2.6 attendees, filling sidewalks with patrons every evening. Public investments in a convention center and tourism promotion prompted a 95 percent increase in downtown hotel rooms; nearly all of the 38 hotels are in repurposed or historic buildings. Visitors, workers, and residents can choose from 713 restaurants and 273 outdoor cafes. The number of options has steadily increased even through the recession.

SETTING AND MANAGING THE STAGE FOR DOWNTOWN REVIVAL

Since 1990, Center City Philadelphia has been transformed from a littered, 9-to-5 office district where merchants rolled down gates after dark, to a thriving 24-hour, live-work environment, enlivened by new housing, theaters, sidewalk cafes, hotels, new skyscrapers, and impressive population growth. This reincarnation is the result of private and public initiatives, including the creation of the Center City District. The CCD started with the aim of making downtown clean, safe, and attractive, but is now also lighting sidewalks and building facades, redeveloping and managing parks, and promoting public schools to ensure that Philadelphia is a leader in the renaissance of America’s great cities.
In 1990, there was just one major residential condominium in the commercial core. Now, there are 49 condominium buildings with 3,871 units and another 165 apartment buildings with 15,630 units in what had been purely a commercial district. But downtown’s residential boundaries have also dramatically expanded, as the population has increased by 16.3 percent in the last decade.

With almost 14,000 new housing units completed in the last 15 years, there are 181,000 residents now living in the eight zip codes between Girard Avenue and Tasker Street. Sixty-six percent of them have at least a college degree; 39 percent have advanced degrees; 22,000 children have been born to Center City parents in the last decade. Strollers are everywhere. Philadelphia now has the third largest downtown population among American cities, behind only New York and Chicago.

Diversification pays dividends. In every year of the worst recession since the Great Depression, the aggregate value of Center City real estate has increased; office occupancy is five points higher than surrounding suburbs; apartment and townhouse construction continues, along with major developments driven by educational, health care, and research institutions.

Two severe recessions; the same city; two very different outcomes.

What did it take to transform littered, fear-filled streets and vacant buildings into a thriving 24 hour downtown?

MAKING TRANSFORMATIONAL CHANGE INCREMENTALLY

It took private developers; public inducements; strong, local, charitable foundations; entrepreneurs; adventurous new residents; and new marketing campaigns. Demographic trends and rising energy prices surely contributed. But it began with clean and safe.

In the depths of the real estate recession in 1990, major property owners, business and civic leaders, convened by developer Ronald Rubin, took advantage of a state law that enabled property owners to assess themselves with a real estate surcharge collected through the mandatory mechanism of a business improvement district (BID). Securing the approval of a skeptical City Council, a term-limited mayor, and more than 2,100 downtown owners, many initially averse to paying more in a high-tax city, the Center City District (CCD) was launched on the first day of spring 1991 with a budget of $6.5 million and a narrow focus on clean and safe. Key to the initial launch was the credibility of an all-private-sector board that defined the services, programs, and charges and a professional staff, imbued with a culture of customer service, with the authority to bill and collect directly from property owners.

Deploying 50 uniformed sidewalk cleaners and 42 safety ambassadors, called Community Service Representatives (CSRs) who are co-located with a contingent of Philadelphia police, the CCD is a textbook case of how to nudge a place over the tipping point. Focusing first on the basics, quality of life issues that shape perceptions, the CCD sought initially just to remove the negatives – dirty and dangerous. Over two decades, as population, visitors, and density have increased, serious crimes have been cut in half and quality of life crimes reduced by 75 percent. Through the evolution and expansion of its services, the CCD reclaimed the public domain. Ultimately, by investing more than $118 million in public area and park improvements, it has helped restore investor confidence in the entire downtown.

ANIMATING A WALKABLE DOWNTOWN

From William Penn’s 1682 plan, Center City inherits a compact, walkable street grid. Because so much of the past has been preserved, buildings are at an intimate scale and provide the rhythm that Jane Jacobs saw as essential for thriving streets: frequent doors, numerous windows, and short blocks. It’s a place where
38 percent of downtown residents walk to work and where convention attendees don’t need buses to get to their hotels.

The story of the last 22 years is a tale of how incremental, but sustained investments in this historic grid transformed a declining, single-purpose American CBD into a vibrant and diverse, European-style city center.

A pro-development, promotional Mayor Edward Rendell took office a year after the CCD commenced operations, focusing on fiscal recovery and a revival driven by arts, entertainment, and hospitality investments. Beginning in 1992 on the Avenue of the Arts, with the guidance of the city’s lead economic development agency, the Philadelphia Industrial Development Corporation, historic theaters were renovated and new theaters built. Office buildings that had been in their prime in the 1920s were converted to hotels, apartments, condominiums, and art student housing.

The Pennsylvania Convention Center, in the works since the 1980s, opened in 1993, marrying a re-stored 19th century train shed to a new state-of-the-art 440,000-square-foot facility right in the middle of downtown. Hotel rooms followed, most created in restored, underutilized office buildings like the former PSFS bank building, the Girard Trust bank building, and Reading Railroad’s former corporate headquarters. A new 1,200-room Marriott gave Philadelphia its prime convention hotel with direct pedestrian links into the Reading train shed. In March 2011, the Convention Center completed a major expansion, doubling to offer almost a million square feet of exhibition and meeting space.

Funding for convention and tourism promotion is provided by a surcharge on hotel rooms with a division of labor that has the Philadelphia Convention and Visitors Bureau marketing to convention and trade meeting planners and those who handle group travel. Greater Philadelphia Tourism Marketing Corporation focuses on leisure travelers. Together, these two organizations have given the city and region a national profile it lacked two decades ago. On the business side, they are complemented by Select Greater Philadelphia, a regional marketing effort supported by the Greater Philadelphia Chamber of Commerce.

INVESTING IN THE PUBLIC ENVIRONMENT

Downtown has a strong employment base of professional and business services, educational and medical institutions with 221,000 private sector jobs providing more than $13.2 billion annually in salaries and compensation to regional residents. Reinforcing this base and capitalizing on a long tradition of downtown living, the diversification of the downtown brought new customers, new restaurants, and evening animation. To this, the CCD added $118 million in streetscape and public area enhancements funded by its own bond issues and by the leveraging of city, state, federal, and foundation funds.

Each year, for the last 15 years the CCD has made improvements that steadily add up: 1,000 street trees, 2,200 pedestrian-scale, light fixtures, 683 maps and directional signs for pedestrians and 233 for motorists; there are also maps and historic information on transit shelters and graphics and illuminated signs for 100 entrances to underground transit. Along the Benjamin Franklin Parkway, CCD placed a comprehensive interpretative sign system and illuminated public sculpture and building facades. On the Avenue of the Arts, there are synchronized color-changing LED lights on the facades of eight different buildings. All are visible signs of transformation, giving confidence to investors, developers, businesses, and residents.

New visitor attractions around Independence Mall filled in gaps created by the overly-aggressive bulldozers of urban renewal. A new visitor’s center, a new constitution center, a new home for the Liberty Bell, the National Museum for American Jewish History, and the President’s House now draw more than 3 million visitors a year to the historic district. Today, more than 10,000 hotel rooms are within a 15-minute walk of the Convention Center and the new attractions around Independence Hall. Another major hotel opened in October 2012 in a rehabilitated historic building on Independence Mall, while a newly constructed suites hotel opened this year, immediately across from the Convention Center.

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TURNING ON THE LIGHTS UPSTAIRS

In 1997, a citywide, ten-year tax abatement, granted for converting vacant buildings to residential use, altered the dismal economics for 4.5 million square feet of obsolete class B and C office space and former industrial buildings. Expanded in 2000 to cover all new construction citywide, the abatement prompted in Center City alone the conversion of 171 buildings to residential use and the addition of 14,000 new housing units, resulting in a 26 percent increase in population in the core of the downtown over the last two decades.

Initially, new residents were predominantly the young professionals and empty-nesters who are flocking to most U.S. downtowns. But the 2010 census demonstrated the broad appeal of Center City living: 28 percent of downtown residents were ages 25-34 (twice the national average), 24 percent were ages 35-54, and 22 percent were 55 or older. Twenty-two percent of households with adults ages 35-54 reported school age children at home, while day-care centers, pre-school programs, and elementary schools are surging in enrollment as more families with children remain in the city. The markers of downtown residential revival are clear: dogs and dog parks come first; then come the strollers, daycare centers, and the search for quality schools.

A MULTI-PURPOSE ORGANIZATION FOR A MULTI-USE DOWNTOWN

Today, the CCD has diversified into a $20 million operating entity, focused still on clean and safe, but now also managing a broad range of services: convening public and private security through a 200-person downtown Crime Prevention Council; installing and routinely changing more than 3,500 banners on downtown streets for 70 different cultural and civic groups; promoting restaurants, retail and cultural amenities through print, electronic, and social media; and managing highly-visible special events like the twice-annual Restaurant Week promotion.

Most recently, the CCD has taken on more complex projects like park renovation and management: adding two new cafes along the Benjamin Franklin Parkway, creating a children’s park from derelict space at Logan Square, and restoring a small pocket park at 1707 Chestnut Street, renaming it after landscape architect John Collins, who originally designed the park, along with the landscaped greenways in Society Hill and created the first drawings for the now thriving Schuylkill River Park.

Along the way, the CCD began providing extensive, contractual cleaning services to adjacent communities, simultaneously offering employment opportunities for formerly homeless individuals and those making the transition from welfare-to-work. In 2007, the CCD assumed maintenance responsibility for the 3.5 mile underground subway concourse and two regional rail stations, deploying another 50 cleaners to enhance the transit connectivity of a downtown where 310,000 take public transit into Center City each day.

Today, the Center City District is leading the $50 million renovation of Dilworth Plaza on the west side of City Hall, creating a new gateway to public transit, much-needed green space for Philadelphia’s primary office district, a new fountain with a kinetic piece of public art, fashioning a civic centerpiece to link together all the city’s major cultural, tourist, and business corridors. The project will be complete in the spring of 2014.

Through its partner organization, Central Philadelphia Development Corporation, there has been a major focus on enhancements to the Benjamin Franklin Parkway, where the Barnes Foundation recently relocated, bringing a unique collection of Impressionist and Post-Impressionist art. There have been sustained efforts to retain families with children in the city through a website www.KidsInCenterCity.com and a partnership with parents’ organizations and the School District of Philadelphia. Through an alliance with major developers, building owners, and city wide organizations, efforts are underway to complete the unfinished work of the Rendell Administration in the 1990s, helping Philadelphia fashion a pro-growth, post-industrial tax policy.

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A 21ST CENTURY DOWNTOWN

It is one of the defining paradoxes of the post-industrial economy: as digital technology enables work to occur virtually anywhere, the qualities of a particular place become paramount. Lively parks; attractive plazas; clean, safe, walkable, landscaped and well-lit streetscapes; outdoor cafes; and accessible and customer-friendly transit – all the spaces between buildings – become essential to a competitive, downtown experience. Business improvement districts (BIDs) have thus become the stage setters and managers for many 21st century cities whose local governments find resources severely constrained.

Unlike office campuses, theme parks, and shopping centers, absent a BID, downtown management would be fragmented among thousands of individual property owners and scores of public agencies. BIDs are the common area maintenance corporations for urban districts. But they can also be, as one writer suggests, the horizontal developers who make vertical development possible. Diversification of Center City real estate has spurred a self-reinforcing, virtuous cycle. Hotels, theaters, and restaurants create an environment that appeals to business and residents. The hospitality industry creates work for accounting, architecture, and law firms. Office tenants attract both corporate meetings and business travelers who fill hotel rooms. Fifty-five percent of the business at the Pennsylvania Convention Center is driven by the health-care, education, and pharmaceutical industries.

Young, in-movers support new uses in old buildings: cafes, home furnishing stores, bowling alleys, gyms, and spas. In one of the most startling signs of change, an “adult entertainment” venue was recently converted to play space for infants and children. New theaters beget new restaurants that attract patrons to outdoor cafes. An active street-scene draws customers who come simply to savor the downtown experience. People enjoy watching people. Empty-nesters, tired of commuting and cutting lawns, downsize to live in the center of it all (though the latest generation of condos priced in the $3 to $7 million range should hardly be termed downsizing).

As housing prices have risen dramatically in the center, new households seeking more affordable options push out the perimeter of the revitalizing downtown. Citywide, 20 percent of the residents of every neighborhood commute to work in Center City. But the definition of the expanding downtown is based not only on new households and rising prices, but the widening zone in which more than 40 percent of the residents work downtown; another 12 percent commute to adjacent University City. This is the live-work environment of successful 21st century cities. Residents beyond the immediate walkable range of the business district are relying more on public transit and bicycles and are shopping and eating at places that advertise locally-sourced product – all hallmarks of a sustainable lifestyle.

Even as the inventory of unsold condos left from the 2008-2009 housing crisis drops below 10 percent, developers have shifted almost entirely to building new rental product in the downtown, while new townhouses in the extended neighborhoods of Center City are still being brought to market, but at a very modest pace. Overall, population densities in the expanded downtown are at 41 persons per acre, 20 times the densities in surrounding suburbs. Around Rittenhouse Square, densities rise to 95 persons per acre, creating the strongest market for retail in the city.

Looking ahead, East Market and East Chestnut Streets, slow to participate in revival, will steadily improve as major sites like the Gallery at Market East and Girard Square are redeveloped and as rising rents on the west side push more tenants east. At least one major commercial office building could break ground in the coming year and more would follow if local government gets its tax policies right.

AN AGENDA FOR COMPETITIVENESS AND GROWTH

Amenities matter, making cities more attractive to businesses, residents, and tourists. But Philadelphia’s growth is still constrained by a tax structure inherited from the manufacturing age, when large factories with fixed assets depended on rivers and railroads. Even after Rendell-led reductions, continued by Mayor John
Street, brought the resident wage tax down a full point to 3.928 percent, municipal government still generates 66 percent of local tax revenue by taxing highly mobile wages and profits. It only secures 17 percent from taxes on land and real estate improvements.

But nearly all professional, business, and financial services firms, as well as start-ups and entrepreneurs, are highly mobile tenants, linked to the global economy through laptops and hand-held devices. These firms can be anywhere and, while quality of life issues matter, they are highly sensitive to the differential burden of local taxes.

Philadelphia thus stands at a crossroads. For more than a half-century the city shed old-economy jobs, leaving diminished opportunities in working class communities. Now economic and demographic trends, lifestyle choices, and energy-costs are all tilting in Philadelphia’s favor.

The 2010 census raised the curtain on a new era. With downtown’s expansion and new Latino and Asian immigration in neighborhoods east of Broad Street, the city’s population increased for the first time in 60 years. With a strong regional transit system, good highway access, world-class educational institutions, and a downtown that concentrates 129 jobs per acre in a compact, mixed-use and walkable place, Philadelphia is poised to capture a much greater share of regional growth, creating opportunities for residents at all educational and skill levels.érer

Dilworth Plaza is expected to open in mid-2014.
innovation in economic DEVELOPMENT

By John Grady

Philadelphia's economic strength lies in the diversity and innovation of its people, its institutions, and its business community. That's why the Philadelphia Industrial Development Corporation (PIDC) works with businesses, non-profits, and developers in all sectors and neighborhoods to provide financing and real estate resources resulting in job creation and economic growth. PIDC's unique position at the intersection of the public and private sectors has enabled it to compete for new resources and develop innovative new products to keep up with the needs of the marketplace.

PIDC has been the City's economic development corporation since 1958. As a non-profit, public-private joint venture founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce, PIDC plans and implements financing and real estate transactions throughout all neighborhoods that attract investment and jobs to Philadelphia. PIDC's investments serve to diversify the City's economic base and improve the quality of life for businesses and residents alike. Over the past 54 years, PIDC has settled over 6,000 transactions – including $10.5 billion of financing and 3,000 acres of land sales – which have leveraged over $20 billion in total investment and assisted in retaining and creating hundreds of thousands of jobs in Philadelphia.

Local economic development officials are asked to promote market growth against the backdrop of a challenged national and international economy while also addressing varied public policy concerns such as small business formation, job creation for low-income residents, sustainable development, leading edge development in under-performing or blighted markets, and brownfield site reclamation. With limited public resources and many challenges, PIDC's innovation strategy focuses on attracting capital to address current and anticipated market needs and repositioning land for future development.

ATTRACTING CAPITAL TO ADDRESS MARKET NEEDS

Like many economic development organizations, the Philadelphia Industrial Development Corporation (PIDC) has traditionally drawn on an array of economic development programs funded at the federal, state, and local levels that are available at low or no cost. PIDC, in turn, has structured these varied sources into a spectrum of subordinated and below-market financial offerings that are designed to fund gaps in the private markets and to meet the City's policy goals. As governmental resources shrink, we are turning more and more to internal and private sector resources to supplement

TRANSFORMING PHILADELPHIA'S ECONOMY

The Philadelphia Industrial Development Corporation (PIDC) is at the forefront of the nation's leading public-private partnerships. Working collaboratively with the City of Philadelphia and the Greater Philadelphia Chamber of Commerce, PIDC has been able to attract and retain businesses through innovative financing and real estate solutions. Understanding the needs in the marketplace and developing new resources and programs to meet those needs has been a key to PIDC's success. Whether promoting entrepreneurship and small business growth, or helping large corporations with business location or expansion, PIDC's financing and real estate solutions work well in both a struggling and bustling economy.
public funds and address additional needs of Philadelphia’s business sector.

**Flexible Capital for Small and Emerging Businesses**

Since the start of the 2008 recession, PIDC has found increasing demand from emerging businesses, including small, minority, woman and disabled-owned businesses, for working capital. Since such uses of funds are typically discouraged by public sources of funds, PIDC has looked to its own balance sheet and bank partnerships to develop pilot programs to meet this important market need.

PIDC has used internal funds to create the Emerging Business Loan program, offering working capital secured by specific contract receivables. For example, PIDC was able to provide a loan under this program to Bittenbender Construction, a woman-owned construction firm that was suffering from a slow-paying construction contract and had otherwise tapped out its bank lines of credit. PIDC has administered 67 Emerging Business Loans over the last five years.

To create the Emerging Business Guarantee program, PIDC partnered with three local community banks – United Bank, Valley Green Bank, and East River Bank – to provide loan guarantees for small business loans that fall just short of the banks’ credit criteria. With a guarantee from PIDC, Valley Green Bank provided financing to a growing bakery, Philly Cupcake, which allowed the company to expand into a third retail location in a formerly vacant storefront on an important commercial corridor. In 2012, PIDC guaranteed seven loans totaling nearly $1 million. In 2013, PIDC will introduce a third product, the Emerging Business Bonding program, which will enable small contractors to access surety bonding and thereby bolster their ability to bid on construction projects.

Based on our positive track record with small and emerging business lending, PIDC is now turning to the community development finance world to complement and extend our existing resources for the benefit of Philadelphia’s small business community. PIDC obtained its Community Development Finance Institution (CDFI) certification in 2012 and has commenced a strategic effort to attract private bank and foundation capital to the small business community which is otherwise not being served by the private sector.

In an important first step, PIDC has joined forces with Goldman Sachs and their 10,000 Small Businesses initiative to make $10 million in lending capital available via PIDC to small businesses throughout Philadelphia. The Goldman Sachs 10,000 Small Businesses initiative is designed to help create jobs and economic growth by providing small businesses with practical business education, business support services, and access to capital. Community College of Philadelphia will deliver the business education portion of the program in Philadelphia. This partnership draws on the best of both worlds – Goldman Sachs’ access to private capital blended with PIDC’s on-the-ground experience with the local small business market.

**Investing in Sustainability**

Increasing awareness of the negative impact of inefficient buildings and storm water management practices to our environment and business’ bottom line is driving a rising call for financing of environmentally sustainable practices. PIDC partnered with the City and The Reinvestment Fund (TRF), a prominent local CDFI, to successfully compete for and structure federal Department of Energy dollars along with other public and private funds to create the EnergyWorks Loan Fund. EnergyWorks provides low-interest loans to building owners who are looking to improve their overall energy usage by at least 25 percent by improving the building envelope and/or basic building systems. To date, PIDC has administered six EnergyWorks Loans to projects meeting the goals of the loan fund.

In addition, PIDC has joined forces with the Philadelphia Water Department to implement the Stormwater Management Improvement Program (SMIP). This innovative program offers grants and loans to business property owners that want to manage stormwater on-site through proven technologies such as green roofs or porous pavement.

**Startup PHL: New Funding for Entrepreneurs**

PIDC has witnessed tremendous recent growth in Philadelphia’s start-up and early-stage community. With little or no revenue and no collateral, these high-potential start-ups are not able to access PIDC’s traditional debt financing, but are nonetheless crucial to the city’s economic vitality. To support this burgeoning sector, PIDC joined forces with the City of Philadelphia to announce a series of initiatives under the StartUp PHL brand.

In October 2012, the City launched the StartUp PHL website (http://www.startupphl.com) and a “Call for Ideas” that will provide small grants to individuals or organizations that support the entrepreneurial community. In conjunction with the City’s announcement, PIDC launched a request for proposals to create the StartUp PHL Seed Fund. PIDC is offering $3 million from its revolving loan fund resources as a lead investment in a new, privately managed SEED Fund for Philadelphia start-ups to be matched and managed by...
PIDC's half century of experience has also led it to develop innovative ways to reposition land so that it can support newer forms of development.

Whether it is a hard-working small business, energy-efficient building retrofit, or start-up tech company, PIDC and economic development organizations like it are continually called upon to fill the gaps left by today's private debt and equity markets. This requires innovative uses of traditional public economic development resources coupled with private resources so that Philadelphia continues to grow as an attractive place for business investment and job creation.

REPOSITIONING LAND FOR FUTURE DEVELOPMENT

PIDC’s half century of experience has also led to develop innovative ways to reposition land so that it can support newer forms of development. With a long track record including more than 500 successful real estate transactions totaling more than 3,000 acres of land completed since its founding, PIDC is an experienced participant in Philadelphia’s real estate marketplace. From the development of some of the earliest urban industrial parks in the U.S. to helping create new zoning classifications that reflect the evolution of modern industrial activity to crafting master plans for future industrial districts, PIDC has played an important role in the development of Philadelphia.

Industrial Land & Market Strategy

In 2010, PIDC, working along with the City Planning Commission and the Philadelphia Commerce Department, released the Industrial Land & Market Strategy for the City of Philadelphia (Strategy), a comprehensive analysis of industrial activity in Philadelphia. Based on a detailed parcel-by-parcel survey of nearly 25 square miles of industrially-zoned land, the Strategy provides a data-driven foundation for city policies affecting the industrial sector. While the character of industrial firms in Philadelphia has changed remarkably since the city was known as the “Workshop of the World,” with names like Baldwin Locomotive, Disston Saws, and Stetson Hats giving way to Augusta Aviation, Lanett Pharmaceuticals, and Microcision, industry remains an important component of the city’s economy.

Today, industrial firms are the source of more than 100,000 jobs with a combined annual payroll of $5 billion. In recognition of the importance of industrial activity to Philadelphia, the Strategy has led PIDC to focus on several new ways to nurture and support industry.

The Strategy documented the characteristics modern industrial users need to thrive – industrially-zoned land with adequate infrastructure, modern facilities, workforce access, and separation from incompatible uses.

Since the Strategy’s release, PIDC has coordinated an inter-agency review of proposed zoning changes and variances on industrial land in Philadelphia. Annually, this review team evaluates approximately 300 zoning requests to determine what impacts proposed non-industrial uses will have on the integrity and function of industrial districts. The City Planning Commission made use of the research in the Strategy during its development of Philadelphia2035, the city’s comprehensive plan which identified industrial legacy areas that require protection and support, and the 2011 overhaul of the Philadelphia Zoning Code which included the simplification and modernization of the city’s 50-year-old code and two new industrial classifications designed to reflect new forms of industry.

Lower Schuylkill Master Plan

The Strategy also included a comprehensive survey of Philadelphia’s industrial districts. This survey identified a 3,700-acre section of the district along the Schuylkill River containing nearly 70 percent of the city’s vacant or under-utilized industrial land as a prime candidate for redevelopment. While large, under-utilized industrial zones are unfortunately all too common in older cities, the Lower Schuylkill does have features which make it suitable for redevelopment into a 21st century industrial district.

The Lower Schuylkill is located adjacent to areas which drive Philadelphia’s economy, notably University City – home to several world-class universities and research centers; Philadelphia International Airport; and the PIDC-managed Navy Yard – an emerging industrial, commercial, and energy campus. The area is industrially-zoned and has parcels with the scale required by modern industry. The Lower Schuylkill has access to two interstates and is served by both passenger and freight rail. Finally, the district straddles a riverfront that is increasingly being rediscovered as a recreational amenity by Philadelphians thanks to the extension of...
the Schuylkill River Trail that will provide connections to both residents and employees to important park space along the river.

In recognition of these strengths, in 2011, the City of Philadelphia and PIDC embarked on a planning process to develop a Master Plan for the Lower Schuylkill River. Funded collaboratively by the City of Philadelphia and the William Penn Foundation, this effort identified the benefits of its redevelopment, constraints preventing it, and established a strategy, schedule, and cost for public investments required to overcome impediments to the attraction and deployment of private capital in this area. Recently completed, the Lower Schuylkill Master Plan now serves as a guide for a series of public interventions intended to leverage private investment, development, and employment to re-establish this district as a vibrant part of Philadelphia’s economy.

Planning and Funding Waterfront Infrastructure

Like many cities, Philadelphia has struggled to successfully redevelop its waterfront. Recent waterfront planning initiatives, led by the Delaware River Waterfront Corporation (DRWC) and Penn Praxis, a University of Pennsylvania planning initiative, have sparked new excitement, particularly along a six-mile stretch of the Delaware River dubbed the “Central Delaware.”

In 2010, DRWC developed A Plan for the Central Delaware, a detailed blueprint for transforming 1,100 acres of Delaware River waterfront into a vibrant destination for recreational, cultural, commercial, and residential activities. DRWC completed several early action projects, including artistic and well-lit connector streets, the widely-acclaimed Race Street Pier, an ecological park, and a waterfront trail. New restaurants and entertainment venues have followed. With this new momentum, a number of large-scale, privately-led projects are beginning to emerge.

To support this new development, particularly the residential and retail development envisioned by the Plan, new financing resources are required to address cost premiums and market risk associated with waterfront redevelopment. In late 2012, PIDC teamed up with the City, Delaware River Waterfront Corporation (DRWC), the William Penn Foundation, and Forsyth Street Advisors to evaluate the viability of a public-private investment fund capable of providing long-term, patient capital to facilitate this new development. Currently under development, this fund will serve as a new mechanism for public-private collaboration to fund and implement transformative development in Philadelphia.

THE NAVY YARD: INNOVATION IN ACTION

Traditionally, economic development has centered on two fundamental drivers – financing and real estate – to catalyze the private marketplace. Today, innovation in attracting and developing new financial tools and real estate assets is critical to the continued transformation of Philadelphia’s economy for the future. There is no better example than the ongoing successful redevelopment of The Navy Yard in South Philadelphia.

The Navy Yard is a 1,200-acre former military base that was closed in 1995 as part of the U.S. Department of Defense Base Realignment and Closure (BRAC) process. In 2000, the federal government conveyed the property to the City of Philadelphia with PIDC serving as master developer and manager for all aspects of the property’s management and development, including master planning, leasing, property management, infrastructure development, utility operation, and structuring leasing and development transactions.

Upon transfer of the property, PIDC’s 1994 plan focused initially on stabilizing and revitalizing the property’s industrial assets and securing employment opportunities for its workforce. Once the industrial sector was stabilized, PIDC focused on attracting new office, research, and industrial investment selecting Liberty Property Trust and Synterra Partners as a commercial and industrial development partner.

Together with Liberty/Synterra and the City, PIDC undertook a new master planning process for a mixed-use campus in addition to the property’s industrial assets. Since the release of that plan in 2004, there has been more than $700 million in private investment and in excess of $130 million in public infrastructure investment. The 2004 plan has the development of The Navy Yard as a highly sustainable place that includes environmentally friendly workplaces, significant architecture, industrial development, great public spaces, waterfront amenities, improved mass transit, and the potential for residential development.

In 2006, The Navy Yard Smart Energy Campus was created as a collaboration of businesses, universities, and government, focused on establishing The Navy Yard as a national center for energy research, education, and commercialization. By actively engaging all of The Navy Yard’s assets – its people, infrastructure, and buildings – The Smart Energy Campus is developing and deploying the next generation solutions in energy efficiency, smart grids, and related engineering and IT fields.
In 2011, The Navy Yard was chosen by the U.S. Department of Energy (DOE) as the national headquarters for the Energy Efficient Buildings Hub (EEB Hub). The EEB Hub is led by the Pennsylvania State University, funded by a $129 million renewable federal grant from DOE, and supported by three other federal agencies and the Commonwealth of Pennsylvania. The EEB Hub is a 27-member consortium focused on solving energy efficiency challenges by designing and deploying proven, economically viable technologies that significantly reduce energy consumption in the nation’s commercial buildings, while also promoting economic growth and job creation. With the creation of the EEB Hub, more and more energy-efficiency related companies have begun locating to The Navy Yard.

Today, The Navy Yard is a dynamic, urban waterfront campus that is home to more than 130 companies and 10,000 employees in the office, industrial/manufacturing, and research and development sectors, occupying 6.5 million square feet of real estate in a mix of historic buildings and new LEED® certified construction. PIDC recently released an update to the Master Plan in combination with an Energy Master Plan calling for The Navy Yard and the community to continue demonstrating these innovations around energy and collaboration. At full build-out, The Navy Yard will support up to 13.5 million square feet of facilities, attract $3 billion of private investment, and employ more than 30,000 people.

Every day brings something new to PIDC. Making investments and building relationships with institutions and for-profit and non-profit businesses that are diverse, dynamic, and fun to work with never gets old. By attracting capital to address market needs, repositioning land for future development, and putting it all together at The Navy Yard, Philadelphia and PIDC stand as leaders in innovation and economic development.

Welcome to The Navy Yard, a 1,200-acre former military base, now a dynamic, urban business campus that is home to over 10,000 employees and 130 businesses occupying 6.5 million square feet of space.

The Corporate Center, developed by Liberty Property Trust/Synterra Partners, a vibrant district of The Navy Yard that offers collaborative, progressive, and environmentally friendly workplaces.