THE NEWSLETTER OF THE CENTER CITY DISTRICT AND CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Spring 2014

CENTER CITY DIGEST

Whitney Krape

IN THIS ISSUE

This issue of the Digest is almost entirely devoted to articles by brokers, developers, and tenants about the future of the downtown office district. It also contains the results of two separate surveys, one of building managers and one of the CEOs of start-up firms.

RETHINKING THE OFFICE DISTRICT: ENSURING FUTURE GROWTH

The diversification of downtown through the conversion of almost 50 older office buildings and scores of former industrial warehouses to new uses has been one of the most positive trends in Center City in the last two decades. In 1990, the central business district was primarily a 9-to-5 place with a third shift in hospitals. There was one major condominium building, numerous apartments, but insufficient demand to support a thriving evening economy. Most retailers on Walnut and Chestnut Streets rolled down security gates each evening by 6 p.m. By night, streets were empty and poorly lit; building facades were slathered with graffiti; litter was often more prevalent than pedestrians.

The flourishing of arts and entertainment, the doubling of hotel rooms, the addition of almost 75 major condominium and apartment buildings and more than 300 outdoor cafes was transformative for street-life and for economic vitality. The emergence of a thriving live-work, walkable environment, second only in size to Manhattan, was a buffer against recession and has become Center City's defining competitive edge.

But what has not changed is the amount of occupied office space downtown. Healthcare and education has continued its upward trajectory. But following the late 1980s boom that transformed the skyline, office growth flattened in the early 1990s. Despite the addition of the Cira Centre and the Comcast Tower in the last decade, between 7.5 million and 9 million square feet (SF) of office space was withdrawn from the market and repurposed for hotel or residential re-use.

It is not that office growth halted in the region or workspace contracted so much that firms didn't need additional room. The western suburbs added 10 million SF of space in the last decade while Center City's occupied inventory stood still, despite competitive advantages and transit-accessibility. Suburbanization of workspace was a powerful national trend. But Boston, New York and Washington, D.C. all have more than 30% of their city jobs in office buildings. Philadelphia's employment share is just 21%. Regional office growth happened; it just didn't happen here.

Does this matter? Education and healthcare, hospitality and leisure are vital sectors; all provide a broad range of job opportunities. Filling downtown with residents is unquestionably a positive trend. But offices are the most productive use of downtown space, both in the density and diversity of jobs and the multiple tax revenues these tenants produce for local government. A typical 500,000 SF building, when full, can hold either 3,300 office workers (at 150 SF per employee) or 596 hospitality workers (at eight workers for every 10 hotel rooms). The average annual wage in the office sector is close to $100,000; in hospitality it is $35,912.

The hospitality industry is quite beneficial in that it imports people with disposable income and provides jobs for younger residents of Philadelphia's neighborhoods; 57% of workers in the hospitality industry are under the age of 35. This sector offers many career-ladder opportunities for those possessing only a high-school diploma or associate's degree. Office jobs include not only high-skilled, high-wage and knowledge-economy positions, but also mid-level technical, computer, administrative and clerical roles, building-systems management and maintenance, security and janitorial jobs. Fundamentally, it is not that one sector is more important than another; rather all sectors should be firing on all cylinders.

Philadelphia's tax structure has shaped this uneven development. Rents in the city and suburbs are almost equal. But on top of rent, office tenants here pay business income and receipts tax, use and occupancy tax and, often, pick up a share of their employees' wage tax when they want to lure workers from the suburbs. This can add a 20% to 40% premium on occupancy costs, depending on the type of firm and the nature of its business. Paying a premium to be downtown is to be expected. But a premium of this magnitude drives small businesses out of the city as they begin to succeed and causes established businesses to allocate a larger share of their growth to suburban branches. This results in weak demand, causing owners to withdraw inventory from the market and seek higher-yield uses. Both Wayne Fisher's and Sean Coghlan and Ron Cariola's articles (pages 3 and 4) in this issue detail the economics that are producing so many apartments.

Weak demand for office space means low office rents. Low rents result in low assessed values and less tax revenue for the school district and municipal government. It also means that in Philadelphia a much greater share of the real estate tax is carried by residents rather than by businesses. So while diversification is good, the absence of office growth is not optimal for Philadelphia.

But taxes are not the only cause of office conversions. The form of work is changing, but not every owner and broker has adjusted to new realities. It's one thing when shared workspaces emerge with a décor that seems inspired by Pee-Wee's Playhouse. It's quite another when technology firms incubated in those spaces graduate quickly and sign 10-year leases with rents in the mid $20/SF range.

As articles in this issue by Doug Veasey and Craig Grossman suggest (pages 5 and 7), there are major dividends that can be achieved by owners who are willing to break the mold in the type of space they offer, the fit-out they provide, and the flexibility they exercise when negotiating deals. Tenants in creative economy and technology firms may dress differently than typical office tenants. They want different workplace amenities. They arrive at work at different times and by different modes than the office worker of the 1980s. But as the survey of building managers we conducted in partnership with BOMA suggests, accommodating bicycles in office buildings is not a short-term fad; it is an emerging challenge and opportunity for collaboration.

Clearly some aspects of workplace culture are age-specific; habits will change as Millennials become thirty-somethings. But to suggest that every tech worker will put on a suit and demand a private office as they reach middle-age is like assuming that they will throw away iPhones and start buying newspapers. Baby-boomers raised on full-color TV, notes Ken Auletta in a recent *New Yorker* article about Netflix, did not graduate to black-and-white viewing when they reached their parents' age.

How large the demand is for this new office space remains an open question. By an optimistic count, there may be several hundred thousand square feet that has emerged downtown amidst 35 million square feet of occupied, traditional office space. But as Mike Maher suggests, the nature of workspace is changing, and the thriving live-work environment that has developed in Center City is fertile ground for incubating new firms (page 6). Our survey of start-ups suggests they are an emerging engine for growth. As the KIZ article on page 11 details, there are also useful incentives available to facilitate their expansion. New York's Lower Manhattan now has more than 600 tech companies occupying 4.1 million SF of office space in a landscape previously dominated by financial services firms. If this is any guide, those owners of older buildings who don't simply default to residential conversions may soon find that the demand and economics are there if they are willing to rethink the future of Philadelphia's office district.

Paul R. Levy
President
plevy@centercityphila.org

MAINTAINING A HEALTHY AND DIVERSE OFFICE INVENTORY

WAYNE L. FISHER

Since 1997, Newmark Grubb Knight Frank has tracked the number of Center City office buildings that have been converted to hotels, condos, or apartments. Since then, 47 former office buildings of varying sizes totaling 7.5 million SF have been recycled for new use. From river to river, virtually all had been Class B & C buildings that emptied out as tenants upgraded to newer buildings in better locations. As a result, despite several new towers, Center City has the same amount of occupied office space as it held in 1993.

This migration occurred, however, not simply because tenants wanted newer space. Given Philadelphia's historically low demand for office space, averaging a mediocre 300,000 SF per year over the last two decades, landlords have found it extremely difficult to grow rental rates. With Philadelphia's rents much lower than comparable cities, most owners can yield only $14.50/SF after operating costs and real estate taxes. Compare this to $20.00/SF to $30.00/SF for rental apartments and it should be no surprise that owners/developers find conversion more lucrative than trying to maintain the property as office space.

From the tenant's perspective, low demand means the average price for all office space in the city over the past 10 years has been $24.00/SF, and the gap between the cost of Class A space and Class B & C space is often narrow. So upgrading for a small premium is often an easy decision, leaving Class B & C owners with higher vacancy in their properties.

After two decades of conversion, the trend is reaching into Class A space. One Franklin Plaza at 600,000 SF is the most striking example, since Two Liberty Place, of a Class A building succumbing to conversion economics after losing its anchor office tenant. Rather than invest significant capital to maintain as office space, the owner has decided to offer the building for sale and recycling for some new mixed use. Until demand for office space improves significantly, more Class B & C buildings, as well as a few more Class A buildings, will become candidates for conversion over the next five years.

One Franklin Plaza is a recent example of a major office building whose prime tenant migrated elsewhere in the city, and the owner found insufficient office demand to replace it.

Despite these historical trends, the growing number of Internet, start-up, and hi-tech firms provide some hope that older buildings might find new use as workplaces. These tenants often seek unique space not typically found in Class A buildings. The recent leasing success of 2401 Walnut is a good example of an older Class C property that was renovated for office use but with a "raw" or "architectural" look in mind, taking advantage of the building's concrete construction, higher slab heights and replacing old windows with new, more expansive perimeter glass. Tenants seeking this "look" paid higher rents than this building and location would typically command. To the extent that more office owners with older buildings are willing to invest to attract this growing tenant sector, the economics of conversion may change.

Philadelphia needs a strong and diverse office sector if it is going to grow jobs and meet all the demands of its tenant population. While conversions will continue, maintaining a healthy and diverse office inventory should help ensure a future of growth.

Wayne L. Fisher
Executive Managing Director,
Newmark Grubb Knight Frank

1818 Market and 1650 Arch Street are examples of well-located, traditional office buildings where some floors were converted to new, more flexible formats.

REALIGNING THE OFFICE MARKET

RON CARIOLA and **SEAN COGHLAN**

A competitive global economy, rapidly-changing technology, and the hunt for talent are changing the dynamics of office development and workplace-design strategies. Simultaneously, younger workers' interest in locating in walkable, bikeable transit hubs, working in collaborative spaces and being close to synergistic firms are altering building selection, redevelopment standards, leasing and marketing strategies as well as long-term property values.

In the Philadelphia CBD, consistent net new demand and an emerging high-tech scene have increased demand for differentiated, creative space—an office subtype in limited supply with low vacancy and increasing rental rates. These users are often focused on open, loft-style spaces and historic, adaptive reuse projects. Given the efficient nature of these space plans, this new demand is bifurcating existing inventory into the *haves* and *have nots*. Buildings with efficient floor plates to accommodate modern space plans have risen to the top of the leasing market, enabling tenants to take 10% to 15% less square footage while realizing both qualitative and financial benefits.

While new hubs have been planned in University City and have organically developed in Rittenhouse West, Midtown Village, and Old City alongside varied live-work-play and pricing dynamics, there is a supply deficit for tenants seeking more than 10,000 square feet within these micromarkets. As a result, a handful of core Class A properties such as 1818 Market Street and 1650 Arch Street as well as select spaces in Market Street East have been able to benefit from this supply-demand misalignment, converting traditional offices to new formats.

With Center City rents below replacement cost, new investor groups are expressing an appetite for redevelopment projects that would reposition existing building inventory and provide opportunities to expand quality alternatives for this growing segment. However, they are competing with a strong trend to convert existing, underutilized and, in some cases, well-leased office assets into residential use. The Avenue of the Arts Building at 1346 Chestnut Street—originally converted from office to student housing—recently sold for $158 per square foot for redevelopment as luxury rental housing. Thus, despite a growing tenant appetite for differentiated, creative, and well-located office space, multifamily rents are as much as 50% higher than office rents, limiting the expansion of Center City's creative stock.

These dynamics have spurred a unique, cyclical dilemma in today's marketplace. As the multifamily and hotel supply pipelines influence asset strategies and office fundamentals continue to improve, owners and developers will begin to analyze alternative uses. Select owners are already shifting focus in this direction. On par with other "reinvented frontier" micromarkets across the U.S., such as South Park, Los Angeles, Mount Vernon Triangle D.C., and Middle Market San Francisco, Midtown Village, locally, is already leading this shift and will continue to experience a renaissance over the next three to five years across all asset types.

Ron Cariola, Managing Director,
Philadelphia Brokerage Lead, JLL

Sean Coghlan, Director, Capital Markets
Office Research, JLL

DESIGNING AND LEASING NEW CREATIVE SPACE

DOUGLAS R. VEASEY

Stockton Real Estate Advisors has been integrally involved in providing cutting-edge office environments for firms in the technology and creative sectors in a variety of submarkets including Center City, University City, Fairmount, Manayunk, Old City, and the Benjamin Franklin Parkway. These new office layouts reflect the impact of rapid technological change, evolving from a traditional "office intensive" design to open and collaborative spaces.

These emerging businesses want locations well connected to public transportation and proximate to bike paths, running trails and amenities such as coffeehouses, restaurants and bars. They want buildings that provide high ceilings, plenty of windows, environmental sustainability, and space that exhibits the personalities and energy of employees. Traditional office layouts with large private perimeter offices and windowless work stations in the center core are out. They've been replaced by bright, open spaces embracing collaboration. Specifically, these new work environments offer:

- Open, collaborative workspaces – communal workstations that allow interaction among all employees, from executives to interns.
- Cafe-style rooms and sections with benches or lounge seating that facilitate casual interaction.
- Smaller enclosed individual spaces – phone booths and small conference rooms for personal calls, confidential discussions, or private meetings.
- Larger, enclosed group workspaces and conference rooms – a hub for brainstorming, meetings, and activities more conducive to a private space.

Curalate is a tenant at 2401 Walnut Street, where the company opted for an open-office plan so all workers could benefit from the natural light streaming through floor-to-ceiling windows. Curalate uses big data to capture and analyze on-line images from social media to measure the impact and the market penetration of major national brands. (Credit: Peter Tobia)

Prime examples of these environments can be found at 2401 Walnut Street, an eight-story, 160,000 SF Class A, green office building at 24th and Walnut, at the banks of the Schuylkill River, the gateway to University City. This is no standard building. After considering residential, ownership transformed a 1920's B&O Railroad building into a state-of-the-art, bright, open, and sustainable environment, targeting a platinum LEED certification. The building is home to prestigious tenants such as Wharton Grad School, the Delaware Valley Green Building Council, TicketLeap, Curalate, CorpU, CityCoHo coworking, and Voith & Mactavish Architects, and welcomes Garces Restaurant Group's corporate headquarters and a Garces café, bar, and test kitchen in the coming months. The building features floor-to-ceiling windows, all new energy-efficient building systems and controls, polished concrete floors, exposed ceilings and ductwork—all of which enable efficient and energetic work environments that lend themselves to creativity (ping pong tables, dry erase walls, and collaborative spaces help, too).

Stockton has recently been involved with the space needs of a number of other tech and creative firms, including Fiberlink and Bentley Systems at Three Parkway, Intuitive at 3 Rector Street in Manayunk, and Slice Communications in Independence Mall. We're currently directing the lease-up of buildings ranging from a converted building at 16th and Fairmount to the more traditional office building at 4 Penn Center where a spec tech suite is being constructed steps from Suburban Station and more traditional office buildings.

We believe we will continue to see the evolution of office layouts as walls come down, spaces open up, employees collaborate, and the conventional hierarchical management diagram continues to fade away.

Douglas R. Veasey
Chief Investment Officer,
Stockton Real Estate Advisors, LLC

WELCOME TO THE COWORKING ECONOMY

MICHAEL J. MAHER

Newly renovated and expanded space for Benjamin's Desk at 1701 Walnut Street. (Credit: Whitney Krape)

Coworking spaces such as Benjamin's Desk are responding to a dramatic shift in the way people work. By 2020, more than 40% of the national workforce may be freelancers or working remotely in some capacity.

Coworking spaces are attracted to Class B office buildings because they offer manageable footprints and affordable rents that give us flexibility to meet this need both with physical design and membership options. Typically, older buildings also have architectural character, which Millennials seem to enjoy more than typical corporate Class A space.

Our space offers a mix of private offices and open, collaborative workspace where individuals and teams work at pods. We offer separate phone and meeting rooms and a state-of-the-art conference room with videoconferencing available to all members. Additionally, membership options are flexible with no long-term commitments, requiring just 30 or 60 days notice for cancellation. Members can scale their space needs as their businesses grow and can choose from various part- and full-time options.

Having a receptive landlord is critically important. The nature of the business model is certainly unique as it comes with an increase in foot traffic to a typical office building. Benjamin's Desk currently has over 100 members across 55 companies that use the space in some capacity at varying times during the day and evening. Pearl Properties, who owns 1701 Walnut Street, is seen as a partner and not just a landlord. They really understand our business, the role our space plays in the overall ecosystem, and the economic impact brought to Center City.

Benjamin's Desk is industry-agnostic and attracts companies of all types from high-growth, VC-backed technology startups to various service providers and professionals. About half of the membership is tech startups; the other half is everything else: attorneys, architects, consultants, agencies, etc. The first two member companies to join Benjamin's Desk were Curalate and Uber's Philly team. Both are VC-backed tech startups that have since grown out of the space. Interestingly enough, both startups sought similar type spaces for their new homes. Curalate located at Chuck Block's building at 2401 Walnut Street, and Uber moved to a Goldman Properties building at 13th and Sansom.

To aid early stage companies, Benjamin's Desk recently launched FirstBase, the first residential and commercial real estate brokerage in the country started in a coworking space. FirstBase matches startups with the best office brokers and provides discounted services to the startups once they get their first space – to get them up and running fast.

For those who see this as a short-lived trend – think again. Steelcase, a 100-year-old furniture company, spends more than $50 million a year on examining the future of work. They think there will be as many flavors of collaborative workspaces as there are restaurants. With advances in technology and virtualization, as well as a dramatic increase in the percentage of the mobile workforce and freelancer community, centrally located collaborative spaces that provide flexibility and human interaction are indeed the future of work – welcome to the coworking economy.

Michael J. Maher
Michael J. Maher is the Co-Founder and CEO of Benjamin's Desk, which describes itself as the workplace of the new economy, the epicenter of innovation in Philadelphia and a coworking space for mobile professionals, entrepreneurs, and startups located at 1701 Walnut Street in Center City Philadelphia.

Office space at the Philadelphia Building (1315 Walnut Street).

REVITALIZING NEIGHBORHOODS THROUGH COLLABORATION

CRAIG GROSSMAN

Goldman Properties is a boutique real estate company specializing in revitalizing neighborhoods. In New York, Miami, and Philadelphia, our approach has been holistic: we create places where people and businesses flourish. We focus on adding value to the public environment, on doing things that are artistic and sensitive to the architecture and history of the city, and on fashioning new places for work.

Most associate Goldman Properties with changing the retail landscape on 13th Street, transforming a former red light district, a center of drug trafficking, blight and vacant storefronts into a major dining and shopping destination. We do indeed pride ourselves on hand picking synergistic "taste makers" to open compatible, yet well differentiated boutiques, cafes, and restaurants in our first-floor spaces. We sought entrepreneurs who brought uniqueness, flavor, and energy. We fashioned a hip, yet quaint destination of turn-of-the-century buildings lining South 13th Street, extending one block in each direction from the corner of 13th and Sansom, known to most as Midtown Village.

But we simultaneously focused on raising the level of tenancy above grade as well. Upper floors of all of our commercial properties have been converted into uniquely designed commercial lofts. Architectural details from turn-of-the-century properties were preserved. Often we focused more on de-construction than reconstruction, unveiling the original bones of the buildings to lure and maintain a new generation of customers. Sometimes we added design elements and artistic components to accentuate the architecture specifically to lure the *creative class*: architects, public relations firms, website designers, advertising and communication companies, and other arts, cultural, and technology-related groups.

In sum, we sought local entrepreneurs, both downstairs and upstairs. We focus our efforts on understanding our tenants' wants and needs, while also incubating their growth, facilitating expansion, or the opening of new businesses. We also strive to locate and attract synergistic, complementary groups who will find ways to work collaboratively, sharing resources, ideas, and skills while simultaneously creating a self-sustainable commercial ecosystem.

While we continue with this successful recipe within our portfolio of commercial properties, we see major opportunities around us to implement a similar strategy along east Chestnut, Sansom, and Walnut Streets: creating not only vibrant walkways, but upper floors filled with creative, new forms of work.

My mentor and founder of Goldman Properties, Tony Goldman, once said, "Feed the neighborhood, and the neighborhood will feed you." This approach can clearly transform other buildings and other blocks in our neighborhood, if we think big, but keep the scale human, expanding the zone that is authentically Philadelphia, full of local talent, color, voice, and design.

Craig Grossman
Senior Managing Director,
Philadelphia and New York
Goldman Properties

SURVEY PROVIDES INSIGHTS INTO STARTUPS AND TECHNOLOGY FIRMS DOWNTOWN

Benjamin's Desk, a coworking space at 17th and Walnut Streets, offers two floors of private and open office space for mobile startups, professionals, and entrepreneurs. Founded in August 2012, Benjamin's Desk hosts over 85 companies and organizations. in the technology, finance, marketing, legal services, content strategy, communications, and nonprofit industries. (Credit: Whitney Krape)

Recent announcements of Comcast's $1.2 billion Innovation and Technology Center and Independence Blue Cross's new Center for Health Care Innovation at 17th and Market Streets, with a $50 million fund for healthcare startups, are extraordinarily positive. But they also raise the profile of emerging technology start-ups. The creativity, wealth, and investment generated by strong tech clusters in Silicon Valley and Seattle have long been the envy of economic developers. The success of incubator, coworking spaces such as Indy Hall in Old City and Benjamin's Desk at 17th and Walnut Streets lead to the question: can even more happen here?

Outside large corporate buildings, there are approximately 500 technology firms in Philadelphia.[1] But where are they located? Why are they here? What challenges do they face? What's their potential for growth?

To get answers, the Central Philadelphia Development Corporation (CPDC) partnered on a survey with *Technical.ly Philly*, a news organization and community builder that covers technology https://technical.ly/philly. The first Philadelphia Tech Startup CEO Survey received 67 detailed responses, 19 from companies in Philadelphia's suburbs, 48 Philadelphia-based (8% -10% of all city-based technology firms).

Of the 48 city-based companies, 39 (58% of all respondents) were located between Tasker Street and Girard Avenue, river to river (Greater Center City). Another 13% of responding firms were evenly divided between University City and elsewhere in Philadelphia.

Respondents covered the broad spectrum of enterprises from companies not yet fully operational to those that employ more than 40 people. Firms located in Center City had been established slightly longer than suburban counterparts and were slightly larger, providing a total of 542 jobs, with an average firm size of 14.

Most start-ups emerged during the recent recession; only a small percent were formed prior to 2008. Many CEOs of start-ups cited personal reasons for locating here: 39% either grew up here or chose Philadelphia to be close to friends or significant others; 23% are here because they received an undergraduate or graduate degree here; 10% came for a job to which they are no longer connected.

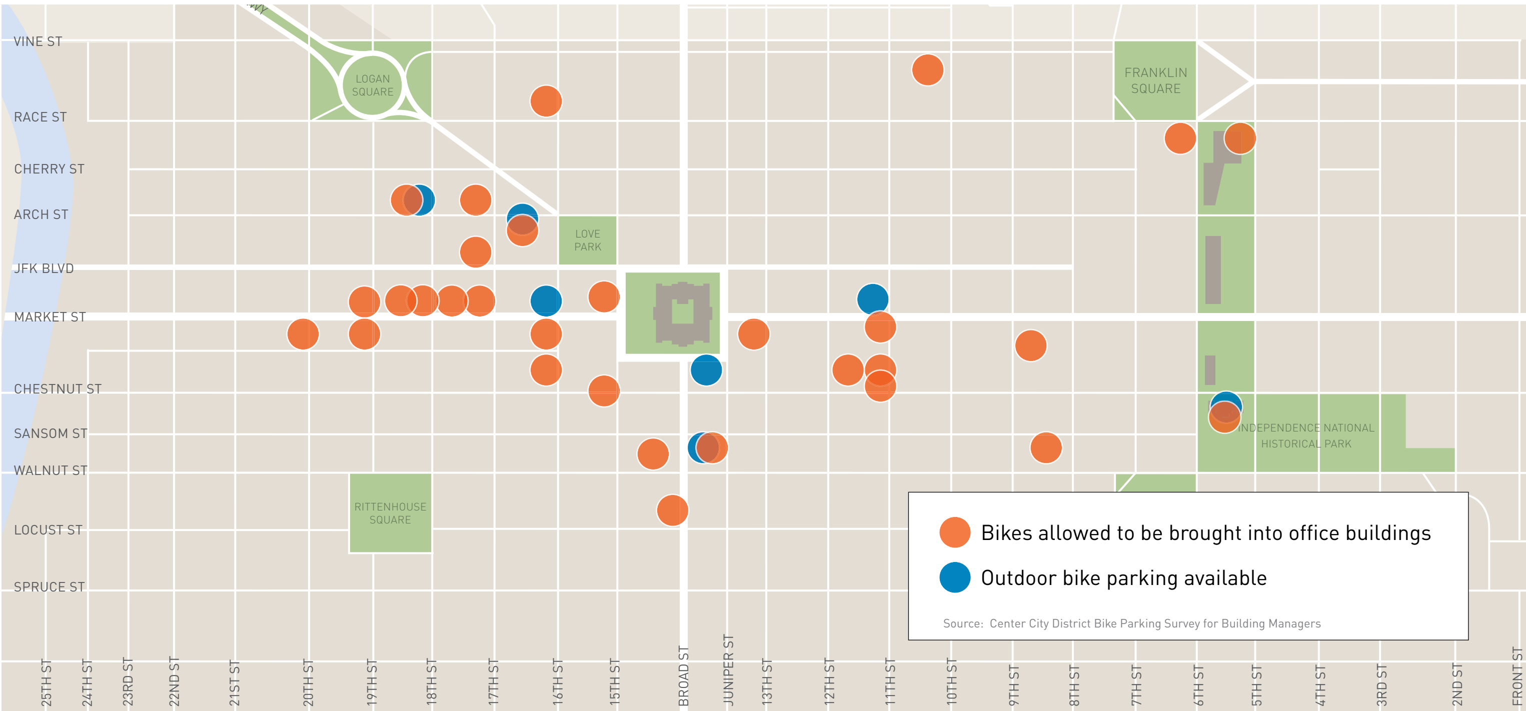
In the suburbs, responding CEOs tend to be serial entrepreneurs, plowing proceeds from previous ventures into current ventures. In the city, most are running bootstrap operations, reinvesting capital from operations. Both city and suburban companies cite the absence of a robust financing network as the largest barrier to growth.

For Philadelphia firms, the area's strongest assets for business-building are: access to universities, access to other markets (New York and Washington), quality of life for employees, cost of doing business, access to transit, access to customers, and access to talent. Suburban CEOs cited quality of family offerings, primarily schools, as the most positive attraction, followed by other quality-of-life assets, access to other markets, cost of doing business, access to customers, access to transit, and access to universities.

City and suburban companies agree that the emergence of a supportive network of other start-ups is the most positive change for tech firms in the past five years. Most significantly, 75% of city respondents anticipate hiring software developers in the next six months, with firms in Greater Center City planning to add an average of 48.5% to their job bases in 2014. Twenty-five companies (54%) *plan to relocate to their own private office space in the next year*.

Among all respondents from the region, Center City ranked first, with 39% describing it as the leading hub for technology and entrepreneurship, due to the unique convergence of talented workers, diverse amenities, and its location at the center of the region's transit system.

1. County Business Patterns –2011, U.S. Census Bureau. "Technology companies" are firms covered by the following North American Industry Classification System (NAICS) codes: 334–Electronic Computer Manufacturing, 3353–Electrical Equipment Manufacturing, 454111–Electronic Shopping, 454112–Electronic Auctions, 511210–Software Publishers, 518210–Data Processing, Hosting, and Related Services, 519130–Internet Publishing and Broadcasting and Web Search Portals, 5415–Computer Systems Design and Related Services, 519110–News Syndicates, 519120–Libraries and Archives, 519190–All Other Information Services, 541830–Media Buying Agencies, 541840–Media Representatives, 611420–Computer Training, and 54171–Scientific Research and Development Services.



Responding locations from survey of building managers that CCD conducted in partnership with the Building Owners and Managers Association.

BICYCLE PARKING: DEMAND IS INCREASING

As the workforce and commuting patterns of Center City workers continue to evolve, a growing number of firms and employees are requesting that building managers make more accommodations for bicycles. Working in partnership with the Building Owners and Managers Association (BOMA), the CCD in January 2014 conducted an on-line survey of major downtown building managers. Survey questions focused both on current bike parking experience and expectations about how to accommodate future demand.

BOMA assisted with electronic distribution and the CCD received 28 responses from managers responsible for 33 Class A and B buildings in Center City; 19 were located on the west side of Broad Street, with 14 buildings concentrated between the 1500 and 2000 blocks of Market Street and JFK Boulevard; 14 buildings were on the east side of Broad Street.

- 84.8% (28 of 33 buildings) reported having bicycle parking outside with an ability to accommodate 16 bikes on average. The range was from just two bikes up to 86 bikes at the Comcast Center.
- 51.5% (17 of 33 buildings) have indoor bicycle parking, located primarily in basement storage areas or in adjacent underground parking garages. Only one respondent noted that they have bike parking in the lobby of the building. These buildings can accommodate on average 20 bikes with a range from six to 65 parking spots.

Goldman Properties provides secure bike storage for its tenants in the basement of the Philadelphia Building at 1315 Walnut Street.

- 78.7% of respondents do not allow bicycles to be carried into office space.
- 57.1% of respondents have recently received requests for additional bike parking from either current or prospective tenants.
- 72.7% of building managers believe they will need to accommodate more bicycle parking in the future, and just over 50% of the respondents said that they were interested in the installation of additional bicycle racks and/or corrals in front of their building either on the sidewalk or in a converted on-street parking space.
- 39.3% expressed interest in contributing to the costs of a shared bicycle parking facility that could accommodate bicycles from a variety of buildings similar to the way a parking garage functions for car parking. Ten of these managers were responsible for buildings west of Broad Street.

INNOVATION ZONE OFFERS AID TO STARTUPS

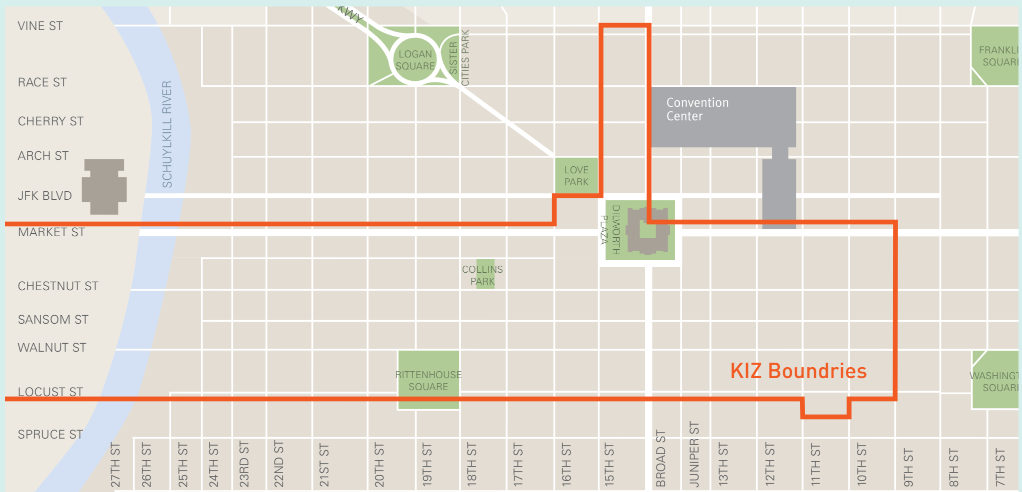
Many portions of Center City are covered by a Keystone Innovation Zone (KIZ) that enables eligible start-up companies to access up to $100,000 in salable tax credits each year that can be used to invest in new employees, purchase equipment, and develop and commercialize products and technologies.

Center City, from Ninth Street to the Schuylkill River and Market to Locust Streets, is part of an Innovation Zone resulting from a partnership of BioAdvance, Drexel University, Thomas Jefferson University, University City Science Center, University of Pennsylvania, University of the Sciences in Philadelphia, and The Wistar Institute.

KIZs are designated areas in already established communities that seek to capitalize on the presence of research colleges and universities and encourage entrepreneurship by facilitating coordination between institutions, businesses, lending institutions, foundations, and venture capitalists.

This year, in early January, 11 start-up companies collectively received close to $1 million in tax credits. Nine of the 11 companies are based in Center City. They are: Curalate; Eight Eleven; Global Technology Enterprises; RJMetrics; Solve Media; Ticketleap; Torchlight Technology Group; Vita Products, and Yorn. The other two, Longevity Biotech and Optofluidics, are in University City.

The deadline for applying for a KIZ tax credit is September 15 of each year. Companies interested in applying for a tax credit should call 215.966.6156 or email kfitch@uckiz.com. For more information, please go to www.uckiz.com.



A HOMECOMING FOR CAPTAIN ROBERT GLENN

From time to time the Philadelphia Police Department rotates its captains, and that recently occurred with the CCD station commander. But this time, the CCD got a remarkable surprise.

Captain Robert Glenn was originally employed by the CCD as one of the first Community Service Representatives (CSRs), hired in May 1991. When he left the CCD, it was to join the Philadelphia Police Department and he rose through the ranks and served as a Corporal, Sergeant, and Lieutenant. He was promoted to Captain in February 2014.

Captain Glenn has worked in many areas of law enforcement, including the detective and training bureaus, in his 20 years with the department. But in his most recent assignment, he has come home, and is now the Commanding Officer of the Center City Police District substation, effective Monday, March 3, 2014.

Born and raised in Philadelphia, Captain Glenn graduated from Central High School and set off to Howard University. But his interest flagged, and he returned to Philadelphia and found work at a bank, where he met his wife of 25 years, Sherita, Director of Diversity in Medical Education at Drexel University College of Medicine.

He soon left the bank to join the Center City District as a CSR, an opportunity that allowed him to work with police officers, as the CSRs stand roll call with police officers each day.

"I always wanted to be a police officer," said Captain Glenn, and working as a CSR inspired him to go for it.

"A couple of police officers told me to take the test, and I did. I don't know if I hadn't gotten the job here, if I would have become a police officer."

He left the CCD in early 1993 to attend the Police Academy, and there he met Lieutenant William P. Hughes Sr., who became his recruit lieutenant. Hughes joined the CCD after more than 25 years as a Philadelphia police officer and now is Vice President of Public Safety and Cleaning Operations for the CCD.

Captain Robert Glenn at the CCD Annual Employee Breakfast in March.

As Captain Glenn moved up the ranks of the police department, he was also completing his education. In 2006, he completed a Master's Degree in Public Safety at St. Joseph's University.

"I really feel comfortable for this to be my first chance to have a command," Captain Glenn said. "This has been comfortable, not easy, but comfortable. I'm very happy."

Welcome home, Captain Glenn!

Time is Running Out to be a Supporter of Dilworth Plaza

Dilworth Plaza is on track to open in September 2014, creating an extraordinary new civic space and center stage for the city.

You can be part of this transformation by making a tax-deductible contribution to the Center City District Foundation and be fully recognized among almost three dozen other business and civic leaders who have helped make this happen. With wifi, a café, plenty of green space, and new entrances to transit, this new park at City Hall will be a prominent gathering and event space in the heart of the city. To make a pledge or learn about naming or sponsorship opportunities, contact Jean Tickell at jtickell@centercityphila.org or 215-440-5529.

For the latest information about the rebuilding of Dilworth Plaza, visit DilworthPlaza.org.

Contributors to the Transformation of Dilworth Plaza

Major Public Donors

City of Philadelphia	$5 million
Commonwealth of Pennsylvania	$15.5 million
Federal Transit Administration	$15 million
SEPTA	$4.3 million

Major Donors to Construction

The Albert M. Greenfield Foundation	$225,000
John S. and James L. Knight Foundation, Knight Arts Challenge	$400,000
PNC	$300,000
William Penn Foundation	$1.2 million

Friends of Dilworth Plaza

Leading Friends ($100,000)

First Niagara
Richard W. Vague

Founding Friends ($50,000 to $99,999)

The Arden Group / Gencom
The Dow Chemical Company
The Horace W. Goldsmith Foundation
Daniel J. Keating Co.
Market Street East Improvement Association
McLean Contributionship
PECO

Steadfast Supporters ($20,000 to $49,999)

Blank Rome LLP
Brandywine Realty Trust
Brooks Capital
Commonwealth Realty
Liberty Property Trust
Leslie Miller and Richard Worley
Pearl Properties LLC
Pennsylvania Real Estate Investment Trust
ShootersINC

Good Friends ($5,000 to $19,999)

Aqua America, Inc.
Barbara and Theodore Aronson
Avenue of the Arts, Inc.
The Cozen O'Connor Foundation
Edward and Karen D'Alba
Electronic Ink
KieranTimberlake
Malcolm Lazin
Sueyun and Gene Locks
Midwood Investment
Roberts Event Group
Heather J. Shaffer
Thomas Properties Group
Vynamic

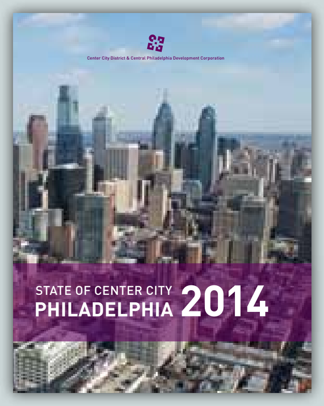
Spring 2014

CENTER CITY DIGEST

Center City District and
Central Philadelphia
Development Corporation
660 Chestnut Street
Philadelphia, PA 19106
www.CenterCityPhila.org

Standard Mail
U.S. Postage
P A I D
Philadelphia, PA
Permit No. 2545

State of Center City 2014



The *State of Center City*, 2014 offers a 76-page comprehensive overview of Philadelphia's thriving, mixed-use downtown, plus in-depth analyses of its diverse sectors. Read the whole document or download individual chapters at www.centercityphila.org.

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.

CENTER CITY DISTRICT · Central Philadelphia Development Corporation

Thanks to TD Bank for our yearlong partnership.