

CENTER CITY DIGEST

Looking Beyond 22nd and Market

All the media analysis following the demolition tragedy at 22nd and Market focused on allocating responsibility among the owner, demolition contractor, machine operator and city oversight agencies. It's a necessary process that will probably take lawyers months, if not years, to sort out. But there was little discussion of another issue: how does a dense downtown with multi-story skyscrapers and luxury condos just across the street still have three blocks of one-story buildings, X-rated theaters and a plethora of surface lots?

It's not for want of demand. Developers have been trying for more than a decade to assemble these parcels. But asking prices were always far in excess of market realities. Frustrating though that may be, it's an owner's prerogative. Still, it made me wish quixotically for a system of assessing value based on asking price.

But with the Actual Value Initiative (AVI) recently approved by City Council, parcels on these blocks have experienced a doubling, tripling and in one case a nine-fold adjustment in value, partially ending the City's tacit assent to land speculation. In all neighborhoods with healthy market demand, this could be a major, long-term benefit of AVI.

Reassessment will only have a positive impact, however, if the land underneath low-density and dilapidated buildings is valued comparably to proximate higher density sites. Here's an exercise: pick an under-developed address that frustrates you. Go to the Office of Property Assessment's (OPA) website. Compare the 2013 to the 2014 assessed value. Look at the percent of value allocated to land and to improvements. Then compare land values with nearby developed sites.

Getting land values right is essential, but not sufficient to fill every gap in Center City. Most under-developed sites on far West Market Street in Center City, for example, were assembled to catch the wave of office construction triggered



The density of the Center City commercial core begins to drop off dramatically west of 21st Street, opening a large gap between the downtown and University City.

originally by the demolition of the elevated Pennsylvania Railroad tracks in 1953. From the first Penn Center office towers, constructed in the mid-1950s immediately west of City Hall, the trend accelerated in the 1980s with the Liberty Place towers, Mellon Bank Center, Bell Atlantic Tower and Commerce Square. But momentum was lost in the first years of this century. Developers abandoned dreams of office towers marching west to the Schuylkill, switching instead to residential conversions and new construction.

It is not that the region lost the need for office towers. It just ceased making economic sense to build them downtown. Rents here are simply not sufficient to cover development costs. In fact, they are extraordinarily low by national standards, comparable to Sunbelt cities with much lower construction costs and tax rates (see chart 1 on page 2). So demand was fulfilled elsewhere in the region where construction and occupancy costs were better aligned.

Average rents in the city and suburbs are almost identical. But Philadelphia's Use and Occupancy and Business Income and Receipts taxes add a 20% to 30% premium to downtown occupancy costs,

while wage taxes take a hefty bite from workers' income. That's what depresses rents below what's needed to amortize construction costs. That's what empties office buildings and leaves under-developed sites. This is why commercial office assessments have fallen. This is what drives jobs beyond the reach of many city residents.

Since 2000, Philadelphia's western suburbs added 10 million square feet of auto-dependent commercial office space, while Center City – despite Cira and Comcast – experienced a net loss of 4.6 million square feet, as 44 office buildings were converted to residential or hotel use. For every year in the last decade, except for 2008-2010, the suburbs added office jobs while Philadelphia shed them (see chart 2). Since 1993, Center City's regional share of commercial office space declined from 41% to 33.7%.

Make no mistake, the diversification of Center City into a 24-hour downtown has been extraordinarily beneficial to vibrancy and the growth of retail and restaurant amenities. But the steady loss of office market share makes little sense in an era of permanently high energy costs. Center City sits at the hub of a metro transit

system that other regions are spending billions to emulate. Nationally, there is a surge in professionals seeking diverse, culturally-rich, live/work and walkable settings. Today, 32% of downtown jobs, but only 18% of all jobs in Philadelphia, are in commercial office buildings. By contrast, in cities with comparable amenities, like Boston, New York and Washington, D.C., office positions make up 31% of their urban workforce.

Who besides developers should care about office jobs? Let's start with a municipal government extraordinarily dependent on the wage tax. The average salary in the hospitality industry is \$30,065 per year; the average in education and healthcare is \$55,304; office salaries average \$101,302. Each office job added generates 3.3 times the wage tax of each hospitality job.

A greater percentage of hotel jobs (80%) are held by Philadelphia residents since required education levels match local skill sets. But look at the disparities in regional market share in chart 3 (page 9). This is not about valuing one type of job over another. It is about each sector fulfilling its market potential. Only 50% of office jobs may be held by city residents, but given that sector's size, there are 26% more jobs for Philadelphians in offices than in the leisure and hospitality industry.

Office jobs are not only high-skilled, high-wage. For every 500,000 square feet developed downtown (the size of each original Penn Center building), we add 3,300 office jobs, including many technical and support positions in the \$30,000 to \$50,000 salary range, *plus* five building engineers, 12 security guards, 18 cleaning staff and continuous work for the construction trades in tenant fit-out and renovations. The tenants in that same, new office building will generate \$2.8 million in retail sales and draw business travelers filling 11,000 annual hotel room nights.

Moving towards reliable assessments through AVI was a challenging first step in reform. But it can't be the last. Recall the goal of AVI wasn't only *equity*, but also the creation of a reliable foundation

(Continued on page 9)

Chart 1: CBD Rental Rates, Q4 2012

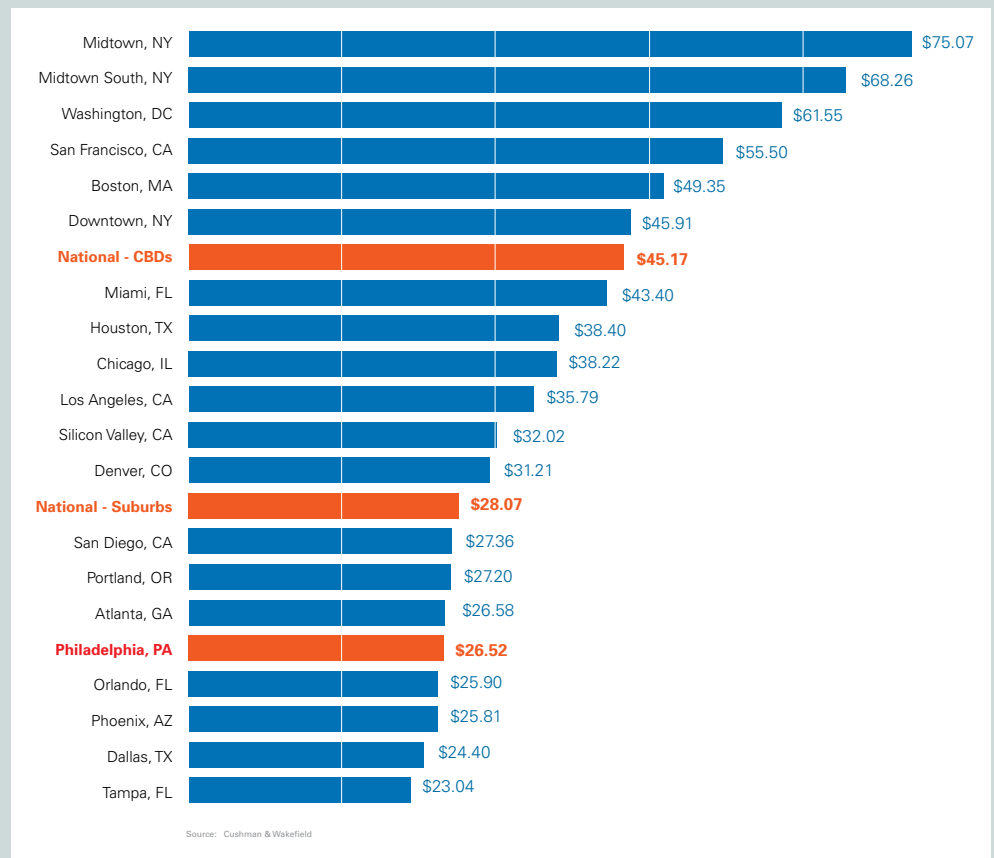
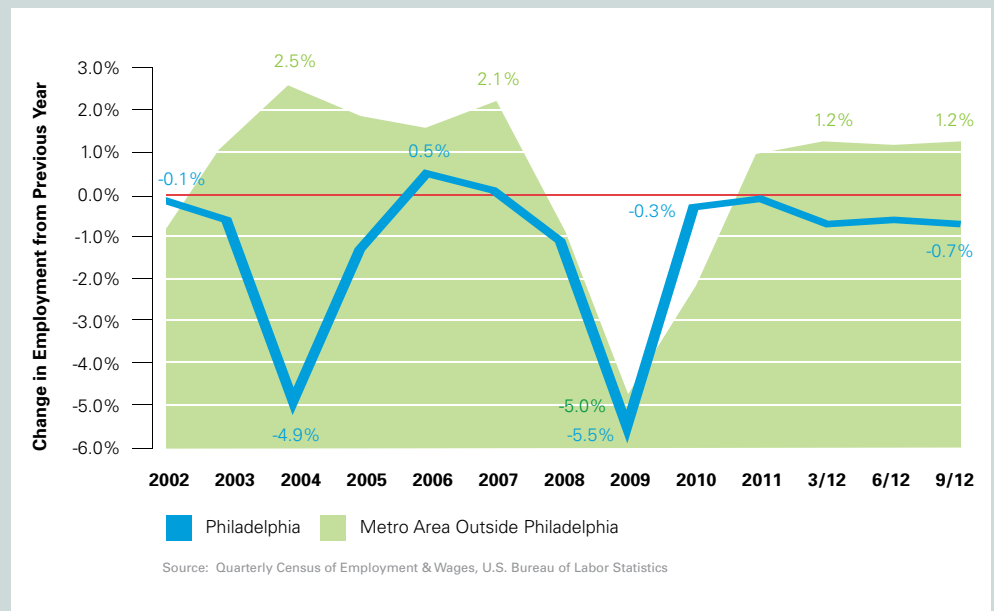


Chart 2: Year-Over-Year Change in Office Employment





Support the Transformation of Dilworth Plaza

You can play a role in creating a new Dilworth Plaza – and your gift can have double the impact! Thanks to a generous challenge grant from the William Penn Foundation, gifts and pledges from individuals and corporations will be matched, dollar for dollar, by the Foundation – but only through December 2013.

There are significant opportunities for naming rights and sponsorship at Dilworth – a large green lawn and benches, tree groves, a fountain featuring Janet Echelman’s kinetic piece of public art, and iconic glass headhouses to the transit concourse. You can help to create a great civic space at the center of the city that will draw hundreds of thousands of office workers, residents, visitors and convention attendees each year.

To become a Friend of Dilworth Plaza and help meet the William Penn Foundation challenge, please contact Jean Tickell at 215.440.5529 or jtickell@centercityphila.org, or go to the Donate Now tab on the Dilworth Plaza page of our website: www.centercityphila.org.

Major Public Donors to Dilworth Plaza Construction

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	\$125,000
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

Commonwealth Realty
Liberty Property Trust
Leslie Miller and Richard Worley

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

The Arden Group / Gencom
The Dow Chemical Company
The Horace W. Goldsmith Foundation
Market Street East Improvement Association
PECO

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

Barbara and Theodore Aronson
The Cozen O’Connor Foundation
Edward and Karen D’Alba
Electronic Ink
KieranTimberlake
Malcolm Lazin
Midwood Investment
Pearl Properties, LLC
Roberts Event Group
Heather J. Shaffer
Thomas Properties Group

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

Blank Rome LLP
Brandywine Realty Trust
Brooks Capital



CCD Meets Knight Arts Challenge Grant

The Center City District (CCD) has successfully completed its campaign to raise \$400,000 to match the Knight Arts Challenge Grant, awarded for Dilworth Plaza in April 2012.

This challenge grant, with a 1:1 matching requirement, was the largest single grant awarded by the John S. and James L. Knight Foundation as part of its \$9 million, three-year initiative to fund innovative arts projects that engage and enrich Philadelphia's communities.

The grant is being used for the fabrication and installation of internationally recognized sculptor Janet Echelman's public artwork, *Pulse*, which will ensure that the \$55 million transformation of Dilworth Plaza will become a uniquely memorable public space.

Commissioned by the CCD, Echelman's artwork will be integrated into Dilworth Plaza's new, 11,600-square-foot fountain, creating five-foot-tall, moving curtains of illuminated atomized mist to trace above ground the real-time movement of the three transit lines that run beneath City Hall. Echelman's work, her first using recycled water, LED lighting and custom circuitry, will create both a playful and

animated embellishment on the fountain and highlight the movement underground of SEPTA's regional transit system that brings, along with PATCO, 305,000 passengers into Center City each day. It will also evoke Philadelphia's original steam-powered waterworks located in Center Square and the steam-powered locomotives of the Pennsylvania Railroad whose train station used to face City Hall.

The John S. and James L. Knight Foundation supports transformational ideas that promote quality journalism, advance media innovation, engage communities and foster the arts.

The Center City District would like to thank the generous supporters who provided matching funds: Barbara and Ted Aronson, Flora Becker, Blank Rome, Joan Chait, Greg DeShields, Electronic Ink, Wayne L. Fisher, FMC Corporation, The Horace Goldsmith Foundation, Phyllis Halpern, Allan S. Kalish, Brook J. Lenfest, The Lighting Practice, Market Street East Improvement Association, Leslie Miller and Richard Worley, PECO, Pennsylvania Convention Center, PRWT, Schultz & Williams, Thomas Properties, and Richard W. Vague.



This photo rendering, created by Kieran Timberlake with a photo by Daniel Kontz, reflects the view from the Municipal Services Building.

ShootersINC Creates Video About Dilworth Plaza

ShootersINC, a Center City video production company whose clients include ad agencies, other production companies, filmmakers, television, and cable, has generously created, pro bono, a short video, *Transforming Dilworth Plaza*, to support fundraising efforts. The video features business and civic leaders describing how the new Dilworth Plaza will be a highly-visible and major destination, when it is completed in the summer of 2014.

Speakers urge other community and business leaders to get involved and support this transformational project. To view the new ShootersINC video, please go to www.centercityphila.org.

Bill Mills, Regional President, PNC Financial Services Group, a major supporter of Dilworth Plaza, participated in the video: "If you're not part of this now, you're going to look back on it and say, how did we miss it and...why didn't we get involved with this sooner?"



International Festival Celebrates Sister Cities

On Saturday, May 11, one year after Sister Cities Park reopened following a \$5.2 million renovation, the park hosted a celebration of Philadelphia's 10 sister cities with the first-ever Sister Cities Park International Festival.

The festival featured a main stage offering entertainment from Cameroon, China, France, Israel, Italy, Japan, Poland, and South Korea. The wine garden featured locally-produced wines, while the kitchen tent offered tastings typical of France, Italy, and Russia. Other tents offered information about the sister cities and their national cultures.

Crowds, many with children in tow, enjoyed the varied music, many forms of dance, French language lessons, wine, and food. Since predicted thunderstorms never materialized, children filled the fountain and boat pond, trying out all the new smaller boats that went on sale this year.

The Sister Cities Park International Festival was part of Philadelphia's "Love

Your Park Week" and was sponsored by the CCD, International Visitors Council (IVC), City of Philadelphia, Mole Street, Milk & Honey Cafe, and the Independence Visitor Center. Philadelphia's first sister cities were Florence, Italy, and Tel Aviv, Israel, named in 1964 and 1966, respectively, and followed by Torun, Poland; Tianjin, China; Inchon, Korea; Douala, Cameroon; Nizhny Novgorod, Russia; Kobe, Japan; Aix-en-Provence, France; and Abruzzo, Italy.

Sister Cities Park is part of the Fairmount Park system, managed and maintained by the CCD. For up-to-date information on all the activities in the park, please go to www.SisterCitiesPark.org, and follow us on Twitter @CCDParks.

If you are interested in sponsoring next year's festival or other major events planned for Sister Cities Park, please contact Kristen Casalenuovo at 215.440.5500, or kristen@centercityphila.org.



Annette Ross enjoys working out of doors.

Helping Keep Center City Clean for 15 Years

Annette Ross was looking for a job, working at it as if it *were* a job, showing up every day at 8:00 a.m. to pursue possibilities. The employment agency helping her to put together a resume and to conduct a search suggested that the Center City District might be a good fit.

She wanted to work out-of-doors and the job offered that possibility. She was definitely interested. Ross came for an interview with Henry E. Hippert, Jr., Operations Manager for ABM Janitorial Services, which handles the cleaning operations for the Center City District. After the interview, Hippert surprised her with the request to report to work the next day. That was in 1998. "I've been on site ever since," she said.

For 15 years, Ross has enjoyed her job as a pan-and-broom sidewalk sweeper. "I've been through the rain, the snow, the sleet, I've been through all of it, and I love my job," she said.

Sometimes people stop and talk to her, and even ask for directions. If she has the answer, she tells them, but more often she helps them find one of CCD's uniformed Community Service Representatives, who serve as ambassadors to the public.

"I sometimes have a short conversation, but I tell them I have to do my work, and I keep on moving."



Top row: The Children's Discovery Garden was a popular spot during the festival. At right, KyoDaiko Japanese Taiko Drummers perform. Bottom row: At left, members of the Polish Intercollegiate Club of Philadelphia invite the crowd to dance. At right, the Cameroonian Association Greater Philadelphia Area.

John F. Collins Park



Free concerts are presented every Tuesday, from noon to 1:30 p.m., through September 26, in the beautiful John F. Collins Park, a verdant pocket park at 1707 Chestnut Street, in the heart of the Center City shopping district.

In early 2012, the Center City District restored Chestnut Park and rededicated it as John F. Collins Park after a \$500,000 renovation that included conserving the original gates created by artist Christopher T. Ray, rehabilitation of the fountain, and restoration of the landscaping.

Top Photos: At left, a crowd enjoys the park. At right, Zoe Hillengas plays the flute during a noon concert.

Bottom Photo: Marie Pietrowiak and Jon Pitcherella decided that John F. Collins Park was the perfect place for their wedding. On May 4, 2013, they spoke their vows in the romantic pocket park.



If you are interested in having an event at John F. Collins Park, please contact Kristen Casalenuovo at 215.440.5500, or kristen@centercityphila.org, for rental rates.

Farmers' Market at Capriccio Café in Cret Park



John King of King's Dutch Country Goods presents a colorful array of fresh fruits and vegetables.

Beginning Thursday, May 16, the Farmers' Market sponsored by **Drexel University Center City** at Capriccio Café in Cret Park, 16th Street and the Benjamin Franklin Parkway, debuted its 2013 season.

Every Thursday, from 10:00 a.m. to 6:00 p.m., King's Dutch Country Goods, from Paradise, Lancaster County, sells fresh produce, flowers, herbs, canned jams and jellies, honey and packaged breads.

You also can treat yourself to coffee, snack or a delicious lunch at Capriccio and enjoy the patio when the weather is pleasant. Two chess tables are located on the plaza and if you'd like to play, just stop in the café and ask for the chess pieces.

The \$2.33 million renovation of Cret Park was completed in 2008 and included new paving, a granite seating wall at the western point of the park, new benches

along the Parkway, 15 new trees, seasonal flowers, a new underground irrigation system, new pedestrian-scale lights, and the 1,200-square-foot Café Cret with outdoor seating.

Sips Kickoff Party



More than 300 people enjoyed the Center City District Sips Kickoff Party on June 12 at Pagano's Market & Bar at 2001 Market Street (Commerce Square). Party-goers enjoyed Don Q samples and live music from 61 North, plus the usual Sips bargains of \$5 cocktails, \$4 wine, \$3 beer, and half-priced appetizers. Sips continues through August 28 at 88 bars and restaurants in Center City.

Follow us on Twitter @CCDSips.



Lunchtime Concert Series Every Wednesday This Summer



The Center City District Lunchtime Concert Series Presented by TD Bank offers 90 minutes of music each Wednesday at various locations throughout Center City. From Noon until 1:30 p.m., you can enjoy music from a different genre each week, including Latin, salsa, reggae, pop, blues, jazz, and more. The Rockafillys took the stage June 12 at Three Logan Square, 1717 Arch Street. The crowd loved them! Even if it rains the show will go on at an indoor location announced each week. Concerts continue through August 28. For a complete list of locations and musicians, please go to www.centercityphila.org.

Looking Beyond 22nd and Market

(Continued from page 2)

upon which to implement the prime recommendation of two successive tax commissions: *shift from an excessive dependency on taxing what moves*. If we do that as market and demographic trends are tilting our way, the job and real estate tax base of Philadelphia will grow.

For many that's hard to imagine. So here are some concrete benchmarks and goals:

If office employment grew at the same rate as our suburbs, we would add more than 1,700 new jobs each year. Construction crews would erect one Penn Center sized building every other year and Center City would soon seamlessly connect with University City.

If Philadelphia rents rose to Chicago levels (still far below Boston, New York

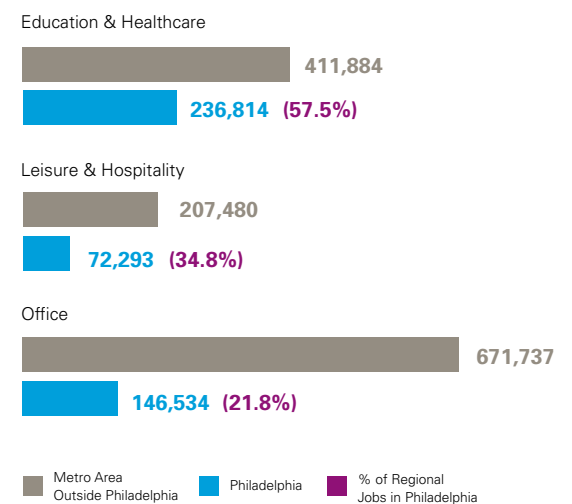
and Washington), there would be \$85 million to \$90 million annually in new real estate taxes, more than half of which would go to the School District.

If Center City simply attained the same percent of regional office jobs located downtown as in Boston, New York and Washington, D.C., Philadelphia would collect \$344 million more annually in wage taxes, *even at a reduced rate of 3%*.

It's time for Philadelphia to believe in a future with this type of opportunity and growth.

Paul R. Levy
President
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Chart 3: Regional Market Share by Sector



Source: Total Full-time and Part-time Employment by NAICS Industry, U.S. Bureau of Economic Analysis

CENTER CITY DIGEST

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SIPS



Wednesdays
JUNE 5 - AUG 28



5-7pm

\$5 COCKTAILS

\$4 WINE

\$3 BEER



Half-priced **APPETIZERS***

#CCDSIPS

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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.