Current cycle of success
Challenge of poverty, incomplete revival & how this shapes local politics
A platform for faster & more inclusive growth: Tax & fiscal policy

THE JOB GROWTH COALITION

8-Point Platform for Faster Job Growth in Philadelphia

Philadelphia is growing jobs, but more slowly than our cities. We're not growing fast enough to give us the momentum we need locally to tackle our biggest problems: an unacceptably high rate of poverty, housing affordability for lower income families and inadequate funding for schools and public services.

All these challenges stem from the city’s severe loss of jobs in the 1950s and 1960s and our slow rebound, which has left us with 25.5% lower jobs today than we had in 1950. Despite recent growth, Philadelphia still has 22,300 fewer jobs than in 1960.

Boston and New York City lost the same percent of manufacturing jobs as Philadelphia. But both have seen a job surge that left it with 17% more, New York in 1960, 27% higher poverty rates.

The relationship between more jobs and lower poverty is clear. As Philadelphia rebounded from the Great Recession, and began adding jobs at a faster rate than at any time in the last half-century, the number of poor declined by 58,000 people per year, our poverty rate dropped from 30.4% in 2011 to 23.7% in 2017. It needs to be much lower.

Most other large cities have grown faster since 2000. Boston added jobs at a rate of 1.3% per year, New York at 1.0% per year, Philadelphia at just 1%. The average rate of job growth for the 25 largest cities since 2000 is 2.1% per year. Even as growth in Philadelphia accelerated in the last three years, almost half of new jobs in the two except education and health care sector grew faster. It's critical to find new sources of talent and investment in the areas which take the most time to develop and implement.

In Boston and New York these industries grew faster. Philadelphia has many minority entrepreneurs and small businesses, but in our neighborhoods, we need enough to take on more employees.

To reduce poverty and create opportunity, address homelessness and provide more funding for schools, Philadelphia needs to welcome growth that is equitable and inclusive. Equity is not about “giving away the farm” but implementing an expanded public agenda that provides everyone benefits. Local government can act the stage for expanding the prosperity, creating a clean and safe environment across the entire city by addressing quality of life challenges in every neighborhood by investing in infrastructure, parks and recreational facilities, by producing an educated workforce, and by offering a transparent, easy-to-follow process for small and minority businesses, outside investors and new development.

Platform for Job Growth

Last 3 decades, built a vibrant mixed-use downtown:
40% jobs in office sector; 20% eds & meds; 11.6% leisure & hospitality
New office towers reshaping the skyline

Hotel occupancy & room rates at all time high
Adding & absorbing new supply
Greater Center City: fastest growing residential section of city

Since 2000: 26,195 new housing units; Population up 22% to 193,000; 25% who moved to PHL between 2000-2018, moved downtown 12% moved into University City

FIGURE 2: GREATER CENTER CITY HOUSING COMPLETIONS, 2000-2018

THE JOG GROWTH COALITION
Filled with young professionals & empty nesters
46% of residents in the core, ages 20-34
61% of residents have a BA degree; 75% in core

Animated retail streets: pedestrian volumes up 30%
A growing number of families with children

75\% of children living in Greater Center City Attend one of 19 elementary public schools between Girard & Tasker

67\% attend their catchment area (neighborhood) school
Multiple mixed-use projects on Market East

Changing the retail landscape
$6.1 billion in new development just completed or concluding
New Comcast & Aramark buildings; 1,923 hotel rooms, 3,017 housing units under construction

University City campuses dramatically expanding
Attracting almost $3 billion in research funding
Penn making major investments in innovation
Huge opportunities with commercialization of research

We are an emerging leader in the new economy of bio-tech

Roche agrees to buy Philadelphia biotech Spark Therapeutics for $4.3 billion, enriching CHOP, founders

by Joseph N. DiStefano and Diane Madrall, Updated: February 25, 2019
Drexel is going through significant expansion

Drexel/Brandywine Innovation District
Inclusive growth: 63% of the jobs in Center City require less than college degree. 33% require only a high school diploma. SEPTA makes them accessible to neighborhood residents.
25% of residents from every city neighborhood Work downtown; 52.5% of jobs held by city residents

Strong growth at the Navy Yard
Temple’s campuses continue to grow

Burgeoning entrepreneurial, small & minority business culture across the city
This is why we rebounded so well from recession & like the national economy....

PERCENT CHANGE IN PRIVATE SECTOR JOBS FROM PREVIOUS YEAR, 2001-2018*

PERCENT CHANGE USA CITIES AVG PHILADELPHIA SUBURBS PHILADELPHIA

Source: BLS, Current Development Statistics

THE JOB GROWTH COALITION

Nine straight years of job growth = +71,900 jobs
Longest winning streak since early 1950s

TOTAL JOB CHANGE FROM PREVIOUS YEAR 2010-2018*

Source: BLS, Current Employment Statistics

THE JOB GROWTH COALITION
Wealth of good news
But pull the camera back.......... 

Bad news:
Highest poverty rate of 10 largest cities: 25.7%

POVERTY RATES AMONG THE TOP 10 LARGEST US CITIES

<table>
<thead>
<tr>
<th>City</th>
<th>Poverty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philadelphia</td>
<td>23.7%</td>
</tr>
<tr>
<td>Houston</td>
<td>20.1%</td>
</tr>
<tr>
<td>Phoenix</td>
<td>20.3%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>19.5%</td>
</tr>
<tr>
<td>Dallas</td>
<td>19.4%</td>
</tr>
<tr>
<td>Chicago</td>
<td>19.1%</td>
</tr>
<tr>
<td>New York</td>
<td>18.9%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>18.5%</td>
</tr>
<tr>
<td>San Diego</td>
<td>13.3%</td>
</tr>
<tr>
<td>San Jose</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau, 2019 data
3rd highest poverty rate of 25 largest cities
Behind only Detroit & Memphis

Huge income disparities in the city: poverty

THE JOB GROWTH COALITION
Disparities in education levels

EDUCATIONAL ATTAINMENT, POPULATION 25 AND OVER, 2016

61%
OF GREATER CENTER CITY RESIDENTS HAVE A BACHELOR’S DEGREE OR HIGHER, A POWERFUL ATTRACTOR FOR BUSINESSES SEEKING TALENT, BUT A MARKED CONTRAST WITH SURROUNDING NEIGHBORHOODS

26% Citywide with BA
Many not completing HS

THE JOB GROWTH COALITION

Shapes the politics of the city
The needs in our neighborhoods are great

FIGURE 3: POVERTY BY COUNCIL DISTRICT

<table>
<thead>
<tr>
<th>COUNCIL DISTRICT</th>
<th>POVERTY RATE</th>
<th>DEEP POVERTY RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st District</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>Outside Greater Center City</td>
<td>39%</td>
<td>11%</td>
</tr>
<tr>
<td>Inside Greater Center City</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>2nd District</td>
<td>25%</td>
<td>9%</td>
</tr>
<tr>
<td>Outside Greater Center City</td>
<td>27%</td>
<td>10%</td>
</tr>
<tr>
<td>Inside Greater Center City</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>3rd District</td>
<td>35%</td>
<td>21%</td>
</tr>
<tr>
<td>4th District</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>5th District</td>
<td>36%</td>
<td>14%</td>
</tr>
<tr>
<td>Outside Greater Center City</td>
<td>46%</td>
<td>22%</td>
</tr>
<tr>
<td>Inside Greater Center City</td>
<td>17%</td>
<td>9%</td>
</tr>
<tr>
<td>6th District</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>7th District</td>
<td>43%</td>
<td>15%</td>
</tr>
<tr>
<td>8th District</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>9th District</td>
<td>22%</td>
<td>9%</td>
</tr>
<tr>
<td>10th District</td>
<td>12%</td>
<td>5%</td>
</tr>
</tbody>
</table>

THE JOB GROWTH COALITION
Challenges in these Districts: Deteriorated housing, Playgrounds in need of substantial reinvestment

Opioid addiction & Insufficient funding for schools
These issues dominate discussion in City Hall

Journalists repeatedly invoking Charles Dickens

A Tale of Two Cities
by Charles Dickens
Proposals at national level to raise marginal tax rates
To fund health care, education & housing

Tax rates: 1913-2018

In absence of federal action, this has led to city legislation
that seeks to carry out redistribution at the local level
Higher taxes on local development, linkage fees

We must address poverty:

But either we carve up a limited pie or grow the pie

(1) We need to address poverty in the city

But the real income disparities remain between city & suburbs
**Philadelphia Inquirer** highlighted $75,466 gap between wealthiest & poorest neighborhoods in Philadelphia

But the gap between Philadelphia’s wealthiest zip code (19106) & Gwynedd Valley (19437) = $118,775

57% larger gap

Despite a small handful of neighborhoods, wealth is NOT concentrated in the city

PHL’s wealthiest Zipcode = 51st in region
Only 3 in top 150 out of 342 zips

Between 2010-2018 just 1% of 158,863 residential sales citywide were over $1 million; 78% of houses sold last year priced under $250,000
We don’t have much income locally to redistribute

Median Household Income
San Francisco $111,000
Washington DC $82,000
Boston $67,000
NYC $61,000
Chicago $51,000
Philadelphia $39,759

That’s why we have a diminished city tax base inadequate to support our public schools

Assessed value RE per student
$275,900 Philadelphia
$487,285 State Average
$739,000 Pittsburgh
$1,547,300 Lower Merion
(2) Story is more than just gentrification & poverty
38% of zip codes in city are still losing population

Despite success downtown, since 2010, 63,000 more residents of city neighborhoods left for homes in suburbs than moved from suburbs into city

Tide may be coming in young downtown
But in many areas old trends persist

In both black & white neighborhoods outside downtown more individuals from households making over $100,000/year are moving out of the city than moving in

81% of households that left Philadelphia 2010-2017 do not have children (73% citywide)

This is about people following jobs:
Outside Center City 211,000 Phila residents (40% of workforce) Reverse commute to suburbs each day

By contrast only 15.3% of NYC residents commute to suburbs
Find a home near suburban job & PHL’s 3.8% wage tax drops to 0%-1%

We should reject the analogy of *two cities* because it leads to misguided cures.

*A Tale of Two Cities* by Charles Dickens

Book 1 of 3
GreaterAudioBooks.com
It’s a tale of **one city** that’s not growing jobs fast enough to address locally problems we inherit.
At a time when we can not look to higher levels of government.

Nationally, since 2009 we’ve been living through an urban led economic recovery.
Since 2009, Philadelphia averaged only 1.5% per year.

**Average Annual Percent Change in Private Sector Jobs, 2009–2019**

<table>
<thead>
<tr>
<th>City</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phoenix</td>
<td>0.4%</td>
</tr>
<tr>
<td>New York</td>
<td>0.2%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>0.5%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>0.6%</td>
</tr>
<tr>
<td>San Diego</td>
<td>0.7%</td>
</tr>
<tr>
<td>Denver</td>
<td>0.9%</td>
</tr>
<tr>
<td>Seattle</td>
<td>1.0%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>1.5%</td>
</tr>
<tr>
<td>Nashville</td>
<td>1.1%</td>
</tr>
<tr>
<td>Austin</td>
<td>1.2%</td>
</tr>
<tr>
<td>Washington D.C.</td>
<td>1.3%</td>
</tr>
<tr>
<td>Boston</td>
<td>1.5%</td>
</tr>
<tr>
<td>Chicago</td>
<td>2.0%</td>
</tr>
<tr>
<td>Dallas/Fort Worth</td>
<td>2.1%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>2.1%</td>
</tr>
<tr>
<td>Detroit</td>
<td>2.1%</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>2.2%</td>
</tr>
<tr>
<td>Columbus</td>
<td>2.2%</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>2.3%</td>
</tr>
<tr>
<td>Nashville</td>
<td>2.4%</td>
</tr>
<tr>
<td>Phoenix</td>
<td>2.6%</td>
</tr>
<tr>
<td>Denver</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

The largest 26 cities added jobs at an average of +2.3% per year. The national economy grew at +1.7% per year, while Philadelphia grew at 1.5% per year.

Last 3 years have been strong enough +2.1% to lift us above Memphis & Chicago; 24th out of 26 cities.
And we had one really good year!

**Average Annual Percent Change in Private Sector Jobs, 2017-2018**

- Philadelphia: 2.4%
- Cities Average: 2.2%
- National Average: 1.8%
- Philadelphia Suburbs: 1.3%

Digging out of really deep hole

23% below 1970 job levels; 22,300 jobs below 1990
Boston & NYC also lost 85-90% of 1970 manufacturing jobs.
Boston up +26% & New York +14% above their 1970 job levels.
Philadelphia is down 24%.

In company we don’t want to keep:
Detroit is down 32%.
Growth has been concentrated in tax-exempt & lower wage jobs

**TOTAL CHANGE IN JOBS BY SECTOR, 2009-2018**

- Health Care and Social Assistance: 20.1%
- Leisure and Hospitality: 16.5%
- Professional and Business Services: 15.5%
- Educational Services: 15.0%
- Transportation and Utilities: 12.5%
- Mining, Logging, and Construction: 12.1%
- Other Services: 12.1%
- Wholesale Trade: 0.0%
- Information: -1.5%
- Financial Activities: -2.2%
- Manufacturing: -5.9%
- Government: -4.1%

45% tax-exempt eds & meds
23% lower wage leisure/hospitality
19% new office sector jobs
1,830 jobs/year
275,000 sq ft added office/year
Info. & financial services down

We enjoyed a big eds/meds boost 2014-2018
But other sectors need to perform more strongly

**AVERAGE ANNUAL CHANGE IN JOBS BY SECTOR**

- Professional and Business Services: 5.9%
- Manufacturing: 2.8%
- Educational Services: 1.6%
- Healthcare and Social Assistance: 1.6%
- Manufacturing: 1.4%
- Professional and Business Services: 1.2%
- Educational Services: 1.2%
- Wholesale Trade: 0.3%
- Information: 0.3%
- Financial Activities: -0.1%
- Transportation and Utilities: -0.4%

Source: BLS, Current Employment Statistics
Comcast 2 finally pushed us above 40 million square feet of office space. After 2 decades of adding supply & subtracting the vacancy by converting to housing.

Peer cities have new office construction underway.
What will it take to reach & sustain national the rate of growth for the 26 largest cities?

From 1.5% to 2.3%
More jobs = less poverty

Had we grown at the average rate of the 26 largest cities Philadelphia would have added, not 71,900 more jobs
But 115,000 new jobs in the last 9 years
The difference = 43,000 more jobs (one home-grown Amazon)
When we grow jobs, the poverty rate declines
Not “intractable” dropped from 28.4% (2011) to 25.7% (2017)
4,600/year fewer people in poverty each year

Need more balanced growth in all sectors
& more growth citywide to offset industrial decline
Not a tale of two cities, but of one city with insufficient jobs
#1 Invest in education to prepare workforce
We can debate funding source, but not the need
Elevate high-school & college graduate rates
Invest in job training

#2 Need a basic understanding:
“Equitable growth” is not just about redistribution
It’s about creating a tax & regulatory environment
that encourages a growing pie thru more investment
With all our assets & advantages should not be 24th
At the bottom of the urban growth curve

<table>
<thead>
<tr>
<th>City</th>
<th>Average Annual Percent Change in Employment</th>
<th>26 largest cities added jobs</th>
<th>National economy +1.7% per year</th>
<th>Philadelphia 1.5%/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>4.62</td>
<td>2.52</td>
<td>3.64</td>
<td>3.25</td>
</tr>
<tr>
<td>Nashville</td>
<td>3.64</td>
<td>3.64</td>
<td>3.42</td>
<td>3.52</td>
</tr>
<tr>
<td>San Antonio</td>
<td>3.64</td>
<td>3.64</td>
<td>2.87</td>
<td>2.87</td>
</tr>
<tr>
<td>Atlanta</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Miami</td>
<td>3.64</td>
<td>3.64</td>
<td>3.42</td>
<td>3.42</td>
</tr>
<tr>
<td>Detroit</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Philadelphia</td>
<td></td>
<td></td>
<td>2.92</td>
<td>2.92</td>
</tr>
<tr>
<td>Boston</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Miami</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Phoenix</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>San Diego</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Denver</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Portland</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Seattle</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>New York</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Chicago</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Washington</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>3.64</td>
<td>3.64</td>
<td>3.21</td>
<td>3.21</td>
</tr>
<tr>
<td>Philadelphia</td>
<td></td>
<td></td>
<td>1.52</td>
<td>1.52</td>
</tr>
</tbody>
</table>

#3: We need to renew the focus on reforming Philadelphia’s tax structure
Let’s understand first how we got here
During the Depression to compensate for falling RE Taxes Philadelphia introduced 1.5% “temporary” wage tax in 1939 when we still made Stetson Hats.
An era when industry was tied to factories, rivers & railroads
Philadelphia: the dominant employment center in region

Starting in 1970 through 1990s we hemorrhaged
200,000 manufacturing jobs
In 1970s alone lost 164,457 jobs & 260,399 residents


In same decade City more than doubled its wage tax from 2% to 4.3%; 4.96%.

People & jobs departed, tax base shrunk, rates were raised to keep revenues up with no efficiencies achieved in government, pushed more employers & workers out of Philadelphia.

As we lost jobs, the poverty rate rose.

Modest increase in number in poverty over 45 years +100,000

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

2,200/year added compared to 11,100 per year lost
1990: fiscal crisis, near bankruptcy

PICA to the rescue: a financing lifeline from the Commonwealth

Refinanced overpriced debt

Gave Rendell Administration leverage to renegotiate labor contracts

State oversight created fiscal discipline that had been lacking
Within 4 years, turned the corner & began in 1996
Steady process of wage & business tax reduction

Job growth commenced in 1998
almost immediately following tax reduction
1997 & 2000 Tax abatements help us catch demographic wave
With Recession in 2008
Significant, across-the-board tax reduction came to an end

<table>
<thead>
<tr>
<th>Year</th>
<th>Resident Rate</th>
<th>Non Resident Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>6.95%</td>
<td>4.22%</td>
</tr>
<tr>
<td>1996</td>
<td>4.22%</td>
<td>3.92%</td>
</tr>
<tr>
<td>2000</td>
<td>3.50%</td>
<td>3.50%</td>
</tr>
<tr>
<td>2002</td>
<td>3.88%</td>
<td>3.88%</td>
</tr>
<tr>
<td>2004</td>
<td>3.87%</td>
<td>3.87%</td>
</tr>
</tbody>
</table>

Recently, wage tax reductions restarted but dialed way back

Current proposal: 3.88% to 3.87%
$5 year reduction on $50,000 income
61% Municipal tax revenue from wage & business taxes
19.7% comes from Real Estate tax

We hold to manufacturing age tax structure when nearly all businesses are hypermobile

Both 2003 & 2009 Tax Commissions:
shift burden from taxing what moves (wages & business revenues) to taxing what is fixed & stable: land & improvements

19.7% RE tax
29.7%
Tax Policy is not just about revenue generation. It is about creating a climate that facilitates investment & job growth.

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

Instead of across the board reductions in BIRT, added to the long list of exemptions:

**Figure 4: Activities Exempted from BIRT**

<table>
<thead>
<tr>
<th>Exempted Industry or Activity</th>
<th>Description</th>
<th>Extent of BIRT Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious and non-profit</td>
<td>Religious, charitable, or educational entities</td>
<td>Full</td>
</tr>
<tr>
<td>Public</td>
<td>Business of any political subdivision or State created authority</td>
<td>Full</td>
</tr>
<tr>
<td>Port-related business</td>
<td>Any firm operating at the Port of Philadelphia and serving port-related functions</td>
<td>Full</td>
</tr>
<tr>
<td>State-regulated utilities</td>
<td>Privately owned power, distribution, telecommunications, and transport carriers</td>
<td>Full or partial</td>
</tr>
<tr>
<td>Banks and financial services</td>
<td>Banks, financial trusts</td>
<td>Full or partial</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>Insurance companies</td>
<td>Full or partial</td>
</tr>
<tr>
<td>Private equity funds</td>
<td>Private equity funds operating in the city</td>
<td>Partial</td>
</tr>
<tr>
<td>Textile dyers</td>
<td>Textile dyers</td>
<td>Sales exempt from Gross Receipts</td>
</tr>
<tr>
<td>Bookbinders</td>
<td>Bookbinders</td>
<td>Sales exempt from Gross Receipts</td>
</tr>
<tr>
<td>New business</td>
<td>New businesses that meet hiring requirements</td>
<td>Full for two years</td>
</tr>
<tr>
<td>Small apartments</td>
<td>Rental income from owner-occupied properties of three (3) or less residential rental units</td>
<td>Full</td>
</tr>
<tr>
<td>NMTC loan interest</td>
<td>Firms that receive interest and fees from New Market Tax Credit loans</td>
<td>Interest/fees exempt from NMTC loans exempted</td>
</tr>
</tbody>
</table>
Council: small business exemptions of $100,000
Removed 63,000 business from BIRT obligation
With no evidence of subsequent small business growth

Concentrated BIRT payments on office sector
The most mobile businesses we have

Office employment = 21% of citywide jobs
But carries 57% of BIRT payments
+ Use & occupancy + parking taxes
Pew report on business taxes

PHL has one of the highest business tax burdens among all large cities

Only large city to tax both gross revenues & net income

Detailed study on BIRT from Revenue Dept data

Class A Office Comparision

<table>
<thead>
<tr>
<th>Real Estate Taxes Included in Rent</th>
<th>Philadelphia CBD</th>
<th>Suburbs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.00/sf</td>
<td>$32.65 SF</td>
<td>$29.82 SF</td>
</tr>
</tbody>
</table>

Then add

Use & Occupancy $2-3/sf
BIRT $6 to $16/sf
Try to move suburban tenant into the city & cover the impact of wage tax on compensation
Occupancy costs nearly double

This is what KOIZs compensate for; But KOIZ’s expire

Tax load depresses office rents; CBD rent premium nationally = 27%; Despite competitive amenities, PHL downtown = only 16%
Resulting depressed office rents are another reason why we have a diminished city RE tax base.

Assessed value per student:
- Philadelphia: $275,000
- State Average: $487,285
- Pittsburgh: $739,000
- Lower Merion: $1,547,300

Instead of solving the problem; we keep adding new exemptions.
Recommendations from 2009 Tax Commission
How to fund wage & BIRT reduction

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

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

• Raise RE millage rate for all real estate & use new revenues both to achieve reduction in wage tax & BIRT. Raises residential rates: traditionally a political non-starter

That’s what led Growth Coalition to try to modify uniformity
Off to a good start in 2016

Prime Sponsors:
Representative John Taylor,
Representative William Keller
Senator Anthony Williams
Mayor Jim Kenney

June 27, 2016 PA House approved
HB 1871 bi-partisan vote of 170-25.

On July 1 Senate followed with a margin of 47-2
A broad coalition of supporters
Came together around jobs
www.PhiladelphiaGrowthCoalition.com

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

Fund tax reduction w/o opening gap in City budget
Proposed modification of Uniformity

Commonwealth enables Philadelphia to assess business properties at 15% more
(1.39 residential; 1.61 commercial).

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

Dedicated modification not open-ended modification

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

Effort died at the end of 2018
Other options? Let’s revisit the 2018 reassessment debate

**Revenue Neutral option:**
With the large increase in assessed value, RE rates could have been lowered from 1.3998% to 1.233% (reduce the pain)

Then an increase could have been tacked on for schools

**Tax Reform option:**
Take increased revenues from rising values & dedicate them to lower wage & business taxes

Invest proceeds of growth to make the city more competitive

Road not taken
Precedent: last year, instead of 1% tax on all development; Proceeds from expiring abatement dedicated to affordable housing

#1: Option to consider: invest proceeds of growth

Rising assessments in 2019 can produce $148.9 million in new real estate taxes: $81.7 million to the School District & $67.2 million to City.

We need to make sure they are accurate.

But simply freezing rising assessments means $81.7 million less for the School District this year.

Suppose City devotes increase on residential property to wage tax reduction & premium from commercial property to business tax reduction. This cuts wage tax in one year from 3.88% to 3.78% (3.88 to 3.87) & cuts net income portion of the BIRT from 6.39% to 6.0%.
Option #2: Pension fund reform

From 2006 pension cost from $331.8 million annually to $720 million in FY19, from 9.5% of the City's budget to 17% of the City's budget.

Pensions may be the only thing more boring than tax reform.
But both need to be on the civic & political agenda.

THE JOB GROWTH COALITION
Money allocated to street re-surfacing & cleaning has been trending downward
No dedicated revenue for technology enhancements
Linking Potholes & pensions may get the public’s attention

$720 million vs $143 million
Do you want to pay for retired workers
Or pay to clean streets;
Fix potholes
Reduce traffic congestion
Restore traffic police

#3: PICA sunsets in 4 years
In 1998, portion of wage tax collected by PICA, devoted to paying off original bonds was 44%; in 2019, it’s just 8%, $47.1 million. Balance, $523.7 million, comes to the City as “grants.”

When PICA expires, who then is the advocate for fiscal discipline?

Who advocates for competitive tax policies that support the sustained growth this city desperately needs?

Could some of these revenues be pledged to pension fund reduction?
Tax Policy is not just about revenue generation
It is about creating a climate that facilitates investment & job growth

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

Growth is what’s necessary to create opportunities
To retain young professionals in the city
Growth essential for small & minority businesses to expand

Growth is essential to reduce poverty

Poverty 2006-2017

*Population for whom poverty status is determined

4,600/year decline in number in poverty
Growth is what’s necessary to create opportunities for neighborhood residents to work within the city:

By contrast only 15.3% of NYC residents commute to suburbs.

Growth is what’s needed to generate more funding locally to support public services & schools.
Without growth, there can be no equity & inclusion
We need a new coalition for growth

Platform for growth;
Become one of the top job generating cities in the US

1. Investing in schools is essential; but only 27% of households have school age children; 30% in suburbs. Focus equally on job growth

2. Get tax policy right: Reduce reliance on wage & business taxes; rely more on accurate RE assessments
   Invest proceeds of growth; don’t spend every dollar of the growth increment; invest in tax reduction

3. Pension & benefit reform is boring; but essential

4. Sustain the benefits of PICA; Philadelphia needs an on-going structure for fiscal discipline

5. Manage publicly owned land, one of our biggest assets, transparently & uniform manner