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**Testimony of Prema Katari Gupta  
President and CEO, Center City District  
City Council Committee on Commerce & Economic Development  
September 30, 2024**

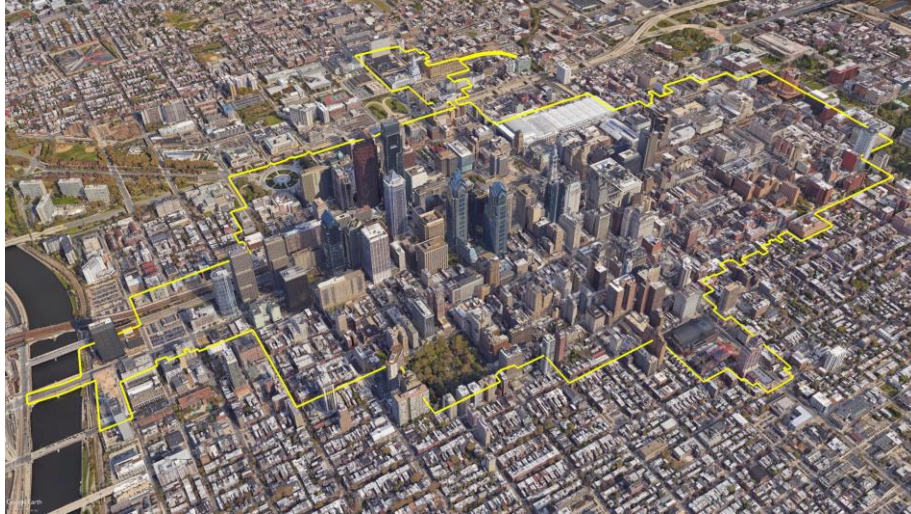
Good afternoon. My name is Prema Katari Gupta, and I'm the CEO of Center City District.

I'm proud to be CCD's second CEO, following behind our founder Paul R. Levy, who now serves as CCD's board chair. Center City District is an independent, private-sector directed authority organized under the Commonwealth's Municipality Authorities Act. We were founded in 1991 to enhance the vitality of downtown Philadelphia.

CCD collects assessments from 1800 properties within defined boundaries and uses this revenue to provide programs for a clean, safe, attractive and well-managed public environment in our downtown or otherwise bolster the attractiveness and competitiveness of Center City.

We have spent the last 33 years helping keep Center City clean and safe with cleaning crews, community service representatives, homeless outreach professionals, a relatively new public safety patrol, a unique partnership with the Philadelphia Police department that includes a substation housed within our offices, and managing four downtown parks, including Dilworth Park.

CCD's geography essentially covers the mid- and high-rise core of Center City Philadelphia from 6th Street to the Schuylkill River. Within these few square miles are 42% of our city's jobs. And while the perception of the downtown worker may be, say, a partner at a law firm, our downtown workforce is in fact a diverse and interdependent ecosystem. Nearly 2/3 of downtown jobs do not require a college degree – janitors, baristas, hotel concierges, and medical technicians.



It's in our organization's self-interest to track the health of the office market obsessively. I mentioned 1800 properties in our district. 30% of our assessment revenue comes from just 25 buildings. Unsurprisingly, most of these are large office buildings, which up until the pandemic were reliably the highest-value properties in Philadelphia.

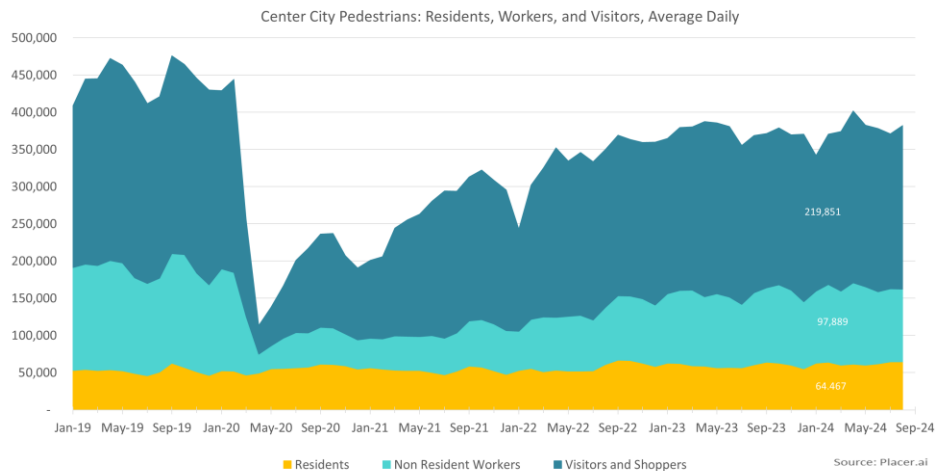
Today, our downtown contains about 40 million square feet of office space. It's interesting – and frankly, astonishing – to note that, since CCD's founding over 30 years ago, the amount of office space downtown has remained constant – 40 million square feet. How is that possible, with new buildings from Comcast, Morgan Lewis, and Chubb? Well, Philadelphia has led the way nationally in converting outdated office space to apartments and hotels, driven in large part by the tax abatement and our flexible mixed-use zoning code. More on that shortly. But the bad news is that, in the last 30 years, while downtown's supply of office space has remained the same size, the supply of suburban office space in our region has grown from 25 million square feet to 60 million square feet. And if you are wondering why, I know that my predecessor would be more than happy to talk tax policy.

Of our downtown office space, nearly 9 million square feet currently sit vacant, giving us a 19% vacancy rate. Before the pandemic, the vacancy rate was around 9%, which is normal and, frankly, healthy. But it's important to note that that this vacancy is not spread evenly across our downtown's inventory of office buildings. Our newest and nicest buildings, the so-called Trophy class, are generally well occupied. Trophy buildings tend to be where tenants want to move when they pursue a "flight to quality" and have 89% occupancy rate.

It is our Class A and B buildings, but particularly the middle Class A segment, that's bearing the brunt of this trend. Vacancy in Class A buildings is closer to 75% on average.

The good news is that this vacancy is not driven by tenants leaving Philadelphia. With the exception of a few departures, most significantly Radian, tenants have stuck around in Center City since the pandemic and we've even attracted a few new companies.

So how is it possible that vacancy continues to climb? It's because tenants across most industries are downsizing, trading excess space for smaller, higher quality spaces. This is in part due to hybrid and remote work patterns. In the West Market and West JFK office district, there are about 63% of daily office workers of 2019, but it's worth noting that this number continues to grow. Thanks to the leadership of our mayor and companies like Comcast and IBX, there are approximately 6% more non-resident workers in the office district than there were at this time last year. We expect this number to continue to inch upward.



So, can't we just convert the extra office space to apartments? It isn't so easy. Because most office buildings contain dozens of different tenants, all of which have leases of varying lengths, start and end dates, and structures, downsizing and relocating does not happen all at once, and it does not typically result in entire buildings becoming vacant for easy conversion to another use. It's not unlike a late-stage game of Jenga, with irregular and potentially destabilizing vacancies.

Not every obsolete office building is suitable for conversion, even if a building is entirely empty. Context, building form, location, floor plate size, elevator locations, and several other factors all play a crucial role in assessing a building’s feasibility for conversion. We have already converted many of the historic buildings that are adaptable. Philadelphia has transformed nearly 10 million square feet of outdated space into other uses that have grown our downtown population and enlivened our streets. We are currently tracking around 1.5 million square feet of office space conversions currently underway. These ongoing conversions should produce at least 1,000 more apartments in Center City.

Buildings Converted to Residential Use, 1997–2024

Year	Building Name	Address	Size (square feet)	Status	Conversion Type
2024	Nelson Building	222 Walnut St.	100,000	Proposed	Apartments
2024	1701 Market	1701 Market St.	304,037	Proposed	Apartments
2024	The Bellevue	200 S. Broad St.	885,365	In Progress	Apartments & hotel
2020	Public Ledger Building	150 S. Ind. Mall West	479,770	Converted	Apartments
2020	One City Plaza	1401 Arch St.	220,300	Converted	Apartments
2020	Heid Building	325 N. 13th St.	95,000	Converted	Apartments
2019	Franklin Tower	1601 Race St.	607,474	Converted	Apartments
2019	The Alison Building	1805-1809 Walnut St.	20,576	Converted	Apartments
2018	1600 Callowhill	1600 Callowhill St.	123,753	Converted	Apartments
2017	The Beacon	1527 Walnut St.	175,000	Converted	Apartments
2016	Fairmount at Brewerytown	1363 N. 31st St.	275,000	Converted	Apartments
2016	The Curtis Center (Phase I)	126 S. 6th St.	90,000	Converted	Apartments
2012	The Atlantic Building	260 S. Broad St.	320,705	Converted	Apartments
2012	Former State of Pennsylvania Building	1400 Callowhill St.	240,000	Converted	Apartments
2011	1616 Walnut St.	1616 Walnut St.	158,000	Converted	Apartments
2011	2040 Market St.	2040 Market St.	128,000	Converted	Apartments
2011	1201 Chesnut St.	1201 Chesnut St.	101,000	Converted	Apartment
2008	Robert Morris Building	100 N. 17th St.	100,000	Converted	Apartments
2007	The Residences at Two Liberty Place	1650 Chestnut St.	263,000	Converted	Condominiums
2007	Aria	1419 Locust St.	195,000	Converted	Condominiums
2007	Western Union Building	1101 Locust St.	162,893	Converted	Condominiums
2007	Ayer	210 W. Washington Sq.	151,435	Converted	Condominiums
2007	1401 Walnut St.	1401 Walnut St.	125,450	Converted	Apartments
2003	Grande	111 S. 15th St.	241,291	Converted	Condominiums
2003	Nippon Building	610 N. Broad St.	225,000	Converted	Apartments
2003	1930 Chestnut St.	1930 Chestnut St.	110,000	Converted	Apartments
2002	Society Hill Building	116 S. 7th St.	160,020	Converted	Apartments
2001	1835 Arch St.	1835 Arch St.	176,000	Converted	Apartments
2000	Phoenix	1600 Arch St.	450,000	Converted	Condominiums
1999	Pennsylvania House (Now the Ellington)	1500 Chestnut St.	241,000	Converted	Condominiums
1998	Exchange Building	1411 Walnut St.	118,879	Converted	Apartments
1997	220 S. 16th St.	220 S. 16th St.	185,000	Converted	Apartments

So ultimately, we cannot convert our way out of the office vacancy problem, nor would we want to. We need to maintain and grow the number of office-occupying jobs in our downtown.

Center City District is focused on this issue, which is why we've already engaged with the city's Commerce Director, Alba Martinez, and her team to initiate a proactive outreach program to all large tenants currently occupying space in Center City. The goal is to show that city government and the downtown business improvement district are engaged, proactive, and ready to listen to what decision makers at these major office tenants have to say about their experience operating in Center City. Our first phase of outreach is getting underway this fall, and we are prepared to bring together other partners, including the Police and SEPTA, to sit in on these meetings with tenants to understand their quality-of-life concerns and determine how we can help to improve their experience and ensure that they are positioned to remain and thrive in Center City.

Aside from retention, the attraction of new tenants is another opportunity. Without a more concerted effort to attract new firms in from the suburbs and other major cities, leveraging our talent pools, and without supporting the growth of firms that are already established here, vacancy will be an issue for some time in our office district.

At Center City District, we believe that our downtown is the heart of opportunity, commerce, culture, and joy for the entire city and region. The diverse, interdependent downtown workforce hails from every corner of our city and region and includes thousands from every councilmanic district. The team at Center City District is committed to doing whatever we can to partner with the City on programs and policy changes that will encourage tenants to stick around and invite others to animate our office district in the years ahead.

Thank you for your time and consideration.