



Economic Development Blueprint for a Greater Philadelphia

Mayor John F. Street
Stephanie W. Naidoff, Director of Commerce
March 23, 2005

Executive Summary

At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic and resourceful citizens gathered to help us think about, focus and design an Economic Development Blueprint. The Administration has spent the intervening months considering the input received at the Summit and reexamining its accomplishments in light of its stated priorities, its agenda, and its vision for the future. The result is a set of ten objectives, which will frame the actions of the Administration in the area of economic development in its remaining years. Among these, the first four we believe have significant new initiatives to be implemented over the next three years. They are:

- Objective: Expand the Knowledge Industry
- Objective: Support Civic and Cultural Development
- Objective: Make Philadelphia a National Model for MBE/WBE Participation in the Local Economy
- Objective: Continue the Successful Development of Philadelphia's 38 Miles of Waterfront

Remaining Objectives

The City's economic development priority objectives cannot be realized in a vacuum. There are other factors that contribute to Philadelphia's viability as the location of choice, and the policy choices the Administration makes regarding additional business objectives and quality-of-life issues will continue to play an important role. The economic development priority objectives will be supported and enhanced by a series of important companion objectives. They are:

- Objective: Sustain advances in Neighborhood Economic Development.
- Objective: Make City government incentive programs more predictable, objective and equitable.
- Objective: Continue business attraction and expansion efforts.
- Objective: Continue to reduce the cost of and barriers to doing business in Philadelphia.
- Objective: Increase educational opportunity and access to literacy services.
- Objective: Maintain fiscal responsibility through strategic tax allocation and tax reduction.

While progress will certainly be made in other ways, Philadelphia's economic development resources will be devoted to achieving these objectives and to benchmarking our activities in these areas.

Introduction

Philadelphia has a long and proud history. It was this nation's first great city and yearns to be so again. We have made great strides in the last five years. We are revitalizing our neighborhoods, improving our schools, reducing our taxes and now are seeing an explosion of market rate housing and the creation of new office space for the first time in decades. But our goal is to make Philadelphia THE city of choice for new and expanding businesses, for young people including the students attending Philadelphia's great colleges and universities, for immigrants seeking new opportunities, for artists attracted by its flourishing cultural life, and for families who choose it because it is a city with a lively urban life and enormous economic opportunity.

At the two-day Economic Development Summit in September 2004, nearly 200 of the City's most involved, pragmatic and resourceful citizens gathered to help us think about, focus and design an Economic Development Blueprint. One of the participants' important contributions was the establishment of a clear, if broadly phrased, set of goals which were embodied in an imaginary newspaper headline ten years from now: "Market and People Friendly Philadelphia is Now the Location of Choice for Individuals and Business."

The Administration has spent the intervening months considering the input received at the Summit and reexamining its accomplishments in light of its stated priorities, its agenda, and its vision for the future. The job of the Blueprint, then, is to translate these deliberations into goals – goals that reflect the sense of excitement and possibility that underlies them - and then put all that into day-to-day governance terms. The result is a set of ten objectives, which will frame the actions of the Administration in the area of economic development in its remaining years. These will be the touchstones for our actions and decisions. Scarce flexible resources, both financial economic development tools and personnel, will be targeted to these objectives. With rare exception, the City will no longer offer financial incentives that are not aligned with the goals set forth in the Blueprint.

Among these, the first four we believe have significant new initiatives to be implemented over the next three years. We will focus on these established priorities but not to the exclusion of other opportunities that may materialize. The Administration will be receptive to new ideas and diligent in searching for new opportunities. The results of this focus, however, is that we believe that we will be able to make great strides in achieving the vision we hold for the future of a Philadelphia that is the **LOCATION OF CHOICE FOR INDIVIDUALS AND BUSINESS.**

OBJECTIVE: EXPAND THE KNOWLEDGE INDUSTRY

The Administration's vision is to make Philadelphia a vibrant and competitive global city. To get there, Philadelphia will capitalize on the City's and the region's current market strengths in the Knowledge Industry, the new economy of the 21st century, and aggressively work to attract and retain our best and brightest young people, in order to capture a competitive edge in the jobs of the next decade. This sector of the economy includes education, health care, life sciences, technology, telecommunications, financial/professional services and occupations where creative service is key.

Strategies:

- A) Continue to attract/retain Philadelphia's best and brightest students and young professionals
- B) Provide knowledge economy skills to Philadelphia's existing workforce
- C) Attract, retain and grow knowledge-based organizations and businesses

Tactics:

- **Increase the City's funding and commitment to the Knowledge Industry Partnership.** The City of Philadelphia's student retention initiative, established two years ago, the Knowledge Industry Partnership (KIP), works to: 1) attract new students to attend college here; 2) encourage the nearly 300,000 students attending colleges here to explore the rich quality of life of this great City; and 3) works to retain those students in our workforce after they graduate from our colleges and universities. The City of Philadelphia will expand its role with KIP and will make a financial commitment of \$1,000,000 to support these efforts over the next three years.
- **Broaden effort to retain and grow the young professional population.** A dynamic young adult population is critical to the development of a prosperous competitive city, and is the building block of Philadelphia's future. Between 1990 and 2000, Philadelphia experienced a 19% loss in its young adult population (25 to 34 year-olds). To reverse this decline and build the knowledge workforce necessary to grow, the City of Philadelphia will: 1) support targeted marketing initiatives promoting Philadelphia's quality-of-life assets to this population; 2) develop and implement a campaign to promote job opportunities to young professionals who have moved out of Philadelphia and entice them to return; and 3) create a comprehensive housing assistance program that would act as a local clearinghouse and information delivery system for first-time creative class homebuyers in Philadelphia.
- **Create a targeted program to attract and retain international knowledge workers.** By carefully targeting a program to attract highly skilled immigrants, we can supplement the existing knowledge-based workforce. The City currently attracts 12,000 international students annually and has seen an

increase in its number of Asian and Hispanic 25 to 34 year-old young professionals. In order to increase the numbers of international knowledge workers, the City of Philadelphia will: 1) Support the strategy to attract international students and knowledge-based workers as outlined in the Greater Philadelphia Global Partners (GP2) Global Plan, 2) Support efforts through KIP's international student attraction campaign and through closer coordination with City's marketing organizations that target the attraction and retention of educated immigrants and 3) Promote language and cultural diversity needed to attract and retain knowledge workers.

- **Use Philadelphia's workforce readiness infrastructure to improve, update, and broaden existing workforce skills.** The City of Philadelphia will actively pursue public resources to support training for incumbent workers so they can be prepared to increase the productivity of their current employers, as well as support the growth of the Knowledge Industry. For those individuals not in the labor force, the Street Administration will continue to strengthen career preparation and job access services so that all Philadelphians have the opportunity to contribute to the economy. Finally, the City will continue to work with the Philadelphia Workforce Investment Board to aggressively align public job training investments in support of key growth clusters, including identifying and pursuing new sources of capital to support economic development objectives.
- **Implement Wireless Philadelphia.** Bridging the digital divide and enhancing economic development in neighborhoods will have multiple benefits across all segments of the economy and civic life. Philadelphia proposes to capitalize on this potential by leading an effort to create a wireless network that gives all citizens affordable access to the Internet through high-speed, broadband wireless connectivity.
- **Develop greater access to venture capital and other forms of financing needed by emerging companies.** Make financing information and capital more abundantly available to all businesses, including minority and women-owned businesses. Four leading technology-based organizations already exist within the City, positioning Philadelphia as a global leader for technology-based economic development. The City has encouraged these organizations to work together, creating a cooperative environment and allowing businesses enhanced access to services. As part of the foundation for this objective, Innovation Philadelphia has helped to successfully launch the Mid-Atlantic Angel Group Fund I. This angel fund will assist in bridging the gap between angel funding and institutional venture capital in the City and region.
- **Develop and implement strategies for the Creative Economy.** A goal of the Administration is to consider developing a Creative Convergence Center that will bring together our world-class assets in business, arts, and education, and brand the City of Philadelphia and the Greater Philadelphia Region as an

international center of arts, business, and technology. Another goal is to hold an Annual Global Creative Economy Conference in Philadelphia, highlighting Philadelphia's many creative assets to the world.

- **Package financial incentive tools to assure that space is available and affordable for knowledge economy companies.** The City must fully utilize all federal and state programs including the Keystone Innovation Zone (KIZ) program to link our academic centers with the region's business resources in order to realize the full potential of the knowledge economy. For example, with the development of the University City KIZ, West Philadelphia has the opportunity to become the "Cambridge on the Schuylkill" – a global leader in the Knowledge Economy. Several other university-driven opportunities exist throughout the City including the redevelopment of the Navy Yard for the creation of a single or multi-user research and development campus driven by the physical and/or life sciences.

Outcomes:

- Attract 20,000 additional students to Philadelphia universities and create 5,000 new internships, with a goal of retaining 50% of internship-placed students after graduation.
- Increase the number of international students by 4% as well as increase the percentage of educated immigrants in the City by 3%.
- Identify workforce development service gaps, and coordinate the pursuit of additional resources to fill those gaps, resulting in a 20% increase in flexible federal and state workforce development funds invested in Philadelphia.
- Connect 10,000 unemployed Philadelphians to work.
- Support the post-secondary attainment of 2,500 adult residents who never completed their degrees.
- Catalyze the creation of \$300 million of new seed, venture, and innovative funds/tools and assist academic/research institutions and corporations in attracting additional federal research funding, creating new knowledge-based jobs, and stimulating the establishment of new knowledge-based companies.
- As a result of our role in the BIO 2005 convention and other marketing efforts, attract 5 new knowledge industry companies to locate in Philadelphia.
- Implement Wireless Philadelphia, which will increase access to the Internet to all Philadelphians by leveraging \$10 million of non-City based capital.

OBJECTIVE: SUPPORT CIVIC AND CULTURAL DEVELOPMENT

With significant investments already made in our tourism and hospitality sector, and some exciting major developments immediately on the horizon, the City's job is to stimulate the prompt completion of projects that will further our strength as a destination of choice for residents and visitors alike.

Strategies:

- A) Support the next generation of civic/cultural infrastructure such as the expansion of the Convention Center, the expansion of the assets on the Parkway and the creation of a new Entertainment District on the Avenue of the Arts
- B) Influence gaming options and coordinate retail expansion
- C) Assist in finding dedicated regional funding for Arts and Culture support

Tactics:

- **Provide support and cooperation for all land acquisition activities related to Convention Center expansion.** Facilitation of land acquisition, permitting and other site preparatory work are important components of our commitment to this project. City Departments will work closely with the Pennsylvania Convention Center Authority as needed to complete this project.
- **Assist with planning, siting and financing Parkway and Avenue of the Arts projects and encourage vibrancy of public spaces.** Like our four-facility Stadium complex, an expanded Parkway and Avenue of the Arts offers Philadelphia the chance to host a centrally located collection of cultural and entertainment resources almost unparalleled in the United States. Parkway destinations the City will focus on include the relocation of the Barnes Collection to the current Youth Study Center site, expansion of the Free Library, possible reuse of the Family Court facility and the eventual creation of a Calder Museum. In addition, the City embraces efforts to enliven the public greenspaces along the Parkway. To reinforce the City's investment in the Avenue of the Arts, we will also help determine the viability of a proposed Entertainment District in the area of Broad and South Streets.
- **Creation of Gaming and Retail Advisory Boards.** The introductions of gaming and expanded retail choices are poised to affect the quality of life experienced by residents and the perception of Philadelphia taken home by visitors. Philadelphia's Gaming Advisory Task Force will offer an opportunity for municipal influence on location decisions that impact short- and long-term City development plans. In response to increases in residential population and improved market strength in certain areas, the City will also form a Retail Advisory Board to improve the retail mix and quality of retail options in the central business district.
- **Enhance and support transportation infrastructure such as SEPTA and the Airport.** A strong and widely dispersed public transportation system and an easily accessible Airport are essential regional assets that contribute significantly to the City's perceived advantages locally and abroad. The City is committed to municipal ownership of the Airport, expanded runway capacity to improve on-time performance, and to policies that keep ticket

costs low and keep the quality of experience and destination options for users high. While the SEPTA fiscal crisis demands a solution at the State level, the City will continue to advocate for a responsible funding solution tied to permanent, stable and adequate sources of dedicated operating and capital funding.

- **Mayor's leadership of efforts to determine appropriate arts and culture funding models.** Philadelphia has a rich cultural fabric that is broader in scope than cities of comparable size. The City believes that long-term, stable funding for our arts and cultural resources is key to their continued success. Through the Mayor's leadership of an inclusive and collaborative approach, the City will develop a strategy for and implement a regional public-private cultural funding partnership.

Outcomes:

- As the release of State funding permits, facilitate the Convention Center land acquisition process on time and on budget.
- On the Parkway:
 1. Complete relocation of the Youth Study Center, as well as parcel assembly and transfer to the Barnes Foundation, by end of 2005.
 2. Issue bonds to fund Free Library expansion.
 3. By 2006, determine the feasibility of potential reuse ideas for Family Court, including residential and retail.
 4. Facilitate the renovation of Three Parkway Plaza (located diagonally across from Love Park) as well as completion of the proposed Skateboard Park near the Museum of Art.
 5. Form an Administration working group to monitor and facilitate needed infrastructure improvements for all proposed new development on the Parkway.
- Help develop and fund a feasibility study to determine the viability of a proposed Entertainment District in the area of Broad and South Streets, and assist in the relocation and growth of the Rhythm and Blues Foundation.
- Successfully influence gaming site choices in Philadelphia.
- Increase square footage of retail space by 10%; increase retail options/mix to include name brand and successful regional retailers, as well as a new anchor Department store, by 2010.
- Resolve roles and funding responsibility for growth, long-term funding stability, and corresponding governance issues, for Philadelphia International Airport.
- Direct development to locations near public transit so that economic investments leverage existing infrastructure and encourage ridership.
- In the next three years, create a regional funding plan for arts and culture.

OBJECTIVE: MAKE PHILADELPHIA A NATIONAL MODEL FOR MBE/WBE PARTICIPATION IN THE LOCAL ECONOMY

The success of MBE/WBE businesses is crucial for sustained economic growth in Philadelphia, a City where over half of the population is identified as minority. The City embraces the notion that economic integration is a vital component of broader social and civic integration, and will strive to bring the diverse buying needs of government to the attention of women and minority-owned businesses, as well as encourage meaningful participation of these businesses whenever possible.

Strategies:

- A) Use the power of government to encourage minority business development and economic integration
- B) Enhance Minority Business Enterprise Council's (MBEC's) monitoring programs and capabilities
- C) Enhance access to capital by minority and women-owned businesses

Tactics:

- **Through Executive Order, enhance MBEC certification and monitoring programs, as well as the enforcement of City procurement policies.** The Mayor's Executive Order sets forth City-wide antidiscrimination policies relating to City contracts. Pursuant to this Executive Order, MBEC will proceed to: 1) provide a strong compliance and enforcement arm for its vendors; 2) initiate appropriate tracking tools to ensure proper "good faith efforts" on behalf of all City and private sector entities engaging in business within the City of Philadelphia; and 3) introduce a streamlined and less restrictive certification process to encourage minority and women-owned firms to conduct business with the City of Philadelphia.
- **Create a Banker's Task Force to develop a Revolving Loan Fund for MBE/WBE programs.** To increase the number of WBE/MBE firms in Philadelphia, the Department of Commerce will spearhead an effort to create a funding pool that will provide financial assistance for the start-up and expansion of minority-owned businesses. Task Force members will craft a program that will provide, among other things, low interest loans for business priorities such as working capital and equipment purchase. In addition, the Task Force will determine appropriate underwriting criteria and program administration and monitoring responsibilities.
- **Enhance efforts to provide targeted technical assistance and business plan support to minority firms, and improve access to City financing opportunities.** Through targeted outreach to minority firms and in conjunction with organizations offering MBE/WBE resources, the Department of Commerce will strive to coordinate services to meet the needs of new and

emerging small businesses. Targeted services to address include: 1) business plan development and feasibility analysis; 2) business owner readiness to obtain credit and manage capital; 3) access to available financing opportunity; and 4) a comprehensive and accessible small business information referral system.

Outcomes:

- Maximize and maintain the number of MBE/WBE companies in the MBEC database
- Increase the number of City contracts awarded to MBEC-certified firms by 25%
- Expand the Emerging Contractor's program and introduce new financing options for MBE/WBE firms
- Increase the number and total amount of loans to MBE/WBE firms
- Increase the number of prime contracting opportunities for MBEC-certified firms by enhancing their access to capital for financing and increased bonding capabilities

OBJECTIVE: CONTINUE THE SUCCESSFUL DEVELOPMENT OF PHILADELPHIA'S 38 MILES OF WATERFRONT

Since Mayor Street announced his visionary "New River City" initiative one year ago, the Administration's public investment in planning, site assemblage and infrastructure has helped to stimulate widespread private investment along our waterfront. The results, to date, have been impressive:

The Navy Yard: Since 1,000 of this 1,200-acre property was conveyed to the City by the Department of Defense in 2000, public investment in infrastructure and utilities have helped to attract diverse employers like Kvaerner (shipbuilding), Liberty Property Trust (real estate), AppTec (biotechnology), Urban Outfitters (retailing) and fifty-five other private companies which employ over 6,000 people. During 2004, the Mayor and the Philadelphia Industrial Development Corporation (PIDC) announced the completion of a Master Plan which envisions mixed use on the 500 acres east of Broad Street with potential for \$2 billion of private investment and 25,000 new jobs.

Lower Schuylkill River: The Mayor's focus on this section of the "New River City" has been in partnership with the Schuylkill River Development Corporation (SRDC) and its impressive stakeholders, including the University of Pennsylvania, Drexel University, Brandywine Realty Trust and Amtrak. The SRDC Master Plan, a newly constructed River Park and Trail, and plans for soon-to-be-realized infrastructure improvements have been catalysts for a dynamic roster of development projects along the river. A host of new residential projects, the 700,000 square foot Cira Centre office tower scheduled to open in 2005, and redevelopment plans for the Civic Center and Post Office sites are all examples of the dramatic improvement slated for this corridor.

North Delaware: This riverfront zone extends eleven miles north from the Betsy Ross Bridge and was the subject of a master plan by the Philadelphia City Planning Commission (PCPC). The central vision is to convert up to 3,500 acres of decaying industrial land to residential, recreational and commercial uses at a total cost of \$1.5 billion. Public funding for environmental remediation and a riverfront trail/road/park system is in process. Brownfield reclamation is underway on several major sites and private developers are moving ahead with at least three important residential projects.

Central Delaware: With limited public involvement, market driven residential and retail development is booming along the Delaware from Port Richmond to Packer Avenue. Numerous waterfront sites in this area are also under discussion as possible gaming locations. In addition, existing industrial infrastructure for our Ports and utilities are being strengthened, as evidenced by PGW's plans to expand a LNG facility at its Port Richmond operation and the proposed new Food Distribution Center in South Philadelphia.

Strategies:

- A) Pursue the redevelopment of the Navy Yard in accordance with PIDC's mixed-use Master Plan
- B) Continue to support SRDC in the implementation of its mixed-use Master Plan
- C) Cooperate with the stakeholders in the North Delaware region and identify an appropriate City role in implementation of PCPC's Master Plan
- D) Coordinate development of the Central waterfront district as a residential, commercial and entertainment destination, and expand the infrastructure necessary to support industrial activities surrounding the port

Tactics:

- **Assist in the acquisition of land to enhance waterfront open space and to facilitate land assemblage for market rate uses.** While the majority of land acquisition and development will be by private interests, the City will provide assistance by acquiring open space along the water's edge which will assure public access and accommodate amenities such as parks, pathways, roadways and docks. Similarly, the City will assemble development sites for market rate development, with particular focus on brownfield properties that may require significant publicly funded environmental remediation.
- **Commit \$125 million to appropriate New River City infrastructure, which will leverage maximum private and other public funding.** The City's commitment, to be obtained by unlocking the water and sewer bond reserve funds, will be augmented by State (e.g. Business in Our Sites, Industrial Sites Reuse, Pennvest, IDP) and Federal (e.g. EDA, EPA, DOT, Army Corps of Engineers) resources to address the standard public

responsibilities of planning, land assemblage, environmental remediation, demolition and infrastructure. This investment will create opportunities for private developers to commit significantly greater levels of capital in anticipation of market rate returns.

- **Oversee, coordinate and manage the completion of infrastructural work to be funded with public resources through creation of the New River City Task Force.** Convened by the Director of Commerce, this Task Force will bring together the various entities that are managing waterfront development, and will be a forum for communication and strategic implementation. Members will include representatives from PIDC, SRDC, Penn's Landing Corporation, the Planning Commission, the Philadelphia Water Department, and the Pennsylvania Environmental Council, among others.
- **Select strategic partners to develop City-owned properties.** As the Department of Commerce, in concert with PIDC, has selected private entities to develop the City's industrial parks and sections of the Navy Yard, similar processes will occur for all City-owned properties along the waterfronts. Selection criteria typically include the quality of the proposed development plan, overall experience, financial capacity, MBE/WBE participation and business terms.
- **Institutionalize waterfront development guidelines and controls to assure public access and responsible environmental stewardship.** Given the wide diversity of conditions that exist along the full range of Philadelphia's riverfronts, the PCPC will lead an effort to standardize zoning classifications, development guidelines and other controls. Continuity of permitted uses and design requirements will assure developers, users and communities of consistent waterfront policies and standards.
- **Promote the Development Services Committee to facilitate approval and permitting of waterfront development initiatives.** This valuable forum was created by the Department of Commerce a number of years ago and regularly convenes representatives of City Departments and local agencies impacted by development to provide preliminary review of projects in their earliest stage. This practical tool will be adapted to address the variety of riverfront development opportunities.

Outcomes:

- Navy Yard: During the next three years, approximately 750,000 square feet of office space with 2500 new jobs, and 650 residential units will be developed, with a total investment of \$250 million. The public contribution will be \$30 million, primarily for street, open space and utility upgrades.

- Schuylkill River: By 2008, SRDC anticipates that the Schuylkill River Trail and park will be completed to South Street Bridge, with trail sections completed to Southwest Philadelphia (Bartram's Garden). Also anticipated is the construction of docks at Bartram's Garden and Chestnut Street and improved bridges and roadways. These projects will represent public and private investments of more than \$35 million in capital projects. Cira Centre and several University of Pennsylvania and Drexel University projects will be completed, representing approximately 1.5 million square feet of new space and a private investment of \$400 million, with the potential to be occupied by 5,000 new employees.
- North Delaware: Approximately \$20 million of the remediation and infrastructure work will be funded and completed by 2008 and, given current market activity, up to 1,000 residential units will be delivered by private developers making an estimated investment of \$200 million in that time period.
- Central Delaware: \$250 million in public and private resources will be invested to expand the infrastructure necessary to support industrial activities surrounding the port, including the development of new Produce and Seafood Terminals and the expansion of the PGW facility to provide capacity to receive ships delivering liquefied natural gas (LNG), expand the emerging residential opportunities on the central waterfront by 2000 units, and fully revitalize the public assembly and recreation areas at Penn's Landing.

REMAINING OBJECTIVES

OBJECTIVE: SUSTAIN ADVANCES IN NEIGHBORHOOD ECONOMIC DEVELOPMENT

The Neighborhood Transformation Initiative (NTI) has gained national prominence as one of the most comprehensive neighborhood revitalization strategies a city has ever attempted. NTI has established a framework for making neighborhoods cleaner and safer, investing in communities and transforming the business of government when it comes to housing, community, and economic development. NTI has stemmed the spread of blight and has been the essential vehicle that now enables all sections of Philadelphia to utilize many of the City's commercial corridor support programs. With the addition of non-city resources, the City's funding for commercial corridors can be greatly enhanced. Our blight removal efforts are restoring confidence in Philadelphia neighborhoods and have contributed to a 30 percent appreciation in real estate values over the past five years.

The critical challenges going forward are to secure sufficient resources to sustain the positive changes that NTI has brought to our neighborhoods, to focus increased attention to neighborhood commercial centers and corridors, and to ensure that City services and housing and economic development resources are coordinated and delivered in a way that

supports the continued growth of healthy neighborhoods, including the commercial districts associated with those neighborhoods.

Strategies:

- A) Coordinate existing City resources and leverage other resources to improve delivery of neighborhood economic development services
- B) Increase attention to and investment in neighborhood commercial corridors
- C) Sustain the advances achieved under the Neighborhood Transformation Initiative
- D) Remain committed to the preservation of historic assets

Tactics:

- **Review and align community and economic development resources.** The City supports community and economic development through a variety of loan and grant programs, tax incentives, funding of technical assistance providers and capital improvement programs. To achieve maximum impact, the City will coordinate the use of existing resources and position itself to secure available state resources, such as the Main Street Program, Elm Street Program, Hometown Streets and Redevelopment Assistance Capital Programs, and align these programs with City resources. The City will expand its own revitalization efforts by forging new financial partnerships with other levels of government and with neighborhood-based organizations like Community Development Corporations (CDCs) and business associations to support neighborhood economic development.
- **Develop a system to attract and retain neighborhood businesses and build their capacity.** In order to strengthen small and neighborhood-based businesses, the City, through its economic development agencies, will improve information and service delivery as well as access to capital for new and existing neighborhood businesses. This will be achieved by creating better connections between small businesses and traditional lending institutions, providing technical assistance to enable small businesses to meet lenders' requirements, and determining the need to use public resources to develop more flexible lending products. The City will market Philadelphia's Empowerment Zone, Renewal Community, and Keystone Opportunity Zone tax incentives to attract new businesses and assist them in realizing these benefits. In addition, the City will improve coordination of technical assistance and business planning services for disadvantaged firms and neighborhood-based businesses, determine gaps in service, and develop programs to address unmet needs.
- **Strengthen neighborhood commercial corridors and districts.** Vibrant commercial corridors are the heart of healthy neighborhoods. The City will develop strategies for strengthening commercial corridors by improving land use, facilitating the re-use of vacant parcels and historic buildings, and, where appropriate, consolidating corridors to the strongest remaining blocks. To support this work the City will use available data to analyze land use, sales activity, and market activity on neighborhood commercial corridors. Working in partnership with CDCs and other community based

organizations and business associations, the City will focus resources on selected commercial corridors to achieve appropriate streetscape improvements, improved perceptions of safety and cleanliness, and strategies to achieve sustainability, such as neighborhood improvement districts.

- **Improve delivery of services for commercial and residential development.** Through NTI, the City is streamlining its land acquisition and disposition processes, supporting development activity and creating conditions for reinvestment in neighborhoods. The City will reorganize housing and neighborhood activities to improve services to developers of commercial and housing projects. It will also complete the Unified Land Records database and Vacant Property Management Information System to improve public access to information about available land and development. These improvements will support commercial and housing development projects, by both private sector and non-profit developers.
- **Continue to create a clean, safe, welcoming environment for new investments.** Under NTI, the City is making an unprecedented investment in the physical environment of Philadelphia neighborhoods. By demolishing dangerous buildings, removing graffiti, cleaning and greening debris-filled vacant lots, and assembling land for development, NTI has improved both the perception and the reality of safety and made the City more attractive for commercial and housing investments. The City will continue lot cleaning and greening, graffiti removal and mural arts programs; coordinate targeted code enforcement and sanitation activities with other neighborhood improvement activities; and carry out streetscape and lighting improvements along strategic commercial and transit corridors. As part of this strategy, the City will work with public and private sector partners to adapt older industrial and commercial buildings for reuse through brownfield remediation, strategic land assembly, and marketing.
- **Remain committed to the principles of historic preservation.** Philadelphia has a rich cultural legacy expressed through an amazing variety of architectural assets in residential neighborhoods and in commercial districts. Well-preserved historic properties increase neighborhood and location desirability, and the Administration believes that careful consideration of historical assets should continue to guide neighborhood and commercial corridor redevelopment efforts.

Outcomes:

- A framework and mechanism within the City to guide resource allocation and coordination of services for neighborhood economic development
- Implement successful commercial corridor improvements by attracting at least \$5 million in additional state and federal money dedicated to support commercial corridors and neighborhood economic development
- A 5% increase in the number of businesses accessing government incentive programs, such as the City's Empowerment Zone, Renewal Community, and Keystone Opportunity Zone

- A streamlined system for the delivery of neighborhood-based and small business technical assistance
- Improved data collection on land use and market activity on selected neighborhood commercial corridors
- Improved public access to information about available land and development opportunities

OBJECTIVE: MAKE CITY GOVERNMENT INCENTIVE PROGRAMS MORE PREDICTABLE, OBJECTIVE AND EQUITABLE

Incentives are tools the City has to encourage certain types of business activity, such as job creation, improvement to real property or historic preservation. While the costs, usually in terms of foregone tax revenue, are relatively quantifiable, City government has been criticized for its record in measuring outcomes, such as job growth and tax revenues. To overcome this perception and improve the transparency of Philadelphia’s economic development incentive delivery system, the City will work to strengthen performance measures and incentive information delivery.

Strategies:

- A) Institute change within City government to improve the implementation and measure the outcome of the City’s incentive programs and other economic development activities.
- B) Use analysis of existing incentives to make government incentive programs more predictable, objective and equitable to the business community.

Tactics:

- **Initiate an Economic Development Incentive Programs Study.** The Administration will study current economic development incentive programs administered through the Department of Commerce, the Philadelphia Industrial Development Corporation and the Philadelphia Commercial Development Corporation. This study will determine the effectiveness of available incentives, measure the outcomes from each program and establish performance measures to evaluate City investments and incentives over time. The Department of Commerce will review and analyze the study, and will develop a series of recommendations to ensure investment and incentive determinations are objective, transparent, fair and provide equal access.
- **Conduct an Organizational Analysis of City Economic Development Delivery.** The Department of Commerce will study the organizational structure of the City’s economic development agencies to determine whether existing and future programs may be delivered in a more efficient manner.

- **Coordinate the creation of a centralized resource for information on public business incentive programs.** In order to ensure easy and reliable access to information, and to advise and educate the business community about financing tools available to them, the City will develop a web-based, centralized information delivery system for all available economic incentives.
- **Increase public access to a wider array of economic development performance measures.** In addition to those annually published in the 5-Year Plan, the Department of Commerce will address performance measures in a more comprehensive way. Compilation and dissemination of an annual economic development performance report that addresses performance across public or quasi-public economic agencies will clarify the role and allocation of public funds.

Outcomes:

- Develop transparent performance measures that quantify the benefits of effective economic development incentive awards
- Reorganize service delivery to promote efficiency and to eliminate duplicative services
- Through increased knowledge of opportunity, increase the accuracy and timeliness of settled transactions and related job retention and creation statistics
- Implement an integrated incentive information delivery system
- Initiate an annual report on economic development incentives

OBJECTIVE: CONTINUE BUSINESS ATTRACTION AND EXPANSION EFFORTS

The City has successfully retained over 98% of the major commercial office tenants with office leases that expired over the past several years. This remarkable record was the result of a concerted approach to tenant retention involving the combined efforts of the Business Attraction and Retention (BAR) team: the Department of Commerce, PIDC, the Chamber of Commerce, Center City District, Innovation Philadelphia, PECO and the Governor’s Action Team. In order to build on this retention success, the City will focus its efforts on helping local businesses remain here and grow. The City will also work with regional leaders to market Philadelphia’s competitive advantages through an effective national and international attraction process. To succeed in capturing a competitive edge in the jobs of the next decade, the City must increase the number of opportunities to make its case, put together a responsive incentive package, and effectively compete for new business.

There are several other Objectives that contribute to business attraction and expansion efforts. Strategies and Tactics for small businesses, commercial corridors, knowledge-industry firms and MBE/WBE participation are located elsewhere in this Blueprint.

Strategies:

- A) Promote the region's economic and quality of life assets in order to grow current firms and attract new firms
- B) Collaborate with the business community in its effort toward business attraction
- C) Make Philadelphia the premier choice for conventions and tradeshow and use these events as marketing opportunities to bring businesses here
- D) Help local businesses expand to international markets

Tactics:

- **Continue the City's firm-retention effort.** This tremendously successful program, led by the BAR team, will continue to respond as needed to the needs of existing Philadelphia firms that are considering relocation.
- **Support the effort of Select Greater Philadelphia for business attraction.** The City has committed \$1 million to Select Greater Philadelphia over the next 4 years. Consistent with Select Greater Philadelphia's mission, the City will utilize Select as the City's primary point of contact for outbound marketing programs and inbound requests for marketing material. The City also will utilize Select as the City's clearinghouse for referrals.
- **Continue the City's team approach to business lead response.** The City's primary "sales executive" or "fulfillment center" after leads surface will continue to be the BAR team. This team approach will serve as the single point of contact for ongoing data dissemination to target companies and for organization of executive meetings and tours for those interested in growing or moving to Philadelphia.
- **Put Philadelphia "on the map" in the minds of business leaders.** The City will collaborate with others to attract and leverage opportunities that draw company decision-makers to experience Philadelphia firsthand.
- **Increase international trade opportunities.** Philadelphia must better position itself as a primary East-coast port of entry and exit for importers and exporters to effectively compete in the global economy. In addition to markets in Europe and Canada, the Region should set its sights on increasing trade relationships with the dynamic, emerging economies of Asia, Africa, and Latin America. By continuing to offer support to the Region's trade organizations, the various bilateral trade organizations and business chambers will be better able to compete in the global economy. A new emphasis will be placed on our expanded service economy, in order to grow our exports not only around manufactured goods, but also education, history/heritage, architectural and engineering, medical, legal and other professional services.

Outcomes:

- Maintain corporate retention rate above 90%
- Work with Select Greater Philadelphia, which will undertake a comprehensive promotional campaign that highlights the City's many business amenities including through such diverse outlets as its website, within all of its national and international media advertising, through familiarization ("fam") tours for corporate site selectors, and at all trade shows
- Sustain positive net absorption of office and industrial users
- Coordinate and align client services databases maintained by economic development agencies
- Create three major event opportunities to showcase Philadelphia to business decision-makers by 2008
- Increase international trade and distribution agreements and increase total volume (tonnage and dollar value) of imports and exports through Philadelphia ports

OBJECTIVE: CONTINUE TO REDUCE THE COST OF AND BARRIERS TO DOING BUSINESS IN PHILADELPHIA

In the fall of 2002, the Managing Director's Office (MDO) established a task force to study the City of Philadelphia's business regulatory process and compile a list of recommendations for process improvement. The study encompassed all aspects of business regulation, but specifically focused on improving the City's development climate for the construction of new single-family dwellings. In addition to an internal review, the MDO task force invited builders, engineers, architects and other stakeholders to "focus group" meetings so that they could share with City officials their experiences, expectations, and ideas.

As a result of one of the focus group meetings, the homebuilders made a commitment to commission a professional study of the regulatory process as it pertains to the specific needs of the homebuilding community. The Building Industry Association of Philadelphia (BIA) received a grant to hire a consultant who interviewed more than 60 building industry and government professionals and extensively researched streamlining innovations of peer cities. The Department of Licenses & Inspections participated extensively in the process and provided unprecedented access to internal documents and employees. To date, extensive progress has been made on many of the recommendations set forth in the March 2003 MDO task force report and in the October 2004 BIA final report, and the Administration will work to continue that progress.

Strategies:

- A) Make it easier and less expensive to do business in the City
- B) Improve knowledge of and access to City regulations, programs, and assistance

- C) Streamline City processes for development and construction and create a greater level of transparency in these processes
- D) Improve communication and conflict resolution between the Administration, developers and the building trades

Tactics:

- **Consolidate business start-up information delivery.** The Administration will create and give wide publicity to and dissemination of new publications, web sites and other information outlets that explain clearly and in one place what needs to be done to begin or expand a business in the City, including permits, licenses, and zoning. The ultimate goal is to consolidate City services related to business development into a simplified, more transparent process.
- **Initiate a business education campaign.** The Administration will train and deploy government service representatives to neighborhood organizations, civic groups, trade associations, etc. to explain regulatory requirements and guide small entrepreneurs through new business start-up process.
- **Expand the mandate of the Office of Labor Standards.** To identify and explore labor-related issues that, if improved, could benefit the City and the region, the Administration will enhance the services provided by the Office of Labor Standards. The Office will examine the feasibility of a partnership structure between City government and labor representatives to address problems that arise on an ad hoc basis and for joint review of issues of mutual interest. The Office will also consider appointing a Labor Ombudsman and creating a model facilitation approach to labor-related issues between building trades and developers in Philadelphia.
- **Create “One-Stop Shopping” process for permitting major developments.** To address the City’s current residential building boom, the Administration has already begun to implement many of the recommendations of the 2004 BIA report. To facilitate the day-to-day needs of large development projects consisting of 50 units or more, the Administration formed a permitting committee under the direction of the Managing Director’s Office. This committee serves as a single point of contact for large developments, and is comprised of high-level representatives from the City’s operating departments. The committee serves to reduce the time, expense and redundancies that major builders encounter when seeking project reviews from City operating departments. Committee responsibilities include coordination and accountability when the permit and review process begins.
- **Continue to provide services online rather than inline.** To save businesses and citizens time and money the Department of Licenses and Inspections will provide more online services. In addition to simple building permits, the

Department will work with the Mayor's Office of Information Services to provide plumbing and electrical permits and certifications online.

- **Address Zoning Simplification.** Utilize the City's partnership with the Chamber of Commerce to assess the impact of the current zoning system and build support in the business community for needed adjustments.

Outcomes:

- Publish a development manual outlining comprehensive and specific direction for business and permitting processes by the end of 2005 and make it available online.
- Enhance call center capabilities to allow efficient business and other taxpayer access to all city services, including tax information maintained by the Board of Revision of Taxes
- Offer training to business service representatives on new, online business capabilities and educate appropriate business audiences on these features.
- Form a collaborative labor relations partnership by 2007
- Reduce the processing time of construction-specific permits by automating various applications
- Reduce the in-person visits to obtain permits through increased online permit utilization
- Create a simplified and common sense application of the Zoning Code. These changes will be reflected as:
 1. Changes through legislation. Where needed, adjust definitions and applications to better reflect current trends and practices and eliminate archaic requirements.
 2. Changes in interpretation. Where necessary, eliminate conflicts between various sections of the code, such as setback and height limitations for mixed-use construction in Center City.
 3. Availability of updated zoning classification maps online. L&I and the City Planning Commission will continue to collaborate to regularly update and provide access to zoning classification maps.
 4. Adjustments in the clarity of zoning language guiding single-family dwellings. L&I will compress difficult zoning language concerning the construction and alteration of single family dwellings into an easy to read and understand chart.

OBJECTIVE: INCREASE EDUCATIONAL OPPORTUNITY AND LITERACY SERVICES

Quality schools are essential to the economic development of the City for their power to attract and retain families and prepare young people for college and the 21st century workforce. The Philadelphia region is home to a range of strong parochial and distinguished independent schools that are valued for the important pre-K-12 options they

offer city residents. With more than 70% of the City's school-age children enrolled in public schools, the Street Administration has made a major commitment to improving the quality of public education. City government will continue to work in partnership with the Commonwealth and the School District to increase educational opportunity and achievement through enhanced academic standards and instruction, safety, community involvement and financial stability.

Strategies:

- A) Provide instruction, programming and facilities to enable students to raise performance levels
- B) Deliver support services that promote student achievement
- C) Offer choices that broaden the appeal of public schools and city living
- D) Maintain financial stability for the long-term
- E) Ensure Philadelphia's adults have the basic skills they need to compete in the Knowledge economy

Tactics:

- **Implement education reforms designed to help students attain high standards.** Philadelphia public school students have made significant gains over the past few years, but achievement levels still lag Pennsylvania averages. The School District has identified and is in varying stages of planning and implementing a multitude of school and classroom improvements, consistent with state of the art reforms in urban public education, aimed at raising performance levels for educators and students. The list of reforms includes: extended day and summer instruction, standardized curriculum, new books and materials, more technology, training and support for teachers, leadership development for principals, smaller class sizes, expanded pre-school, eliminating middle schools in favor of K-8 configurations, educational enhancements for gifted and talented students, smaller high schools with more rigorous college and career preparation and selective use of private nonprofit and for-profit managers to operate low-performing schools. Through the City's representatives on the School Reform Commission (SRC), and regular interaction with the School District's management team, the Administration participates in shaping the policy and supporting the execution of these quality educational improvements.
- **Provide health and social services to children and families that remove barriers to learning and foster academic achievement.** City government is an active partner with the School District in meeting the physical and behavioral health needs of children, operating after school programs to keep children safe and supplement their education, and delivering other supports to facilitate school success. The City and School District will formalize these relationships, commit to joint planning, blend resources and streamline and upgrade services to help create the most cost-effective and conducive conditions in which students can learn.

- **Manage Operation Safe Schools to engage students, parents and community members in reducing violence in and around schools.** Achieving safe school environments is the first priority to promote learning and provide families with a sense of security and confidence in public schools. This new Police Department intelligence unit brings together City, School District and community resources in an effort to collect information and provide interventions to prevent violence in and around schools. This work will be supplemented by regular police patrols in school neighborhoods, targeted initiatives to identify and support youth at-risk of being victims or perpetrators of violence, and use of alternative schools to place disruptive students in an educational environment where they may be more likely to succeed.
- **Align and coordinate School District capital investments with other public and private investments and developments in neighborhoods.** School facility improvements and new buildings should be designed and located to enhance educational opportunities as well as to maximize their economic development potential. The Administration is collaborating with a master planning process initiated by the SRC to right-size the School District's infrastructure for projected enrollment, explore options for utilizing its real estate resources, complement residential and economic development initiatives and identify priority areas for capital investment. The Administration also supports development of a guiding policy for charter schools that balances educational, enrollment, economic development and financial factors to set priorities for their approval and siting.
- **Support marketing, community engagement, program improvements and school choice initiatives to enhance public school enrollment.** Quality improvements are being made in public schools throughout the city so that all children have the opportunity to achieve. Consistent with the economic development goal of growing the City's population of 25-34 year olds—an age group that includes parents of young children—the Administration will support targeted efforts to raise awareness and enhance the attractiveness of public schools, especially where these schools are under-utilized by neighborhood residents. The initiative launched by the Center City District to market and strengthen public school options can serve as a model for other neighborhoods where the availability of quality public school choices can help sustain housing markets and encourage population growth.
- **Pursue long-term financial stability through public advocacy for adequate school funding, aggressive resource development, rigorous accountability and disciplined spending.** Through the partnership agreement reached between the Street Administration and the Commonwealth in 2001, additional state and local revenue and deficit financing have enabled the School District to avoid bankruptcy and implement quality improvements needed to help students reach high performance standards. But the financial stability is temporary, as the School District continues to run operating deficits most years and deficit bond

proceeds are projected to run out in FY 2009. The Administration will support the SRC in monitoring finances and in promoting Philadelphia's interests through advocacy and action by a broad coalition of public school stakeholders to prevent a return to financial chaos and allow educational progress to continue.

- **Support the Knowledge Economy goal of raising educational attainment levels for the City's population by successfully continuing the College Opportunity Resources for Education(CORE) Philly Scholarship program.** Mayor Street, School District CEO Paul Vallas and Congressman Chaka Fattah launched this initiative in 2004, making Philadelphia the only city in the nation to offer every high school graduate a freshman year college scholarship. The CORE scholarship is both an incentive and a reward for Philadelphia high school students to stay in school and pursue higher education. The City and School District have committed to fund the program for its first four-years of operation (graduating classes 2004-07) and Congressman Fattah has pledged to lead a fundraising campaign for an endowment to support the program going forward. In its first semester of operation, 1977 students were awarded CORE scholarships of up to \$3,000 each to attend one of 19 public colleges and universities in Pennsylvania. Philadelphia lags other major cities with only 18% of adults holding a college degree. CORE Philly will work to close this gap by expanding outreach and communication to prospective applicants, working to obtain permanent funding and supporting retention of scholarship recipients in college until they earn their undergraduate degrees.
- **Create a targeted initiative to increase adult literacy.** Strong foundation skills are critical to success in Knowledge Economy jobs. Therefore, the City will significantly increase its efforts to provide access for adults to literacy programs. This end will be achieved through *Excel Philadelphia*, an initiative of the Philadelphia Workforce Investment Board in partnership with the Mayor's Commission on Literacy and the Philadelphia Literacy Coalition.

Outcomes:

- The national No Child Left Behind Act requires all students to demonstrate academic proficiency by 2014.
- The SRC has adopted a *Declaration of Education* with goals to be achieved by 2008. These include:
 - 85% of all high school students will graduate
 - Achievement disparity based on race, ethnicity, gender and socioeconomic status will be less than 10% on all academic measures
 - 100% of all high schools will offer honors and Advanced Placement courses
 - 95% of survey respondents will indicate that they feel safe at school
 - 85% of all students entering kindergarten will have participated in a formal preschool experience
 - 100% of teachers will be "highly qualified"

- 100% of schools will have active partnerships with community organizations and institutions
- Annual balanced budgets
- Students in all elementary schools will have access to a quality after-school program
- Double the college enrollment rate of high school graduates
- Reverse the trend of declining public school enrollment
- Increase the number of adult literacy program slots in Philadelphia by 20 percent, and achieve a consistent standard of 90 percent utilization

**OBJECTIVE: MAINTAIN FISCAL RESPONSIBILITY THROUGH
STRATEGIC TAX ALLOCATION AND TAX REDUCTION**

Absent from prioritization is further tax reduction. Tax reductions in isolation will not grow the City’s economy. Further tax reductions will only serve to decimate quality City services that economists caution are as important as a competitive tax structure. Tax reform must embrace more than simply tax reduction.

If the City is to become competitive and maintain essential City services, we must pursue a strategy that shifts away from a dependence on onerous business taxes and balances the burden more evenly across parking taxes, property and other revenue sources. The Administration supports such a shift provided adequate legislative measures are first put in place to protect senior citizens and homeowners put at risk by such a shift between taxes. Our position is further outlined below.

Where we are

The Administration recognizes that tax policy plays a significant role in the achievement of the overall goal of making Philadelphia the “location of choice.” So do many other factors, including the investment market’s assessment of the City’s credit-worthiness, residents’ expectations for delivery of reliable and “world-class” City services, the ability to make strategic investments to capitalize on key industries and active markets, and creating a customer-service-oriented regulatory environment.

This is the essence of fiscal responsibility—the ultimate reality in which the factors above must be balanced. The level and form of taxation is but one characteristic in the “market basket” of characteristics that individuals and businesses consider when deciding whether to live, work, or expand businesses in Philadelphia. Although many of these characteristics are products of Philadelphia’s rich history, or aspects of a dynamic, diverse citizenry and economy, others are the City’s responsibility to steward. The City cannot over-emphasize this one characteristic at the expense of others—public safety, quality of life in neighborhoods, access to sound public education and social services for our children, and the fiscal health and stability necessary to provide them. The Administration is committed to continuing to ease the burden imposed by local taxation in Philadelphia in a prudent, responsible manner that weighs all available evidence and serious scholarship.

By the end of this fiscal year, the City will have returned over \$1.1 billion to the taxpayers through tax rate reductions over the past ten years in its unique and unprecedented tax reduction program, including over \$200 million this fiscal year. No other state or local government in America can lay claim to this record of sustained annual tax reductions. The City’s resident wage tax rate is almost 13 percent lower today than it was when the reduction program started in 1995, and the non-resident portion is over 11 percent lower (see “Wage Tax Rate Reductions” table, page 26). The gross receipts portion of the business privilege tax is over 40 percent lower today than it was when the program started in 1995, and by next year it will have been cut in half if the Administration’s proposals are implemented. The City has focused on reducing these two taxes based on competitive analysis and economic study indicating that these are comparatively the highest, most economically disruptive taxes imposed in Philadelphia.

Where we are going

In FY06, the Administration proposes to shift a portion of the business privilege tax burden to the parking tax through an accelerated reduction in the gross receipts portion of the business privilege tax from 1.9 mills to 1.5 mills in FY06, a reduction of 21 percent. This proposal is consistent with the Administration's position that tax

Business Privilege Tax Rate Reductions: Street Administration Proposal					
Fiscal Year	Street Administration Proposed Gross Receipts Rate	Annual Change	Change from FY95 Rate	Previous (FY05-FY09) Five-Year Plan Assumptions	Cumulative Value of Additional BPT Reductions under Proposal (\$in Millions)
FY05	0.1900%			0.1900%	
FY06	0.1500%	-21%	-54%	0.1750%	\$12,985
FY07	0.1375%	-8%	-58%	0.1625%	\$26,604
FY08	0.1250%	-9%	-62%	0.1500%	\$40,706
FY09	0.1125%	-10%	-65%	0.1375%	\$55,142
FY10	0.1000%	-11%	-69%	0.1250%	\$70,597
FY11	0.0875%	-13%	-73%	0.1125%	
FY12	0.0750%	-14%	-77%	0.1000%	
FY13	0.0625%	-17%	-81%	0.0875%	
FY14	0.0500%	-20%	-85%	0.0750%	
FY15	0.0375%	-25%	-88%	0.0625%	
FY16	0.0250%	-33%	-92%	0.0500%	
FY17	0.0125%	-50%	-96%	0.0375%	
FY18	0.0000%	-100%	-100%	0.0250%	

reductions beyond those currently in law should be offset by new sources of revenue. Increasing the parking tax rate to 20 percent is projected to generate \$13 million in FY06, which will be shifted to allow for a 21 percent rate reduction in the BPT, more than twice as large as the reduction currently scheduled by Council ordinance. This shift is consistent with the suggestion of the Tax Reform Commission that an increase in the parking tax rate to 20 percent is one appropriate means of changing Philadelphia’s tax mix to support BPT reduction. The new pace of the gross receipts reductions create a schedule for eliminating this portion of the tax by 2018.

In addition to fostering job growth through annual tax rate reductions in order to make Philadelphia more competitive, the City also has several business privilege tax credit programs to provide incentives for job creation and community development. A tax credit for job creation against business privilege tax liability was originally passed in 2002 to provide \$1,000 per new job created in Philadelphia and maintained for a five-year period. Eligibility for the credit is based on the eligibility requirements for the Commonwealth’s Job Creation Tax Credit program. In 2004, the Administration and

City Council modified the program to provide a credit worth 2 percent of the annual salary of the new job created, which provides a better incentive for the creation of high-wage jobs. As of March 15, 2005, a total of 1,433 new jobs had been approved for credits, with an additional 190 pending. The modification of the program is leading to significant new interest that should result in even more jobs created in 2005 through this program. The City also provides a \$100,000 BPT credit per year to businesses that provide an equivalent contribution to a partner Community Development Corporation each year for ten years. City Council has authorized 25 such partnerships.

Wage Tax Rate Reductions¹				
Fiscal Year ²	Residents		Non-Residents	
	Rate	Change from FY95 Rate	Rate	Change from FY95 Rate
1995	4.9600%		4.3125%	
1996	4.8600%	-2.02%	4.2256%	-2.02%
1997	4.8400%	-2.42%	4.2082%	-2.42%
1998	4.7900%	-3.43%	4.1647%	-3.43%
1999	4.6869%	-5.51%	4.0750%	-5.51%
2000	4.6135%	-7.00%	4.0112%	-7.00%
2001	4.5635%	-8.00%	3.9672%	-8.00%
2002	4.5385%	-8.50%	3.9462%	-8.50%
2003	4.5000%	-9.27%	3.9127%	-9.27%
2004	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.3310%	-12.68%	3.8197%	-11.42%
2006	4.3010%	-13.29%	3.7716%	-12.54%
2007	4.2600%	-14.11%	3.7557%	-12.91%
2008	4.2190%	-14.94%	3.7242%	-13.64%
2009	4.1690%	-15.95%	3.6850%	-14.55%
2010	4.0158%	-19.04%	3.6046%	-16.42%
Total Reduction, 1995-2010		-19.04%		-16.42%

1. Projected rates for 2006-2010 are based on legislated reductions under Bill 040607. They do not include the potential additional wage tax rate reductions made possible by state fiscal assistance for tax reform.

2. The FY96 reductions took effect January 1, 1996. The reductions for fiscal years 1997 through 2004 took effect on the first day of the fiscal year, July 1. The reduction for fiscal year 2005 took effect on January 1, 2005. Reductions for fiscal years 2006 through 2010 will take effect on January 1 of each fiscal year.

The City is committed to additional tax reduction and reform for years, and billions of dollars, to come. The 2004 passage of two new wage tax ordinances will significantly expand the total of taxes returned to the taxpayers. Bill 040607 adopted an aggressive, accelerating

wage tax reduction schedule that, unless amended, locks in annual reductions through 2016. The resident and non-resident wage tax rates would both be 3.25 percent at the end of that period, excluding the potential impact of state-funded wage tax relief, and potentially under three percent including state relief. Bill 040397 provides wage tax credits to low-income workers beginning in FY10, based on the commonwealth's Personal Income Tax Forgiveness Program. Based on these laws and the assumed continuation of the Administration's accelerated annual gross receipts rate reductions, the City will return over \$3.2 billion to the taxpayers over the next nine years, when compared to the City's FY95 tax code.

The City's tax reduction efforts will soon be buttressed by Commonwealth-funded wage tax relief through gaming legislation passed in July 2004. When the City receives the full annual value of wage tax relief projected by state analysts after slots parlors are constructed in Philadelphia and around the state, potentially in 2007, there will be an immediate, dramatic cut of almost 10 percent in the resident wage tax rate. The resident wage tax rate would then be under four percent for the first time in 30 years.

The impact of these reductions and credits is projected to be so large in each year

beginning in FY11 that they will exceed the growth in the tax base. In other words, the City is likely to collect less tax revenue each year than it did before, beginning in FY11. The effect of these ordinances is already felt in FY10, the last year in this Plan, when tax revenue is projected to grow by only \$9 million. Since taxes provide 62 percent of the City's General Fund revenue and 88 percent of its unrestricted revenue, by FY11 the City will be left with almost no ability to fund increases in the cost of wages, health insurance, or pension benefits for its workers, let alone expand services, respond to emergencies, or meet inflationary cost increases for services and goods. The Street Administration has reservations about the wage tax laws passed in 2004 out of concern for this long-term problem, which will impact the next mayoral administration deeply. It is this same concern that leads the Administration to oppose additional multi-year tax reduction programs beyond those already in law without offsetting revenue increases, as they will simply accelerate the impending revenue implosion.

Plans for getting there

The City's proposed FY06-FY10 Five-Year Financial Plan is tenuously balanced from FY05 through FY08, with projected year-end fund balances that equal less than one percent of expenditures. The Governmental Finance Officers Association (GFOA) recommends that a government maintain undesignated reserves representing five to fifteen percent of expenditures, far higher than the City is projected to achieve. Furthermore, the City finished FY04 with a negative fund balance, the first negative fund balance in twelve years. The City was also forced to impose layoffs in FY05 as it struggled to achieve a workforce reduction of over 11 percent from FY03 budgeted levels, leaving the City with its lowest workforce levels since the 1950s. The City faces significant risks and challenges in maintaining a balanced budget while implementing the tax reductions already planned.

The City's ten-year program of incremental wage and BPT reductions was begun on the premise that moderate tax reductions each year could be incorporated into a balanced City budget that maintains service levels by generating efficiencies and taking advantage of economic growth. Former Mayor Rendell and Council President Street adopted this premise after consultation with Professor Robert Inman of the Wharton School of Business, who has performed numerous studies of the impact of the City's tax structure. In his latest analysis, "Local Taxes and the Economic Future of Philadelphia: 2004 Report," Professor Inman reiterated that:

For the Plan's proposed rate reductions to be credible to City residents and firms, however, they must be part of a balanced City budget. Tax reductions financed by a current period deficit signal future tax rate increases or service cuts, both of which can undo the initial economic benefits of the original tax rate reductions.

In other words, tax reductions that lead to City service cuts undermine the very value of the tax reduction, by depleting Philadelphia's "market basket" of characteristics.

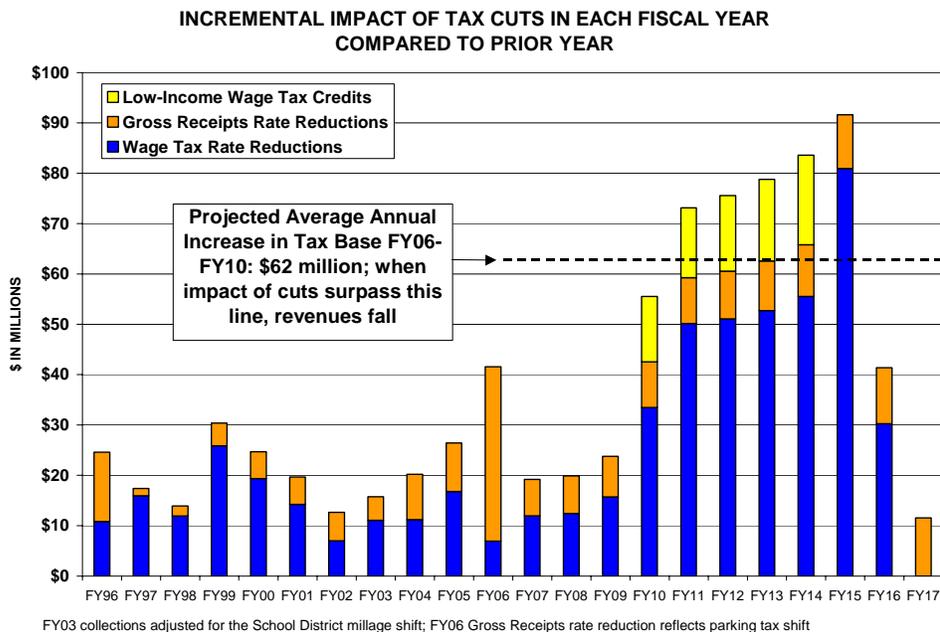
Professor Inman's report also addressed the issue of "supply side" benefit from local tax

reductions, the notion that economic growth spurred by the reductions might offset revenue losses:

Lower City tax rates will mean less City revenues. Philadelphia is not in the range of tax rate reductions where lower rates so stimulate business activity and property values that City revenues actually rise following the cut in rates. The FY05-FY09 Five-Year Financial Plan’s proposed reductions in the City’s gross receipts tax rates and resident and non-resident wage tax rates will stimulate additional business activity and new city jobs, but the resulting increases in tax base will lead to additional revenues which are likely to offset only 15 to 20 percent of the projected decline in revenues over the life of the Plan.

The proposition that tax cuts will pay for themselves is a fallacy. The most reputable, independent, longstanding analyst of Philadelphia’s taxes and their economic impact has estimated that while there is some offsetting revenue benefit to tax reductions, it only compensates for 15 to 20 percent of the revenue loss. This means that the other 80 to 85 percent can only be paid for by efficiency improvements, service reductions, or unbalancing the budget. The City’s previous tax reduction program was manageable and could be offset by efficiency improvements. The upcoming tax reductions and credits, which will cost three to four times as much per year as the largest cuts of the old program, will likely only be funded through service reductions or unbalancing the budget—eliminating any value from the tax reductions in making Philadelphia a more attractive location.

The marginal, offsetting benefit to tax reductions identified by Professor Inman already is reflected in the aggressive tax base growth rates assumed in the FY06-FY10 Five-Year Plan. The wage and BPT growth rates assumed in this Plan are the highest assumed in any of the City’s 14 Five-Year Plans. Projecting even higher growth rates is not supported by economic opinion or recent trends after nine years of tax reductions, and



would leave the City's finances at great risk in the event of another recession.

Therefore, the Administration's plan for responsible tax reform is to:

- Carry out the wage tax rate reductions, real estate tax abatements, and wage and business privilege tax credits currently in law
- Implement the proposed BPT/parking tax shift in FY06 and the resulting accelerated gross receipts rate reductions over the life of the Plan, providing additional relief from this disruptive tax
- Continue to implement the seven Tax Reform Commission recommendations currently in progress

For the reasons outlined above, the Administration cannot support further multi-year tax rate reductions or credits beyond those assumed in the proposed Plan.

Conclusion

The Administration has outlined ten objectives that we believe are critical to shaping the City's future over the next three years:

- 1) Expand the Knowledge Industry.
- 2) Support Civic and Cultural Development.
- 3) Make Philadelphia a National Model for MBE/WBE Participation in the Local Economy.
- 4) Continue the Successful Development of Philadelphia's 38 Miles of Waterfront
- 5) Sustain advances in Neighborhood Economic Development.
- 6) Make City government incentive programs more predictable, objective and equitable.
- 7) Continue business attraction and expansion efforts.
- 8) Continue to reduce the cost of and barriers to doing business in Philadelphia.
- 9) Increase educational opportunity and achievement for elementary and secondary school students and access to literacy services for adults.
- 10) Maintain fiscal responsibility through strategic tax allocation and tax reduction.

While progress will certainly be made in other ways, Philadelphia's economic development resources will be devoted to achieving these objectives and to benchmarking our activities in these areas. The document speaks to our assets, challenges, and goals in a way that recognizes the role of City government to positively impact economic growth in Philadelphia.

Taken together, these objectives are the Administration's strategic vision for the economic development of Philadelphia. This vision, in turn, provides the necessary framework to coordinate our efforts, both within City government and through public-private partnerships, for maximum impact. These policy priorities will contribute to Philadelphia's lasting viability as a location of choice for residents, businesses, students, and visitors.

APPENDIX A

ECONOMIC DEVELOPMENT SUMMIT

The Role of the Economic Development Summit

As part of the planning process, we held the Philadelphia 21st Century Economic Development Summit as a vehicle for gathering public input for the Blueprint. The Summit was intended to engage a broad range of constituencies in discussion about the priorities for the City's economic development and to receive their input about sets of recommendations that would promote business and foster the growth of jobs in Philadelphia.

Based on the comments we received, there is consensus that we assembled at the event a group of individuals with stellar capability, great diversity and broad constituent representation. We have been told many times that the Summit was one of the most constructive and positive dialogues to take place in the City's civic arena in decades.

The Summit advanced a number of important recommendations and outlined a set of priorities. This is exactly what we hoped would happen. The Blueprint reflects the Street Administration's evaluation of the work from the Summit and our use of it to produce a plan that will help make Philadelphia a great place to live, work, and play.

The Summit Process

The Summit was held at the Navy Yard on September 14 and 15, 2004. Almost 200 people attended. Both days were designed and facilitated by the Center for Applied Research (CFAR), a management consulting firm comprised of Wharton School professors. Participants engaged in three interactive working sessions over the course of the day and a half, which are described briefly below.

1. Generating Recommendations in 7 Working Groups through an "Interview Design" Process

The Interview Design process divided the participants into seven different working groups. The groups were organized around certain key topics in economic development:

1. *Why Here?* Advantages and Disadvantages of Doing Business in the City's Primary Business Centers and Key Industries
2. *Energizing Communities:* Advantages and Disadvantages of Doing Business in Philadelphia's Neighborhoods
3. *Making Work Work:* Connecting Individuals and Jobs
4. *Increasing Diversity:* Minority Participation in the Public and Private Sector
5. *Busting Barriers:* Rethinking the Cost of Doing Business in Philadelphia
6. *The Economic Development Toolbox:* Philadelphia's Incentive Strategy

7. *Spending Wisely: Investments for Growth – River City, Gaming and Beyond*

The process began with the participants conducting one-on-one interviews with one another, each asking one of four specific questions for each topic that were provided by the Department of Commerce as part of the program design. Following the interviews, participants gathered into small theme groups to discuss the similarities and differences in responses they received. Each theme group then presented their findings to all the participants in the working group. The group then collectively developed five recommendations based on the information that was gathered.

The session resulted in five priority recommendations from each working group, with a total of 35 recommendations across groups to bring into the next day's session.

2. *Envisioning the Future: Defining a role for the City of Philadelphia through a "History of the Future"*

This "visioning" exercise asked mixed groups from across the seven focus areas to envision Philadelphia in the year 2014 as a city where economic indicators are off the charts, businesses are thriving and people are fully employed in high-paying jobs. Participants interviewed each other, telling the story of how Philadelphia got there. Working through a number of questions we provided, the groups came together to identify the major components of success with a focus on defining the City's role in economic development. A list of "action headlines" was developed by each group to capture these ideas.

3. *Putting it all Together: Creating a Timeline for Action*

The final task for each group was to prioritize a set of five recommendations for the City from across the working group recommendations from the first day, creating a timeline with each recommendation assigned to a particular time frame for completion. The recommendations reflected the action headlines that were created in the previous sessions and created a vision of the future economic development in the City.

The Summit concluded with a fishbowl discussion that involved the seven working group leaders and Mayor Street. The discussion integrated the work across each of the three interactive sessions and offered the opportunity to learn what others had been thinking.

The Summit Priorities

Ultimately, the Summit participants were focused on the single great vision of making Philadelphia the "location of choice." Reaching this goal requires other components to be in place. As described in the Interim Report issued after the Summit, Philadelphia must: sustain and grow existing businesses, attract new enterprises, educate our children well, train (or retrain) our workers, and provide a diverse, culturally rich City and region with a solid infrastructure and an appealing environment.

The Summit groups stressed that doing this means, above all, spending our resources wisely so as to leverage our investments, make the most of our current market strengths, achieve an appropriate balance of short and long-term goals, and bring some of those short-term goals to quick fruition to build momentum and confidence. Finally, Summit participants were emphatically in favor of combining this ambitious agenda with tax reform.