



# CITY OF PHILADELPHIA

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FRANK BRESLIN, CPA  
Revenue Commissioner  
Chief Collections Officer

June 20, 2017

The Honorable Jim Kenney  
Mayor  
City of Philadelphia  
215 City Hall  
Philadelphia, PA 19106

Dear Mayor Kenney:

I am pleased to transmit herewith a report summarizing the City's experience in 2016 regarding the Community Development Corporation Contribution Tax Credit Program, as required by Section 19-2604(6)(g) of The Philadelphia Code. Copies of the report are also being sent to the President and the Chief Clerk of Council as required.

I will be pleased to provide any additional information that you or the members of Council may have regarding the status of this program.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Frank Breslin".

Commissioner Frank Breslin, CPA  
Chief Revenue Collections Officer

Enclosure

cc: Council President Darrell L. Clarke  
Michael Decker, Chief Clerk  
Rob Dubow, Finance Director



# CITY OF PHILADELPHIA



COMMUNITY DEVELOPMENT CORPORATION  
TAX CREDIT PROGRAM

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## 2016 ANNUAL REPORT

Submitted by:  
The City of Philadelphia, Department of Revenue  
June 2017

*As Required by Section 19-2604(6) (g) of The Philadelphia Code*

**CONTRIBUTIONS TO A COMMUNITY DEVELOPMENT CORPORATION (CDC) CREDIT PROGRAM  
BUSINESS INCOME AND RECEIPTS TAX  
ANNUAL REPORT  
2016**

**Key Stats for 2016**

- 42 Non-Profits enrolled (all slots filled)
- \$3.7 million received by Non-Profits in 2016
- \$3.7 million in credits granted to business sponsors in 2016
- \$30.1 million in credits granted to business sponsors since 2002

**History**

The CDC Contribution Tax Credit Program began as a pilot program effective Tax Year 2002 under which up to ten (10) businesses would receive tax credits of \$100,000 per year against Business Income and Receipts Tax (BIRT) liability for each year the business contributes \$100,000 in cash to a Qualifying CDC. Each business is required to enter into a contribution agreement with the City under which it agrees to contribute \$100,000 in cash per year for ten (10) consecutive years to a Qualifying CDC designated by the business. The Department of Revenue was designated to implement and to oversee the program. Thirteen applications were filed by the initial deadline of September 23, 2002 and ten (10) business/CDC partnerships were selected by lottery from the thirteen (13) applicants. Contribution agreements were signed by all ten (10) businesses.

Effective Tax Year 2003, the business participant number was increased from ten (10) to fifteen (15). Five (5) more applications were received and approved, and the five (5) applicants entered into contribution agreements with the City.

Effective Tax Year 2004, the number of participants was increased from fifteen (15) to twenty-five (25), five (5) new applications were received and approved during calendar year 2004. During calendar year 2005, five (5) additional applications were approved, the contribution agreements were finalized and, by year-end, twenty-five (25) contribution agreements were in place.

Effective Tax Year 2009, the number of participants was again increased from twenty-five (25) to thirty (30); five (5) new applications were received and three (3) were approved and the three applicants entered into fully executed contribution agreements with the City in calendar year 2009. The remaining two (2) applicants were approved and entered into fully executed contribution agreements with the City in calendar year 2010. Bill No. 090353 signed in 2009 allowed 2 businesses to jointly enter into a contribution agreement. There were no available openings at that time.

Beginning with Tax Year 2011 (pursuant to Bill No. 100547), up to 3 Nonprofit Intermediaries were allowed to be recipients of contributions from their approved business sponsors. Effective Tax Year 2012, Bill No. 110561 increased the number of contribution agreements from thirty (30) to thirty-five (35) and decreased the contribution and credit amount from \$100,000 to \$85,000. With the expiration of ten (10) of the prior contribution agreements at the end of 2011, there were fifteen (15) available openings for the 2012 Tax Year. There were twenty-two (22) applications, which included four (4) Nonprofit Intermediaries, received by the May 14, 2012 deadline. There were fifteen (15) applicants selected, by lottery, and approved to participate. Thirteen (13) applicants entered into a fully executed contribution agreement with the City in calendar year 2012 which included three (3) Nonprofit Intermediaries. Two (2) of the fifteen (15) applicants selected by lottery withdrew their applications in 2013.

At year end 2012 there were four (4) slots available due to expirations along with one (1) additional slot due to lack of sponsor/CDC participation. There were twelve (12) applications received by the January 31, 2013 deadline. Five (5) applications were selected, by lottery, and submitted for approval. Also due to the withdrawal of two (2) business applications from the 2012 lottery selection, two (2) additional slots were available and the next two (2) businesses on the January 31, 2013 lottery list were submitted for approval.

Effective Tax Year 2013, Bill No. 130012 increased the number of participants from thirty-five (35) to forty (40). There were five (5) applications received by the April 30, 2013 deadline and submitted for approval. Also effective 2013, Bill No. 120796 amended Philadelphia Code § 19-2604 to include two (2) additional applications from a business sponsor to contribute to a Nonprofit Organization Engaged in Developing and Implementing Health Food Initiatives. There was one (1) application received by the June 28, 2013 deadline and submitted for approval. On November 7, 2013 another application from a business sponsor for a Nonprofit Organization Engaged in Developing and Implementing Healthy Food Initiatives was submitted for approval. A fully executed contribution agreement was signed with the City on December 30, 2013. By the end of 2013, fourteen (14) fully executed contribution agreements with the City of Philadelphia were completed.

By December 31, 2013 there were forty-two (42) participants in the Community Development Tax Credit Program which included thirty-seven (37) Community Development Corporations, three (3) Nonprofit Intermediaries and two (2) Nonprofit Organizations Engaged in Developing and Implementing Healthy Food Initiatives.

Effective Tax Year 2014, Bill No. 130853 increased the number of Nonprofit Intermediaries from three (3) to four (4). Effective Tax Year 2013, Bill No. 140411 clarified the timing of payments relating to the Credit for Contributions to Community Development Corporations, Nonprofit Organizations Engaged in Developing and Implementing Healthy Food Initiatives and Nonprofit Intermediaries. The contribution must be made in the year for which the credit is sought, unless the Department has agreed to an extension of not more than twelve months, which it shall do upon finding that (i) taxpayer's circumstances present good cause for delayed payment; and (ii) denial of the extension would cause hardship to the Qualifying Organization.

As of January 2014, five (5) slots were available due to expirations. One slot could be filled by a Nonprofit Intermediary per Bill No. 130853. There were five (5) applications, which included two (2) Nonprofit Intermediaries, received by the March 19, 2014 deadline. A sixth application was received on March 26, 2014 and a seventh application was received on March 28, 2014. The Non-Profit Intermediary slot was selected by lottery on May 23, 2014. The other four (4) slots were filled by the CDC applications received on the first day, March 19<sup>th</sup> and the 6<sup>th</sup> CDC Application received on March 26<sup>th</sup> without a lottery. No lottery was necessary since the law states that after the 1st day all applications are submitted for approval on a "first come first served" basis.

On December 31, 2014, four (4) slots were made available due to expirations. An advertisement was posted on the Revenue Website stating that applications for these slots would be accepted on January 13, 2015. There were five (5) applications received by the January 13, 2015 deadline. One (1) of the applications was incomplete at submission. The Business Sponsor was given additional time to complete the application; however, after further review of the program they elected to withdraw the application. Since four (4) slots were open and four (4) applications were received, no lottery was necessary.

**No Contribution Agreements expired on December 31, 2015, thus no slots were available and no new agreements were made in 2016.**

Each business partner is required to submit a renewal application each year to provide information about the use of the contributed funds in the current year and the proposed use in the next year. At the end of each year, the renewal applications are reviewed to verify that the businesses and their CDC partners continue to meet all requirements under the legislation, regulations, and contribution agreements. The Commerce Department did not approve the 2017 Renewal Application submitted by The Partnership CDC. The CDC did not meet their objectives in 2016 and the Executive Director stated that due to unforeseen circumstances, The Partnership CDC was terminating all operations.

The following data was submitted by the Commerce Department after their review of the 2017 Renewal Applications:

- Approximately 415 full-time and 18 part-time jobs were generated
- Since the program began in 2002, one CDC alone generated 350 jobs
- Neighborhood clean-up programs were launched and continue to operate
- Walking trails were constructed along the Schuylkill River
- A Jazz Festival was organized to promote local businesses
- A Philadelphia Neighborhood Business Directory & Resource Guide was printed
- Neighborhood properties were rehabbed
- Centers worked closely on creating Green Space which raises property values
- Entrepreneurship and business development training was offered to residents
- Programs were developed to connect community members with jobs

On December 31, 2016, one (1) slot was made available due to expiration and another slot was made available due to the termination of The Partnership CDC for 2017. An advertisement was posted on the Revenue Website in mid- December 2016, stating that applications for these slots would be accepted on January 12, 2017.

In calendar year 2016, a total of \$3,728,292 in Community Development Corporation Credits was posted to the business sponsors' BIRT accounts, with \$3,720,000 received by the participating Qualifying Organizations. The difference of \$8,292 represents credits attributable to prior BIRT tax years that were not previously applied due to either the business sponsor or the Qualifying Organization not being tax compliant. The BIRT Regulations require all business sponsors and Qualifying Organizations to be tax compliant in order to receive any tax credit. Once the business sponsors and/or Qualifying Organizations became tax compliant, they were granted the appropriate tax credit. The amount of the credit for each business cannot exceed the Business Income and Receipts Tax liability for that year. Since the Community Development Corporation Tax Credit Program began in Tax Year 2002, a total of \$30,104,075 in Community Development Corporation Credits has been posted to the Business Sponsors' BIRT account.

**COMMUNITY DEVELOPMENT CORPORATIONS (CDC) RECEIVING 2016 CONTRIBUTION TAX CREDIT**

<b>Organization</b>	<b>Start Year</b>	<b>Annual Amount</b>
1. Delaware River City Corporation (Frmly Delaware Riverfront Renaissance Corp.)	2010**	\$100,000
2. The Enterprise Center Community Development Corporation	2009	\$100,000
3. Nicetown Community Development Corporation	2009	\$100,000
4. Ogontz Ave Revitalization Corporation	2009	\$100,000
5. Wynnefield Overbrook Revitalization Corp.	2010	\$100,000
6. Manayunk Development Corporation	2010	\$100,000
7. Community Design Collaborative, <b>NPI</b>	2012	\$ 85,000
8. Frankford Community Development Corporation	2012	\$ 85,000
9. Southwest Community Development Corporation	2012	\$ 85,000
10. Philadelphia Local Initiatives Support Corporation, <b>NPI</b>	2012	\$ 85,000
11. ACHIEVEability	2012	\$ 85,000
12. East Falls Development Corporation	2012	\$ 85,000
13. New Kensington Community Development Corporation	2012	\$ 85,000
14. People's Emergency Center CDC	2012	\$ 85,000
15. Philadelphia Association of Community Development Corporations, <b>NPI</b>	2012	\$ 85,000
16. Roxborough Development Corporation	2012	\$ 85,000
17. Impact Services Corporation	2012	\$ 85,000
18. Central Philadelphia Development Corporation	2012	\$ 85,000
19. The Allegheny West Foundation	2012	\$ 85,000
20. The Partnership Community Development Corporation	2013	\$ 85,000
21. Spring Garden Community Development Corporation	2013	\$ 85,000
22. Mayfair Community Development Corporation	2013	\$ 85,000
23. East Passyunk Avenue Improvement District	2013	\$ 85,000
24. HACE aka Hispanic Assoc. of Contractors & Enterprises	2013	\$ 85,000
25. Project H.O.M.E.	2013	\$ 85,000
26. The Village of Arts and Humanities	2013	\$ 85,000
27. Mt. Airy U.S.A.	2013	\$ 85,000
28. Nueva Esperanza, Inc.	2013	\$ 85,000
29. Beech Interplex, Inc.	2013	\$ 85,000
30. Delaware River Waterfront Corporation	2013	\$ 85,000
31. Chestnut Hill Community Development Corporation	2013	\$ 85,000
32. Philabundance, <b>HFI</b>	2013	\$ 85,000
33. Common Market Philadelphia, Inc., <b>HFI</b>	2013	\$ 85,000
34. Philadelphia Chinatown Development Corporation	2014	\$ 85,000
35. Schuylkill River Development Corporation (SRDC)	2014	\$ 85,000
36. Fairmount Community Development Corporation	2014	\$ 85,000
37. Tacony Community Development Corporation	2014	\$ 85,000
38. Regional Housing Legal Services- <b>NPI</b>	2014	\$ 85,000
39. Francisville Neighborhood Development Corporation	2015	\$100,000
40. Asociación Puertorriqueños En Marcha, Inc	2015	\$100,000
41. University City District	2015	\$100,000
42. South of South Neighborhood Association	2015	\$100,000
<b>Total Contributions</b>		<b>\$3,720,000</b>

\*\* The Contribution Agreement is for Seven (7) Years starting in 2010. It expired 12/31/2016.

**NPI** - Nonprofit Intermediary; **HFI** - Nonprofit Organization Engaged in Developing and Implementing Health Food Initiative

