



CITY OF PHILADELPHIA

DEPARTMENT OF REVENUE
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FRANK BRESLIN, CPA
Revenue Commissioner
Chief Collections Officer

June 28, 2018

The Honorable James F. Kenney
Mayor
City of Philadelphia
215 City Hall
Philadelphia, PA 19107

Dear Mayor Kenney:

I am pleased to transmit herewith a report summarizing the City's experience in 2017 regarding the Community Development Corporation Tax Credit, 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.

Very truly yours,

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

Commissioner Frank Breslin
Chief Collections Officer

mnm

Enclosure

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

CITY OF PHILADELPHIA



COMMUNITY DEVELOPMENT CORPORATION
TAX CREDIT PROGRAM

2017 ANNUAL REPORT

Submitted by:
The City of Philadelphia, Department of Revenue
June 2018

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
2017**

Key Stats for 2017

- 42 Non-Profits enrolled (all slots filled)
- \$3.7 million received by Non-Profits in 2017
- \$2.6 million in credits granted to business sponsors in 2017
- \$32.7 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 19th and the 6th CDC Application received on March 26th 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.

Effective Tax Year 2015, Bill No. 141028 increased the annual contribution and credit amount back to \$100,000. The Mayor signed the Bill on February 18, 2015. Since the Bill was signed in February and the applications to participate in the CDC tax credit program were received in January, the Business Sponsors were given the choice to contribute \$85,000 or \$100,000 to their CDC. They all elected to contribute \$100,000 for the ten (10) years.

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

On December 31, 2016, one (1) slot was made available due to expiration and another slot was made available due to the termination of a CDC. 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. At the close of business on January 12, 2017, three (3) applications were received. Since only two (2) slots were available, a Lottery was held on Friday, January 20, 2017.

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 Commerce Department approved all submitted 2018 Renewal Applications; however, five (5) CDCs received Warning Letters of Probation Status starting in 2019 and four (4) CDCs received Probation Letters. The four (4) CDCs have until their 2019 Renewal Applications are reviewed to comply with the requirements of the program. If Commerce does not approve their 2019 Renewal Application, the CDC will forfeit their slot in the program.

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

- Approximately 566 full-time and 35 part-time jobs were generated
- A Sport Court (Recreation Activity Space) was planned for youth, seniors & adults
- 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
- Completion of the Bartram Mile, a trail and greenway project
- Ground breaking for the Eastern Tower Community Center.
- Fall Street Food Festival & Fashion Event
- Corridor cleaning and landscape beautification
- 12th year operating the Coral St. Arts House (27 units for artists to live and work)
- Streetscape improvements & artist lighting installed under the SEPTA Market-Frankford line
- Proper renovation of 19th century buildings along Fairmount and Spring Garden Avenue

In calendar year 2017, a total of \$2,612,364 in Community Development Corporation Credits was posted to the business sponsors' BIRT accounts, with \$3,735,000 received by the participating Qualifying Organizations. The difference of \$1,122,636 represents credits applied based on a Business Sponsor's tax liability which may be less than their Contribution or the credit not posted to date based on the Business Sponsor or CDC not being tax compliant or not filing the 2016 BIRT return with a copy of the cancelled check remitted to the CDC. 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 will be 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 \$32,716,439 in Community Development Corporation Credits has been posted to the Business Sponsors' BIRT account.

COMMUNITY DEVELOPMENT CORPORATIONS (CDC) RECEIVING 2017 CONTRIBUTION TAX CREDIT

Organization	Start Year	Annual Amount
1. The Enterprise Center Community Development Corporation	2009	\$100,000
2. Nicetown Community Development Corporation	2009	\$100,000
3. Ogontz Ave Revitalization Corporation	2009	\$100,000
4. Wynnefield Overbrook Revitalization Corp.	2010	\$100,000
5. Manayunk Development Corporation	2010	\$100,000
6. Community Design Collaborative, NPI	2012	\$ 85,000
7. Frankford Community Development Corporation	2012	\$ 85,000
8. Southwest Community Development Corporation	2012	\$ 85,000
9. Philadelphia Local Initiatives Support Corporation, NPI	2012	\$ 85,000
10. ACHIEVEability	2012	\$ 85,000
11. East Falls Development Corporation	2012	\$ 85,000
12. New Kensington Community Development Corporation	2012	\$ 85,000
13. People's Emergency Center CDC	2012	\$ 85,000
14. Philadelphia Association of Community Development Corporations, NPI	2012	\$ 85,000
15. Roxborough Development Corporation	2012	\$ 85,000
16. Impact Services Corporation	2012	\$ 85,000
17. Central Philadelphia Development Corporation	2012	\$ 85,000
18. The Allegheny West Foundation	2012	\$ 85,000
19. Spring Garden Community Development Corporation	2013	\$ 85,000
20. Mayfair Community Development Corporation	2013	\$ 85,000
21. East Passyunk Avenue Improvement District	2013	\$ 85,000
22. HACE aka Hispanic Assoc. of Contractors & Enterprises	2013	\$ 85,000
23. Project H.O.M.E.	2013	\$ 85,000
24. The Village of Arts and Humanities	2013	\$ 85,000
25. Mt. Airy U.S.A.	2013	\$ 85,000
26. Nueva Esperanza, Inc.	2013	\$ 85,000
27. Beech Interplex, Inc.	2013	\$ 85,000
28. Delaware River Waterfront Corporation	2013	\$ 85,000
29. Chestnut Hill Community Development Corporation	2013	\$ 85,000
30. Philabundance, HFI	2013	\$ 85,000
31. Common Market Philadelphia, Inc., HFI	2013	\$ 85,000
32. Philadelphia Chinatown Development Corporation	2014	\$ 85,000
33. Schuylkill River Development Corporation (SRDC)	2014	\$ 85,000
34. Fairmount Community Development Corporation	2014	\$ 85,000
35. Tacony Community Development Corporation	2014	\$ 85,000
36. Regional Housing Legal Services- NPI	2014	\$ 85,000
37. Francisville Neighborhood Development Corporation	2015	\$100,000
38. Asociación Puertorriqueños En Marcha, Inc	2015	\$100,000
39. University City District	2015	\$100,000
40. South of South Neighborhood Association	2015	\$100,000
41. Old City Community Fund	2017	\$100,000
42. Delaware River City Corporation (DRCC)	2017	\$100,000
Total Contributions		\$3,735,000

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