



# CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF COMMERCE  
1515 Arch Street, 12th Floor  
Philadelphia, PA 19102  
P 215-683-2001

## MEMORANDUM

TO: Council President Darrell Clarke; Chief Clerk of Council Michael A. Decker

CC: Councilmember Helen Gym

FROM: Harold T. Epps, Director of Commerce

DATE: October 15, 2018

RE: Tax Subsidy Self-Reporting, 2017 Annual Report

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In accordance with Bill No. 160015-A, approved by Philadelphia City Council and signed by Mayor Kenney on September 15, 2016, the Department of Commerce collects certain economic development and job creation data from Philadelphia businesses subject to the aforementioned legislation. Businesses are required to self-report if, within the previous calendar year, they (a) received \$50,000 or more in financial assistance or subsidies originating from public dollars which was approved by the City; (b) are located in a Keystone Opportunity Zone and had \$2 million or more in gross revenues; or (c) were issued a tax credit certificate through the Job Creation Tax Credit.

The ordinance also specifies that this data shall be made available through the City's website in a searchable database or spreadsheet, and that an annual report be submitted to Council summarizing the data. To ensure compliance with federal, state, and local laws protecting taxpayer confidentiality, we provide aggregated data about businesses. The enclosed Subsidy and Job Creation Report contains detailed self-reported information about the number of jobs created, the types of jobs created, and the wages and benefits associated with these jobs in an aggregate fashion. This Report can be found on the City's website at <https://www.phila.gov/departments/department-of-commerce/documents-and-forms/> and is available to the public.

Although self-reporting always carries a margin of error, the Department of Commerce continues to improve the reporting process for businesses and increase compliance with the legislation. Additionally, in accordance with Bill No. 161015, the Department of Commerce has engaged a contractor to evaluate the direct and indirect economic impact of the main business incentives offered by the City as well as the state-run Keystone Opportunity Zone program.

## **SUBSIDY AND JOB CREATION REPORT TAX YEAR 2017**

### **EXECUTIVE SUMMARY**

In accordance with [Bill #160015](#), the Department of Commerce uses an online self-reporting form to collect economic development and job creation data from Philadelphia businesses that: a) received \$50,000 or more in financial assistance through City approval; b) are located in a Keystone Opportunity Zone and had \$2 million or more in gross revenues; or c) were issued a tax credit in 2017 through the Job Creation Tax Credit program.

In this report, we found that in 2017 these businesses created a total of 2,299 jobs in the following categories:

- 539 new full time jobs.
- 66 new part time jobs.
- 103 temporary jobs.
- 1,591 employment opportunities for independent contractors and sub-contractors.

While self-reporting always carries a margin of error, we took several measures to increase compliance and improve the quality of the data collected. For example, the online survey was sent out electronically to all businesses subject to self-reporting as described above on four occasions between February 2018 and May 2018. Letters were also mailed by the Department of Revenue to all businesses enrolled in the Job Creation Tax Credit program. The information submitted was then carefully reviewed and checked against our records, and businesses were contacted for clarification when necessary.

This report also contains data provided by the Department of Revenue regarding the amount of tax credits provided through the Keystone Opportunity Zone program between 2014 and 2016 and the types of businesses that received these credits, and the amount of tax credits issued through the Job Creation Tax Credit program between 2014 and 2017.

It is worth noting that the Department of Commerce will be working with a consultant this year to evaluate the effectiveness of eight of the City's most utilized incentive programs. This study will evaluate the fiscal impacts of these programs to the City, including direct jobs created and additional tax revenue generated. Included in this analysis will be the Keystone Opportunity Zone program and the Job Creation Tax Credit program. We look forward to sharing these findings in early 2019.

## COVERED BUSINESSES

While we received 129 responses to the online survey, we determined that 82 of the responses were submitted by entities that actually triggered one of the three requirements below:

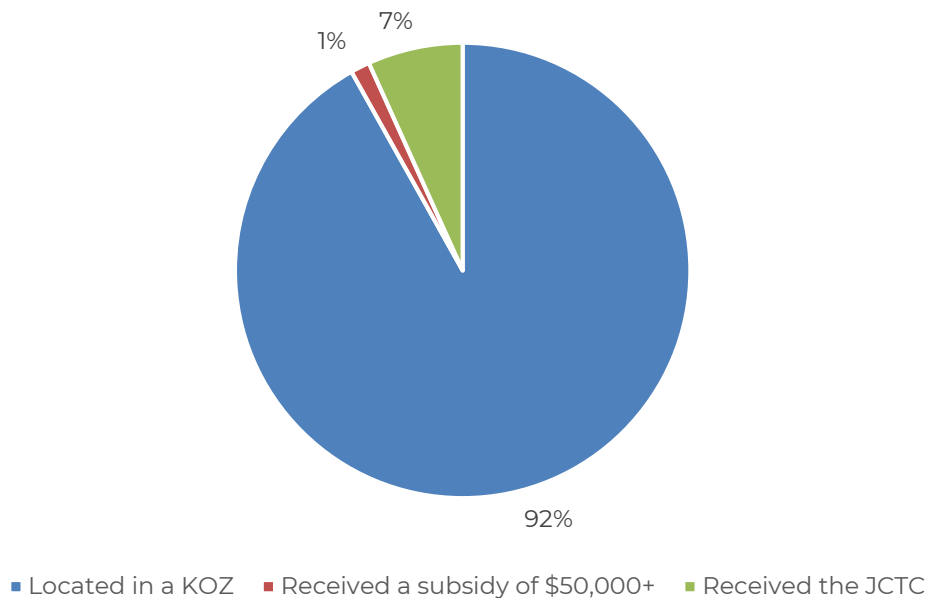
Located in a Keystone Opportunity Zone and has \$2 million or more in gross revenues	76	91.6%
Received financial assistance of \$50,000 or more in the 2017 calendar year	1	1.2%
Received the Job Creation Tax Credit	5	6.1%
<b>TOTAL</b>	<b>82</b>	<b>100%</b>

## JOB CREATION BY PROGRAM

Based on self-reporting, the job creation by type of job and incentive program was as follows:

<i>Program</i>	<i>Full Time</i>	<i>Part Time</i>	<i>Temp</i>	<i>Other</i>	<b>Total Jobs</b>
Located in a KOZ	430	6	103	1575	<b>2114</b>
Received a subsidy of \$50,000+	5	21	0	5	<b>31</b>
Received the JCTC	104	39	0	11	<b>154</b>
<b>TOTAL</b>	<b>539</b>	<b>66</b>	<b>103</b>	<b>1591</b>	<b>2299</b>

Total Jobs by Program



## FULL-TIME JOB CREATION

*Please provide the total number of full-time jobs (both vacant and filled) your business had in Philadelphia*

As of January 1, 2017 7420  
As of December 31, 2017 7959

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**NEW JOBS 539**

*How many of these jobs had health benefits?* 92.3%

*What percent of these jobs paid:*

Wage: \$50.00/hr Salary: \$100,000 or more 31.9%

Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999 15.5%

Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999 22.7%

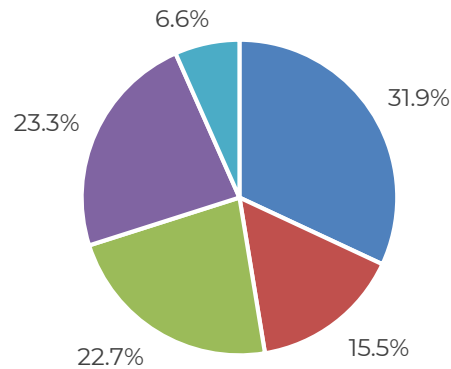
Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999 23.3%

Wage: \$12.50/hr or less Salary: \$24,999 or less 6.6%

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**TOTAL 100%**

539 New Full Time Jobs



- Wage: \$50.00/hr Salary: \$100,000 or more
- Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999
- Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999
- Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999
- Wage: \$12.50/hr or less Salary: \$24,999 or less

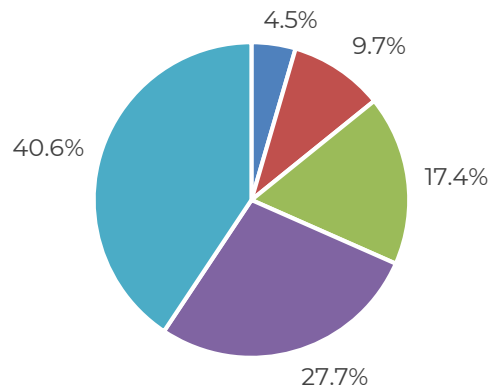
## PART-TIME JOB CREATION

*Please provide the total number of part-time jobs (both vacant and filled) your business had in Philadelphia*

As of January 1, 2017	306
As of December 31, 2017	372
<b>NET GAIN</b>	<b>66</b>

<i>What percent of these jobs had health benefits?</i>	0.6%
<i>What percent of these jobs paid:</i>	
Wage: \$50.00/hr Salary: \$100,000 or more	4.5%
Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999	9.7%
Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999	17.4%
Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999	27.7%
Wage: \$12.50/hr or less Salary: \$24,999 or less	40.6%
<b>TOTAL</b>	<b>100%</b>

66 New Part Time Jobs



- Wage: \$50.00/hr Salary: \$100,000 or more
- Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999
- Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999
- Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999
- Wage: \$12.50/hr or less Salary: \$24,999 or less

## TEMPORARY JOB CREATION

Please provide the total number of temporary jobs (both vacant and filled) your business had in Philadelphia

**TOTAL** **103**

What percent of these jobs had health benefits? 15.8%

What percent of these jobs paid:

Wage: \$50.00/hr Salary: \$100,000 or more 9.8%

Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999 31.2%

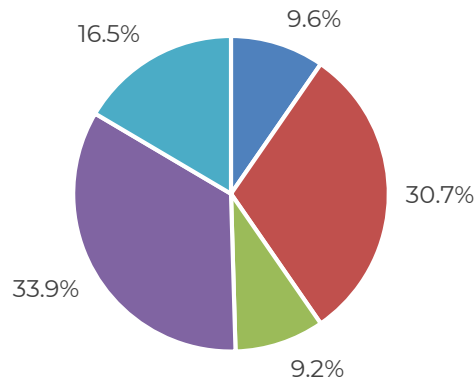
Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999 9.3%

Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999 34.0%

Wage: \$12.50/hr or less Salary: \$24,999 or less 15.8%

**TOTAL** **100%**

### 103 Temp Jobs Provided



- Wage: \$50.00/hr Salary: \$100,000 or more
- Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999
- Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999
- Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999
- Wage: \$12.50/hr or less Salary: \$24,999 or less

## OTHER JOB CREATION

Please account for the number of employees employed through a third party\*: **925**

Please account for the number of Independent Contractors utilized\*\*: **666**

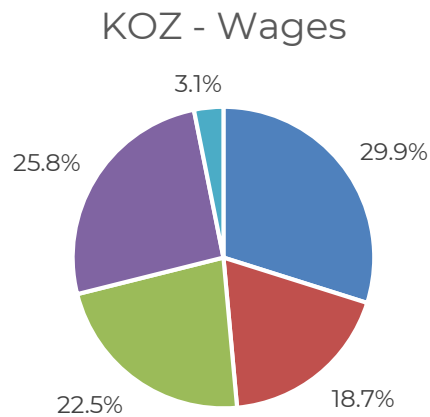
**OTHER JOBS** **1591**

\*Includes the use of sub-contractors to complete construction projects as they came on line.

\*\*Many of the independent contractor jobs were reported by professional services firms, such as law firms.

## KEYSTONE OPPORTUNITY ZONES

Of the 76 businesses that completed the survey because they were located in a Keystone Opportunity Zone, had \$2 million or more in gross revenue, and were not a holding company or investment fund, a total of 2,114 new jobs were created in 2017. The wage distribution was as follows:



- Wage: \$50.00/hr Salary: \$100,000 or more
- Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999
- Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999
- Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999
- Wage: \$12.50/hr or less Salary: \$24,999 or less

## FINANCIAL ASSISTANCE AND SELF-REPORTED SUBSIDIES

Only one business reported receiving a subsidy of \$50,000 or more through the approval of the City of Philadelphia in 2017:

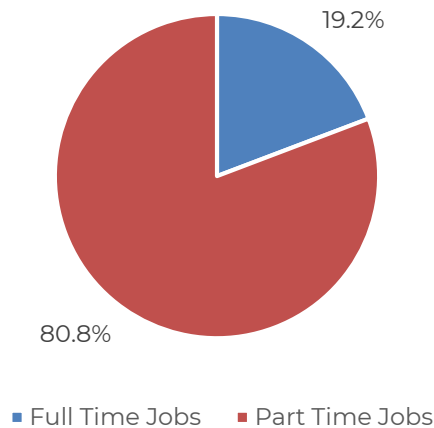
<i>Type of financial assistance</i>	<i>Amount</i>	<i>Recipient</i>
Neighborhood Economic Development (NED) grant:	\$65,000	Jerry's on Front
<b>TOTAL</b>	<b>\$65,000</b>	

If a business triggered one of the three self-reporting requirements, they were also asked to list subsidies of *any* amount received through *any* governmental source in 2017. Below is a list of those additional subsidies:

	<i>Amount</i>	<i>Recipient</i>
Storefront Improvement Grant through Dept. of Commerce	\$1,800	Jerry's on Front
<b>TOTAL</b>	<b>\$1,800</b>	

**Jerry's on Front reported 5 new full-time jobs and 21 new part-time jobs created in 2017, all in the \$12.50 or under wage band, and none of which had health benefits.**

### Financial Assistance / Subsidies





## JOB CREATION TAX CREDIT: SELF-REPORTED JOB CREATION

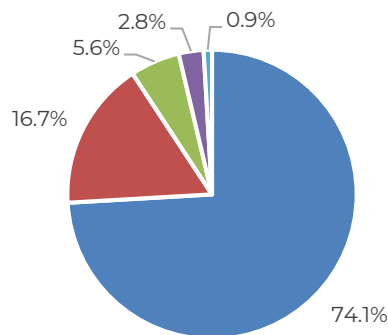
In their [2017 Job Creation Tax Credit report](#), the Department of Revenue reported the creation of 255 new jobs and the issuance of \$2,215,547 in tax certificates. Five businesses completed the self-reporting survey on job creation, which reported a total of 104 new full time jobs created in 2017.

<i>Recipients of the Job Creation Tax Credit</i>	<i>Full Time Jobs</i>	<i>Part Time Jobs</i>
<b>TOTAL</b>	<b>104</b>	<b>39</b>

According to self-reporting, the salary ranges for these jobs were as follows:

<i>What percent of these jobs had health benefits?</i>	11.1%
<i>What percent of these jobs paid:</i>	
Wage: \$50.00/hr Salary: \$100,000 or more	74.1%
Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999	16.7%
Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999	5.6%
Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999	2.8%
Wage: \$12.50/hr or less Salary: \$24,999 or less	0.9%
<b>TOTAL</b>	<b>100%</b>

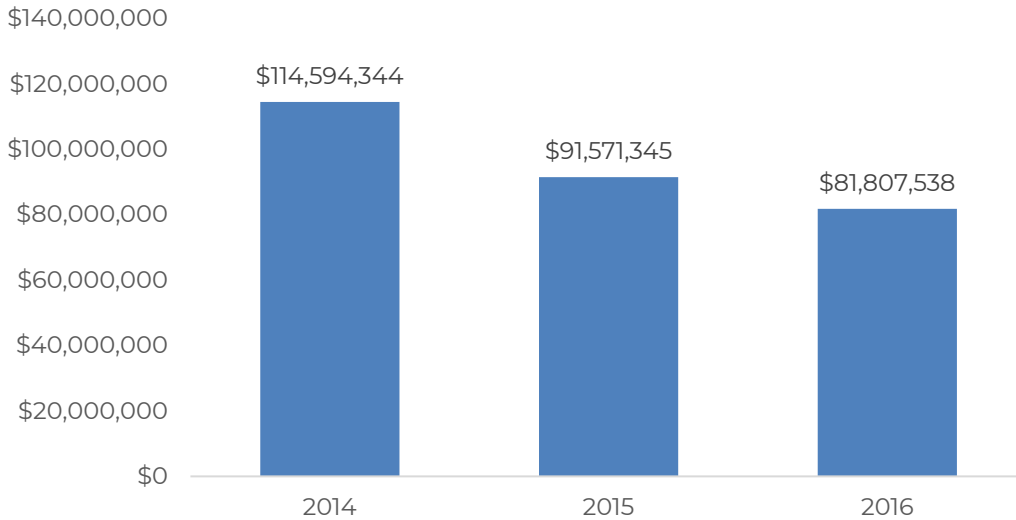
Job Creation Tax Credit - Wages



- Wage: \$50.00/hr Salary: \$100,000 or more
- Wage: \$37.51/hr to \$49.99/hr Salary: \$75,000 to \$99,999
- Wage: \$25.00/hr to \$37.50/hr Salary: \$50,000 to \$74,999
- Wage: \$12.51/hr to \$24.99/hr Salary: \$25,000 to \$49,999
- Wage: \$12.50/hr or less Salary: \$24,999 or less

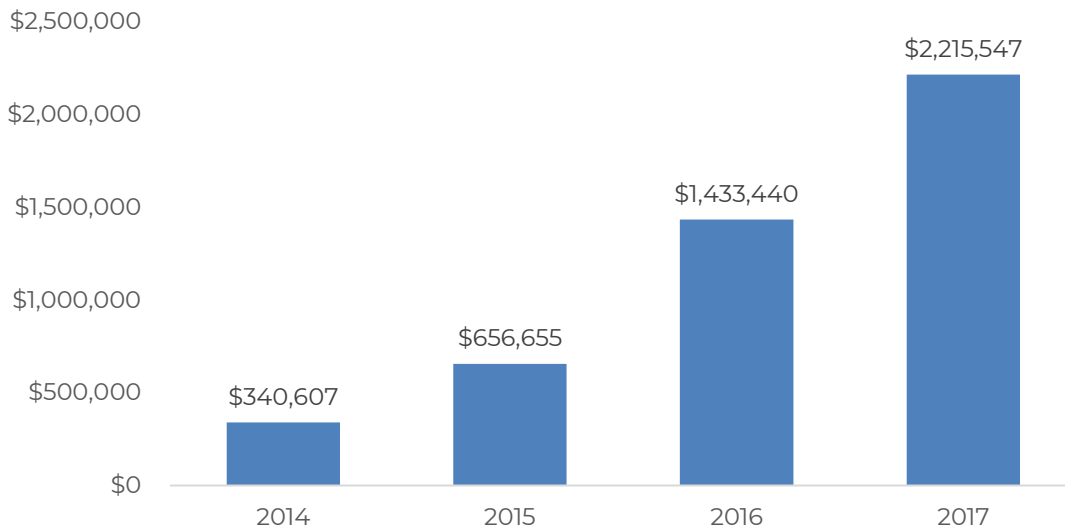
## DATA PROVIDED BY THE DEPARTMENT OF REVENUE

### KOZ TAX CREDITS - CITY OF PHILADELPHIA\*



\*These credits do not factor in the required payment in lieu of taxes (PILOT), which would lower these figures. We have requested information from the Department of Revenue that will clarify the type of taxes being abated and will submit an addendum in the fall to clarify this amount.

### JOB CREATION TAX CREDITS\*\*



\*\*In 2015, City Council approved a one-time increase to the Job Creation Tax Credit, raising the credit from \$5,000 per job to \$25,000 for five years (\$25,000 per job). Therefore, there was a large increase in tax credits issued beginning in 2015, which is likely to continue through 2020.

## KOZ BY SECTOR: 2016 TAX YEAR

<b>DESCRIPTION</b>	<b>CREDIT AMOUNT</b>	<b># OF ACCOUNTS</b>
Financial Investment Services	\$50,075,920	64
Real Estate (including REITS)	\$10,157,707	65
Chemicals, Pharmaceuticals & Petroleum, Manufacturing	\$8,979,273	4
Legal Services	\$4,905,677	7
All Other Sectors	\$3,148,123	20
Construction	\$1,718,544	7
Health and Social Services	\$1,135,704	10
Insurance	\$364,625	4
Management and Technical Consulting	\$340,686	6
Wholesale Trade	\$275,637	5
Retail Trade	\$215,518	7
Architect and Engineering	\$215,118	6
Restaurants, Bars, and Other Food Services	\$91,905	4
Business Support Services	\$84,206	3
Advertising	\$58,173	2
Other Manufacturing	\$25,769	5
Unclassified	\$14,953	3
<b>TOTAL</b>	<b>\$81,807,538</b>	<b>222</b>

## KOZ BY SECTOR: 2015 TAX YEAR

<b>DESCRIPTION</b>	<b>CREDIT AMOUNT</b>	<b># OF ACCOUNTS</b>
Financial Investment Services	\$57,662,859.00	69
Real Estate (including REITS)	\$11,775,240.00	76
Chemicals, Pharmaceuticals & Petroleum, Manufacturing	\$10,936,912.00	4
Legal Services	\$5,261,380.00	8
Construction	\$1,416,841.00	6
Health and Social Services	\$1,351,224.00	9
All Other Sectors	\$729,295.00	16
Management and Technical Consulting	\$618,644.00	6
Retail Trade	\$542,886.00	6
Wholesale Trade	\$288,983.00	5
Insurance	\$286,605.00	4
Unclassified	\$234,001.00	5
Architect and Engineering	\$203,692.00	4
Advertising	\$87,519.00	3
Other Manufacturing	\$82,595.00	7
Business Support Services	\$82,587.00	3
Restaurants, Bars, and Other Food Services	\$10,082.00	3
<b>TOTAL</b>	<b>\$91,571,345.00</b>	<b>234</b>

**KOZ BY SECTOR: 2014 TAX YEAR**

<b>DESCRIPTION</b>	<b>CREDIT AMOUNT</b>	<b># OF ACCOUNTS</b>
Financial Investment Services	\$77,438,053	77
Chemicals, Pharmaceuticals & Petroleum, Manufacturing	\$16,353,732	4
Real Estate (including REITS)	\$7,558,539	81
Legal Services	\$7,528,953	8
Retail Trade	\$1,138,829	6
Wholesale Trade	\$1,077,555	5
Management and Technical Consulting	\$987,596	7
Health and Social Services	\$881,358	8
All Other Sectors	\$706,004	20
Architect and Engineering	\$301,410	4
Insurance	\$224,984	4
Advertising	\$126,453	3
Other Manufacturing	\$95,721	4
Construction	\$93,242	5
Unclassified	\$52,961	5
Business Support Services	\$25,084	2
Restaurants, Bars, and Other Food Services	\$3,870	3
<b>TOTAL</b>	<b>\$114,594,344</b>	<b>246</b>