

CITY OF PHILADELPHIA



COMMUNITY DEVELOPMENT CORPORATION TAX CREDIT PROGRAM

2019 ANNUAL REPORT

Submitted by:
The City of Philadelphia, Department of Revenue
June 2020

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
2019**

Key Stats for 2019

- 42 Non-Profits enrolled (one NPI did not receive contribution from Business Sponsor)
- \$3.4 million received by Non-Profits in 2019
- \$3.8 million in credits granted to business sponsors in 2019
- \$40.5 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.

During tax year 2016, five (5) CDCs received notice from their Business Sponsor or Co-Sponsor(s) that they were no longer participating in the CDC Tax Credit Program effective 12/31/2016. All five (5) CDCs were able to acquire a new Business Sponsor or Co-Sponsor(s) for the remaining years of the original ten (10) year Contribution Agreement. 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.

During tax year 2017, five (5) CDCs received notice from their Business Sponsor or Co-Sponsor(s) that they were no longer participating in the CDC Tax Credit Program effective 12/31/2017. Four (4) CDCs were able to acquire a New Business Sponsor or Co-Sponsor(s) for the remaining years of the Original ten (10) year Contribution Agreement. The fifth CDC stated that they would continue to search for a new Business Sponsor throughout 2018. No Contribution Agreements expired on December 31, 2017, thus no slots were available.

On December 31, 2018, three (3) slots were made available due to expirations. A fourth slot was made available after the CDC who was attempting to acquire a new Business Sponsor for the remaining years of their Original Contribution Agreement was unsuccessful and had to forfeit their slot. An advertisement was posted on the Revenue Website stating that applications for these slots would be accepted on January 9, 2019. There were eight (8) applications received by the January 9, 2019 deadline. Since only four (4) slots were available, a Lottery was held on Monday, January 14, 2019.

Effective Tax Year 2019, Bill No. 180261-A increased the number of participants from forty (40) to forty-five (45) with respect to contributions to Qualifying CDCs or Qualifying Nonprofit Intermediaries. The Department shall not enter into more than forty (40) contribution agreements for any tax year commencing January 1, 2019, or thereafter, provided that, by January 1 of such tax year, the Director of Commerce shall have filed a certification with the Department of Revenue and the Chief Clerk of Council certifying that the Director has in place for the fiscal year ending in such tax year a grant program that makes available to Qualifying Organizations , subject to reasonable qualifying criteria established by the Director of Commerce, an amount at least equal to \$500,000.

On December 31, 2019 two (2) slots were made available due to expirations. A third slot was made available after the CDC who was attempting to acquire a new Business Sponsor for the remaining years of their Original Contribution Agreement was unsuccessful and had to forfeit their slot. A fourth slot was made available when Commerce did not approve a renewal application for a CDC that was on probation (Mayfair CDC). An advertisement was posted on the Revenue Website stating that applications for these slots would be accepted on January 14, 2020. There were six (6) applications received by the January 14, 2020 deadline. Since only four (4) slots were available, a Lottery was held on Monday, January 16, 2020.

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 approved all submitted 2019 Renewal Applications; however, nine (9) CDCs received Warning Letters of Probation Status starting in 2020 and two (2) CDCs received Probation Letters. The two (2) CDCs have until their 2020 Renewal Applications are reviewed to comply with the requirements of the program. If Commerce does not approve their 2020 Renewal Application, the CDC will forfeit their slot in the program. The Commerce Department approved thirty-nine (39) of the forty (40) submitted 2020 renewal applications received in October 2019. One (1) CDC that was previously on probation was not approved. The unapproved CDC had to forfeit their slot in the program. No CDCs were issued warning letters nor letters of probationary status for the 2020 calendar year.

Commerce submitted the following outcomes as a result of the program from the 2020 Renewal Applications:

- Property owners who were in need of guidance to restore their distressed property were identified and assisted.
- Efforts made toward building an open-air market, artisan shop and farmers market in Francisville
- Additional permanent employment positions were made available
- Old City Fest generates double revenue for local businesses
- Created the Truly Tacony Food based grant awarding three (3) grants totaling \$45,000
- Partnering with various organizations toward the development of 300 acres of abandoned or underutilized commercial land located within tidal Schuylkill River Corridor
- Outreach to the community to perform cultural education
- Hosting 24 events in Chestnut Hill including Witches and Wizards drawing over 12,500 attendees
- Increased the attention to the City's waterfront, including increasing visitor and investor activity
- Assisting business with improving their business facades
- Assisted a long-time neighborhood business with obtaining a larger space for expansion
- Sponsorship of the Jazz on the Avenue street festival
- A food truck began operations to serve chef community entrepreneurs who derive from various backgrounds
- Redeveloped a property that will provide opportunity to community residents and artists
- Corridor maintenance that includes cleaning
- Organization of a night market to bring additional visitors to a commercial corridor
- Provided technical, financial and legal assistance to owners and tenants who have properties that have historic facades
- Support of art-based entrepreneurship
- A new tenant was able to be secured in Borinquen Plaza
- Completion Streetscape design for commercial corridor
- \$235,000 in small business loans were granted to worthy applicants
- Assisted over 50 businesses with 100% funded obtaining business security camera grants
- Granted 7 organizations with a total of \$175,000 in grant funds for capacity building on commercial corridors throughout the City
- Assisted a business with obtaining a 100% match Storefront Improvement grant
- Provided pro bono design service

In calendar year 2019, a total of \$3,758,782 in Community Development Corporation Credits was posted to the business sponsors' BIRT accounts, with \$3,665,000 received by the participating Qualifying Organizations. The difference of \$93,782 has occurred for a variety of reasons:

- Credits applied were based on a Business Sponsor's tax liability which may be less than their contribution
- Credits from previous years were posted to BIRT accounts in 2019 due to delays either from the Business Sponsor or CDC not being in tax compliance at time of submission or the Business Sponsor not providing complete information at the time of submission

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 are 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 \$40,523,572 in Community Development Corporation Credits has been posted to the Business Sponsors' BIRT account.

COMMUNITY DEVELOPMENT CORPORATIONS (CDC) RECEIVING 2019 CONTRIBUTION TAX CREDIT

Organization	Start Year	Annual Amount
1. Wynnefield Overbrook Revitalization Corp.	2010	\$100,000
2. Manayunk Development Corporation	2010	\$100,000
3. Community Design Collaborative, NPI	2012	\$ 85,000
4. Frankford Community Development Corporation	2012	\$ 85,000
5. Southwest Community Development Corporation	2012	\$ 85,000
6. Philadelphia Local Initiatives Support Corporation, NPI	2012	\$ 85,000
7. ACHIEVEability	2012	\$ 85,000
8. East Falls Development Corporation	2012	\$ 85,000
9. New Kensington Community Development Corporation	2012	\$ 85,000
10. People's Emergency Center CDC	2012	\$ 85,000
11. Philadelphia Association of Community Development Corporations, NPI	2012	\$ 85,000
12. Roxborough Development Corporation	2012	\$ 85,000
13. Impact Services Corporation	2012	\$ 85,000
14. Central Philadelphia Development Corporation	2012	\$ 85,000
15. Spring Garden Community Development Corporation	2013	\$ 85,000
16. Mayfair Community Development Corporation	2013	\$ 85,000
17. East Passyunk Avenue Improvement District	2013	\$ 85,000
18. HACE aka Hispanic Assoc. of Contractors & Enterprises	2013	\$ 85,000
19. Project H.O.M.E.	2013	\$ 85,000
20. The Village of Arts and Humanities	2013	\$ 85,000
21. Mt. Airy U.S.A.	2013	\$ 85,000
22. Nueva Esperanza, Inc.	2013	\$ 85,000
23. Beech Interplex, Inc.	2013	\$ 85,000
24. Delaware River Waterfront Corporation	2013	\$ 85,000
25. Chestnut Hill Community Development Corporation	2013	\$ 85,000
26. Philabundance, HFI	2013	\$ 85,000
27. Common Market Philadelphia, Inc., HFI	2013	\$ 85,000
28. Philadelphia Chinatown Development Corporation	2014	\$ 85,000
29. Schuylkill River Development Corporation (SRDC)	2014	\$ 85,000
30. Fairmount Community Development Corporation	2014	\$ 85,000
31. Tacony Community Development Corporation	2014	\$ 85,000
32. Regional Housing Legal Services- NPI (business sponsor dropped out 2018)	2014	\$ 0
33. Francisville Neighborhood Development Corporation	2015	\$100,000
34. Asociación Puertorriqueños En Marcha, Inc	2015	\$100,000
35. University City District	2015	\$100,000
36. South of South Neighborhood Association	2015	\$100,000
37. Old City Community Fund	2017	\$100,000
38. Delaware River City Corporation (DRCC)	2017	\$100,000
39. SEAMAAC, Inc.	2019	\$100,000
40. Germantown United Community Development Corporation	2019	\$100,000
41. The Allegheny West Foundation	2019	\$100,000
42. Nicetown Community Development Corporation	2019	\$100,000
Total Contributions		\$3,750,000

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