

# CITY OF PHILADELPHIA



COMMUNITY DEVELOPMENT CORPORATION  
TAX CREDIT PROGRAM

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## 2020 ANNUAL REPORT

Submitted by:  
The City of Philadelphia, Department of Revenue  
June 2021

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

## **CONTRIBUTIONS TO A COMMUNITY DEVELOPMENT CORPORATION (CDC) CREDIT PROGRAM 2020 ANNUAL REPORT**

### **Key Stats for 2020**

- 42 Non-Profits enrolled
- \$3.8 million received by Non-Profits in 2020
- \$2.1 million in credits granted to business sponsors in 2020
- \$42.7 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 businesses 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 consecutive years to a Qualifying CDC designated by the business. The Department of Revenue implemented and oversees the program in partnership with the Department of Commerce. Thirteen applicants filed applications by the initial deadline of September 23, 2002 and the City selected 10 business/CDC partnerships by lottery from the thirteen applicants. All ten businesses signed contribution agreements.

Effective Tax Year 2003, the City increased the business participant number from 10 to 15. The City received and approved five more applications, and the five applicants entered into contribution agreements.

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

Effective Tax Year 2009, the City again increased the number of participants from 25 to 30. The Department received five new applications, but only approved three. The three applicants entered into fully executed contribution agreements with the City in calendar year 2009. The remaining two applicants were approved and fully executed contribution agreements with the City in calendar year 2010. Bill No. 090353 signed in 2009 allowed two businesses to jointly enter into a contribution agreement, however there were no available openings at that time.

Beginning with Tax Year 2011 (pursuant to Bill No. 100547), the City allowed up to 3 Nonprofit Intermediaries to be recipients of contributions from their approved business sponsors. Effective Tax Year 2012, Bill No. 110561 increased the number of contribution agreements from 30 to 35 and decreased the contribution and credit amount from \$100,000 to \$85,000.

With the expiration of 10 prior contribution agreements at the end of 2011, there were 15 available openings for the 2012 Tax Year. The City received 22 applications, which included four Nonprofit Intermediaries, received by the May 14, 2012 deadline. The City selected 15 applicants by lottery and approved all to participate. Thirteen applicants fully executed contribution agreement with the City in calendar year 2012 which included three Nonprofit Intermediaries. Two of the fifteen applicants selected by lottery withdrew their applications in 2013.

At year end 2012 there were four slots available due to expirations along with one additional slot due to lack of sponsor/CDC participation. The City received 12 applications by the January 31, 2013 deadline.

The City selected five applications by lottery. Also due to the withdrawal of two business applications from the 2012 lottery selection, two additional slots were available, and the Department submitted the next two businesses on the January 31, 2013 lottery list for approval.

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

By December 31, 2013 there were 42 participants in the Community Development Tax Credit Program which included 37 Community Development Corporations, three Nonprofit Intermediaries and two 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 to four. 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 slots were available due to expirations. One slot could be filled by a Nonprofit Intermediary per Bill No. 130853. The City received five applications, which included two Nonprofit Intermediaries, by the March 19, 2014 deadline. The City received a sixth application on March 26, 2014 and a seventh application was received on March 28, 2014. The City selected the Non-Profit Intermediary slot by lottery on May 23, 2014. The City filled the other four slots with the CDC applications received on the first day, March 19 and the sixth CDC Application received on March 26 without a lottery. No lottery was necessary because 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, the City made four slots available due to expirations. They City posted an advertisement on the Department website stating that applications for these slots would be accepted on January 13, 2015. The City received five applications by the January 13, 2015 deadline. One 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. Because four slots were open and four 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 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 CDCs received notice from their Business Sponsor or Co-Sponsor(s) that they were no longer participating in the CDC Tax Credit Program effective December 31, 2016. All five CDCs were able to acquire a new Business Sponsor or Co-Sponsor(s) for the remaining years of the original 10-year Contribution Agreement. On December 31, 2016, the City made two slots available, one due to expiration and another due to the termination of a CDC. The City posted an advertisement on the Department 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 applications were received. Since only two slots were available, the City held a lottery on Friday, January 20, 2017.

During tax year 2017, five CDCs received notice from their Business Sponsor or Co-Sponsor(s) that they were no longer participating in the CDC Tax Credit Program effective December 31, 2017. Four CDCs were able to acquire a new Business Sponsor or Co-Sponsor(s) for the remaining years of the 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, the City made three slots 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 Contribution Agreement was unsuccessful and had to forfeit their slot. The City posted an advertisement the Department website stating that applications for these slots would be accepted on January 9, 2019. The City received eight applications by the January 9, 2019 deadline. Since only four slots were available, the City held a lottery on Monday, January 14, 2019.

Effective Tax Year 2019, Bill No. 180261-A increased the number of participants from 40 to 45 for contributions to Qualifying CDCs or Qualifying Nonprofit Intermediaries. The Department shall not enter into more than 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, the City made two slots available due to expirations, and a third slot was made available after the CDC who was attempting to acquire a new Business Sponsor for the remaining years of their Contribution Agreement was unsuccessful and had to forfeit their slot. The City made a fourth slot available when Commerce did not approve a renewal application for a CDC that was on probation (Mayfair CDC). The City posted an advertisement the Department website stating that applications for these slots would be accepted on January 14, 2020. The City received six applications by the January 14, 2020 deadline. Because only four slots were available, the City held a lottery on Monday, January 16, 2020.

No Contribution Agreements expired on December 31, 2020, thus no slots were available and no new agreements were made in 2021.

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. The City reviews the renewal applications at the end of each year to verify that the businesses and their CDC

partners continue to meet all requirements under the legislation, regulations, and contribution agreements. The Department of Commerce approved all 2021 Renewal Applications submitted. No CDCs were issued warning letters nor letters of probationary status for the 2021 calendar year.

The following data was submitted by the Commerce Department after their review of the 2021 Renewal Applications:

- Vital COVID-19 information was disseminated to the community and businesses on a regular basis
- Efforts made toward building an open-air market, artisan shop and farmers market in Francisville
- Additional permanent employment positions were made available
- Gift Certificate match program was initiated for restaurants, funding 50% of the certificate amount to assist restaurants during COVID-19
- Assisted businesses in Mayfair with 12 different COVID-19 relief funding opportunities
- Twenty (20) unrestricted grants of \$2,000.00 were issued to 52<sup>nd</sup> Street businesses affected by looting which resulted from Civil Unrest
- Working towards a plan to revitalize an old, underutilized pier
- Funded a commercial corridor manager for the Wyoming Avenue Corridor
- Created a website that shows available properties along with an online business directory for the Kensington area
- Provided counseling services to first time homebuyers to assure that they are ready to take on the responsibility of home ownership
- Placed 20 individuals in new jobs created at Penn that relate to COVID-19
- Made over 7,000 face masks that were donated to the over 19 healthcare facilities in Philadelphia
- Pressure washers were purchased that were used to clean one and a half miles of sidewalk in Manayunk.
- Provided training opportunities such as ServSafe food handling, Certified Peer Specialist (CPS) and Forklift Operation Training to participants in the Lower North Philadelphia area assisting them with obtaining a living wage
- Provided job retention coaching for a least six months along with financial education to assist newly employed persons with budgeting skills
- Provided technical, financial, and legal assistance to owners and tenants who have properties that have historic facades
- Streetlights were upgraded to brighter LED lights in the Roxboro area
- Initiating a grant fund to 17 small businesses on 52<sup>nd</sup> Street effected by civil unrest
- Opened a satellite community centered office on 52<sup>nd</sup> Street
- Provided a pro bono design service
- Established the Green Ambassador Training Program that provides technical and soft skills in areas in Green Infrastructure Management

In calendar year 2020, the Department posted \$2,126,449 in Community Development Corporation Credits to the business sponsors' BIRT accounts, with \$3,780,000 received by the participating Qualifying Organizations. The difference of \$1,653,551 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 2020 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. While business sponsors are required by legislation to give the full amount of their contribution to their respective CDC, the amount of the credit claimed 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 \$42,650,021 in Community Development Corporation Credits has been posted to the Business Sponsors' BIRT accounts.

**COMMUNITY DEVELOPMENT CORPORATIONS (CDC) RECEIVING 2020 CONTRIBUTION TAX CREDIT**

<b>Organization</b>	<b>Start Year</b>	<b>Annual Amount</b>
1. Community Design Collaborative, <b>NPI</b>	2012	\$ 85,000
2. Frankford Community Development Corporation	2012	\$ 85,000
3. Southwest Community Development Corporation	2012	\$ 85,000
4. Philadelphia Local Initiatives Support Corporation, <b>NPI</b>	2012	\$ 85,000
5. ACHIEVEability	2012	\$ 85,000
6. East Falls Development Corporation	2012	\$ 85,000
7. New Kensington Community Development Corporation	2012	\$ 85,000
8. People’s Emergency Center CDC	2012	\$ 85,000
9. Philadelphia Association of Community Development Corporations, <b>NPI</b>	2012	\$ 85,000
10. Roxborough Development Corporation	2012	\$ 85,000
11. Impact Services Corporation	2012	\$ 85,000
12. Central Philadelphia Development Corporation	2012	\$ 85,000
13. Spring Garden Community Development Corporation	2013	\$ 85,000
14. East Passyunk Avenue Improvement District	2013	\$ 85,000
15. HACE aka Hispanic Assoc. of Contractors & Enterprises	2013	\$ 85,000
16. Project H.O.M.E.	2013	\$ 85,000
17. The Village of Arts and Humanities	2013	\$ 85,000
18. Mt. Airy U.S.A.	2013	\$ 85,000
19. Nueva Esperanza, Inc.	2013	\$ 85,000
20. Beech Interplex, Inc.	2013	\$ 85,000
21. Delaware River Waterfront Corporation	2013	\$ 85,000
22. Chestnut Hill Community Development Corporation	2013	\$ 85,000
23. Philabundance, <b>HFI</b>	2013	\$ 85,000
24. Common Market Philadelphia, Inc., <b>HFI</b>	2013	\$ 85,000
25. Philadelphia Chinatown Development Corporation	2014	\$ 85,000
26. Schuylkill River Development Corporation (SRDC)	2014	\$ 85,000
27. Fairmount Community Development Corporation	2014	\$ 85,000
28. Tacony Community Development Corporation	2014	\$ 85,000
29. Francisville Neighborhood Development Corporation	2015	\$100,000
30. Asociación Puertorriqueños En Marcha, Inc	2015	\$100,000
31. University City District	2015	\$100,000
32. South of South Neighborhood Association	2015	\$100,000
33. Old City Community Fund	2017	\$100,000
34. Delaware River City Corporation (DRCC)	2017	\$100,000
35. SEAMAAC, Inc.	2019	\$100,000
36. Germantown United Community Development Corporation	2019	\$100,000
37. The Allegheny West Foundation	2019	\$100,000
38. Nicetown Community Development Corporation	2019	\$100,000
39. The Enterprise Center CDC	2020	\$100,000
40. Mayfair Business Improvement District (BID)	2020	\$100,000
41. South Street Headhouse District Foundation	2020	\$100,000
42. New Manayunk Corporation	2020	\$100,000
	<b>Total Contributions</b>	<b>\$3,780,000</b>

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