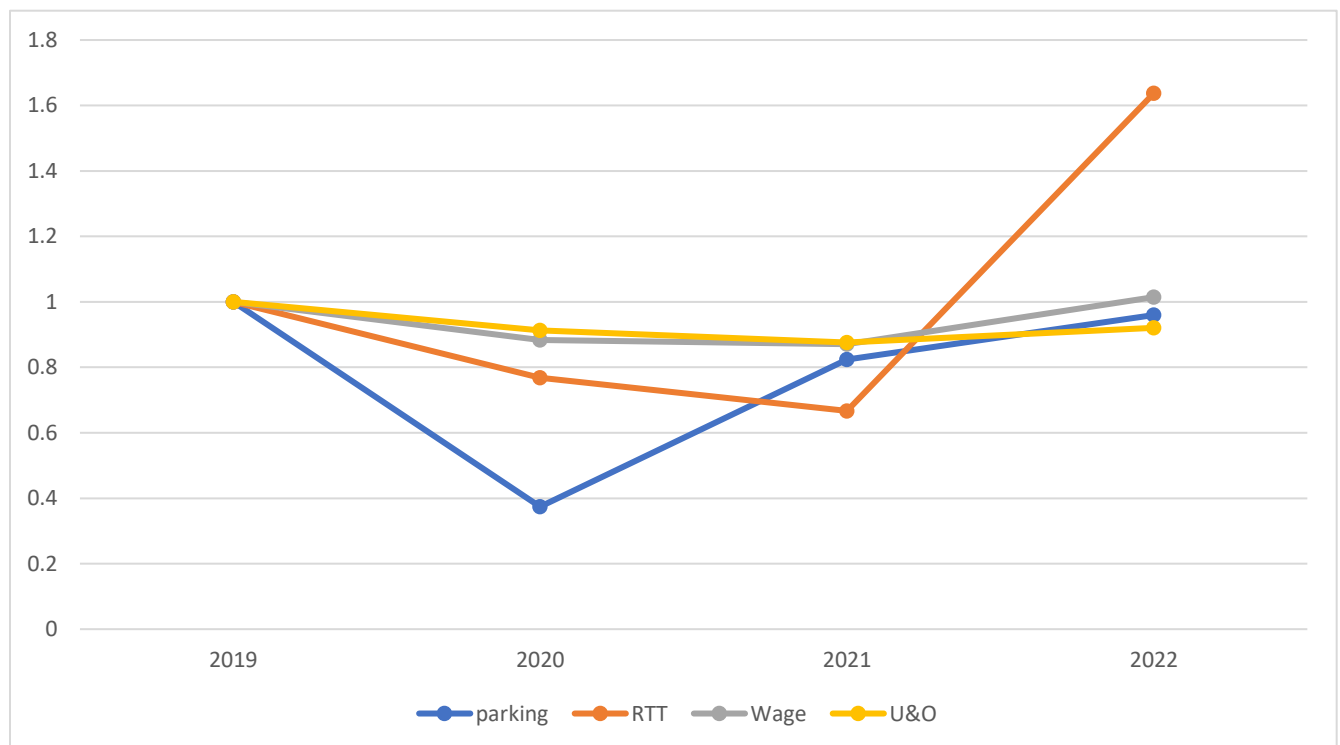


September 2022 – Report on the first Quarter of the 2023 fiscal year

The Consumer Price Index saw an additional 0.4% increase in September 2022. This brings the CPI increase to 8.2% since September of 2021.¹ Food prices in the Philadelphia area increased by 12.2% over the year, the largest increase in 43 years. Prices for food at home rose by 16.9% over the same time period, the largest increase since 1974. Energy prices rose by 29.5% over the year due not only to higher gasoline prices, but also due to piped gas service (+40.1%) and electricity service (+18.3%). All other items rose by 5.8% over the course of the year.² The implications of inflation on the economic future, and correspondingly on tax revenues of Philadelphia is unknown, but this is the reality that the residents of Philadelphia are facing.

In this analysis report, we focus on the first quarter of the fiscal year 2023 (July to September 2022). Non-Pharmaceutical Interventions (NPIs) Covid-19 restrictions have been lifted by all municipal, state, and federal governments and it seems that business is back to 'normal.'³ Wage Taxes are down overall compared to 2019, however collections for the first quarter of FY23 show an upward trend, with Education and Hospitality & Entertainment leading. Use and Occupancy tax revenue is strong in the Far Northeast for this same first quarter. Parking taxes are also up this quarter in all regions of the city, year-to-year. Revenue from mixed-use commercial real estate transfers is up by 19.47% in FY2023 compared to FY2019 and up 117.43% year-to-year in the first quarter. Most of these mixed-use buildings are in the 1st council district in South Philadelphia.

July to September, 2020-2022 (base of 2019 taxes)



¹ US Bureau of Labor Statistics. Consumer Price Index. <https://www.bls.gov/cpi/latest-numbers.htm> Retrieved October 13, 2022.

² https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_philadelphia.htm Retrieved October 13, 2022.

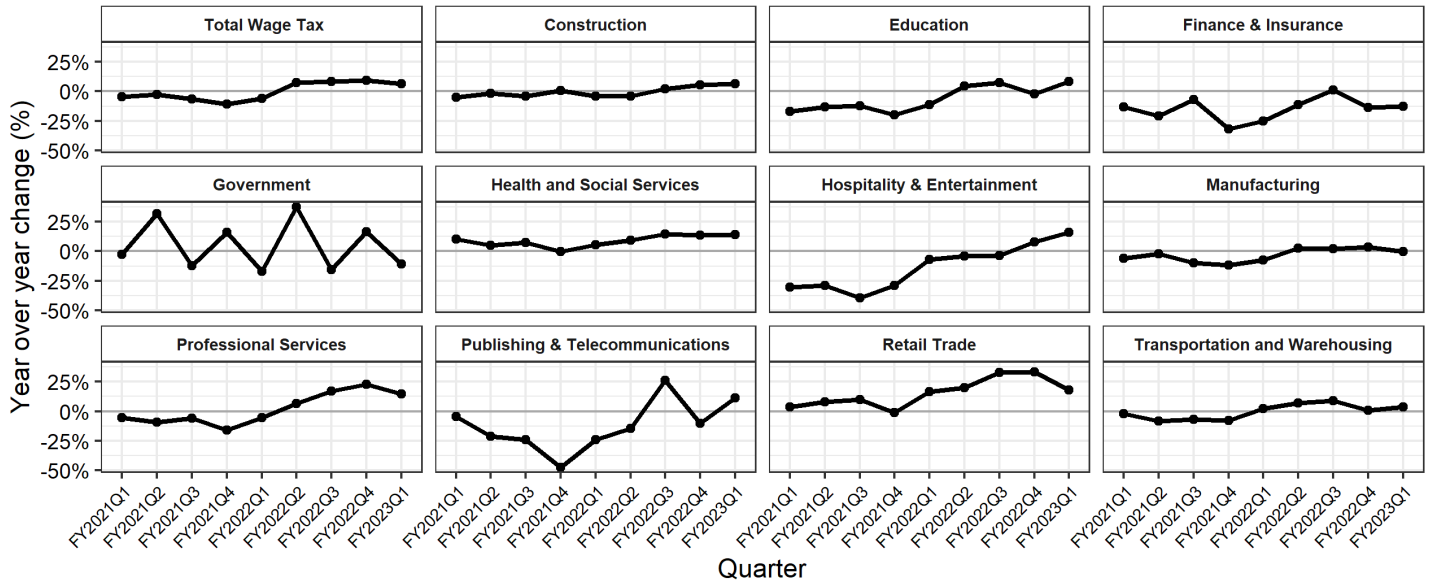
³ <https://www.phila.gov/2022-08-15-what-does-the-new-cdc-guidance-on-covid-19-mean-for-you/> Retrieved October 20, 2022.

Analysis of Tax Data for Economic Information

Wage Tax

- For Q1 FY2023, total Wage Tax collections are up compared to the same period in FY2022 (+13.5%) and FY2021 (+11.8%). Compared to pre-pandemic Q1 FY2020, collections are down slightly by 1.2%.
- These trends are also observed for the top four industries (Health and Social Services, Professional Services, Government, and Education), with gains in Q1 FY2023 compared to the same period in FY2022 (+12.8%) and FY2021 (+7.9%) but a slight decline relative to FY2020 (-1.0%).
- Within the top four industries, Education (+22.2%) and Health and Social Services (+21.4%) are up the most compared to the previous fiscal year. Across all top-level industries, collections are up relative to Q1 FY2022, with Publishing & Telecommunications (+46.9%) and Hospitality & Entertainment (+24.4%) experiencing the largest increases.
- Compared to FY2019, the most recent non-pandemic fiscal year, while total Wage Tax collections are down for September – as well as across most industries – collections for the quarter continue to show a slow upward trend since July 2020, with Education and Hospitality & Entertainment seeing the most growth.

*Top-level Industry Breakdown - July 2020-September 2022
Percent Change from FY2019 by Quarter - Wage Tax Revenue*



Top-level Industry Breakdown - Fiscal Year to Date (July 2022-September 2022) - Wage Tax Revenue (in millions)

Industry	FY2020	FY2021	FY2022	FY2023	Pct Change from FY2020	Pct Change from FY2021	Pct Change from FY2022
Health and Social Services	\$118.0	\$117.3	\$112.3	\$121.3	2.8%	3.4%	8.0%
Professional Services	\$58.8	\$51.2	\$51.1	\$62.0	5.4%	21.1%	21.4%
Government	\$71.0	\$65.4	\$56.0	\$60.2	-15.3%	-8.0%	7.5%
Education	\$50.2	\$39.5	\$42.2	\$51.6	2.7%	30.5%	22.2%
Hospitality & Entertainment	\$29.4	\$18.0	\$24.1	\$30.0	2.1%	66.8%	24.4%
Finance & Insurance	\$35.6	\$29.7	\$25.5	\$29.8	-16.4%	0.5%	16.7%
Retail Trade	\$25.0	\$24.2	\$27.2	\$27.5	10.0%	13.7%	1.2%
Manufacturing	\$28.9	\$25.7	\$25.3	\$27.2	-5.8%	5.9%	7.5%
Construction	\$18.7	\$17.3	\$17.4	\$19.3	2.9%	11.6%	10.6%
Publishing & Telecommunications	\$20.9	\$16.0	\$12.7	\$18.6	-10.7%	16.6%	46.9%
Transportation and Warehousing	\$19.4	\$16.7	\$17.4	\$17.7	-8.6%	6.1%	1.5%
Other Sectors	\$59.8	\$52.4	\$55.3	\$64.1	7.3%	22.4%	16.1%
Total Wage Tax	\$535.7	\$473.3	\$466.4	\$529.3	-1.2%	11.8%	13.5%

Use and Occupancy (U&O) ⁴

- The Far Northeast remains Philadelphia’s Workshop of the World, with industrial buildings paying more Use and Occupancy in that region than in any other region or neighborhood in Philadelphia.
- Of the four areas that comprise the Far Northeast, Millbrook (19154, includes the Pepsi Bottling Plant and Franklin Mills) and Torresdale (19114, includes the NE airport) are the areas that show an increase in industrial U&O taxes, especially since FY 2019.
- Bustleton (19115) continues to produce about half the industrial U&O taxes compared to FY 2019.

Use and Occupancy Tax paid for Industrial buildings in Far Northeast (July-Sept, 2019-2022)

Zip Codes ⁵	2019	2020	2021	2022
19114	\$ 1,207,511	\$ 1,063,523	\$ 1,199,121	\$ 1,231,536
19115	\$ 839,520	\$ 534,171	\$ 584,142	\$ 497,075
19116	\$ 971,553	\$ 1,087,312	\$ 758,519	\$ 899,453
19154	\$ 1,448,482	\$ 931,350	\$ 1,372,632	\$ 1,536,050

Use and Occupancy Tax paid for Industrial buildings in Torresdale & Millbrook, Center City West, Navy Yard & Airport, Kensington & Frankford (July-Sept, 2019-2022)

Region	2019	2020	2021	2022
Torresdale	\$ 1,207,511	\$ 1,063,523	\$ 1,199,121	\$ 1,231,536
Millbrook	\$ 1,448,482	\$ 931,350	\$ 1,372,632	\$ 1,536,050
Kensington & Frankford	\$843,555	\$781,432	\$706,356	\$750,496
Airport & Navy Yard	\$961,213	\$679,789	\$618,170	\$764,084
Center City West	\$275,983	\$214,515	\$197,332	\$242,489

Average U&O Tax paid July to September per taxpayer account (Industrial buildings only)

Region	avg for 2019-2022	avg for 2022
Millbrook	\$13,075.17	\$16,000.52
Torresdale	\$9,797.74	\$11,094.92
Airport & Navy Yard	\$6,138.13	\$5,877.57
Center City West	\$4,481.34	\$5,271.50
Kensington, Frankford	\$2,867.62	\$2,875.46

⁴ The Use and Occupancy Tax rate is 1.21% of the assessed value of a property, with a \$2,000 annual tax exemption.

⁵ 19114: Torresdale (with NE Airport, Holy Family University, TJ Hospital); 19115: Bustleton (American Heritage Federal Credit Union HQ, Bustleton Ave Shops); 19116: Somerton (NetCost, Bustleton Ave Shops); 19154: Millbrook (Pepsi Bottling, Franklin Mills)

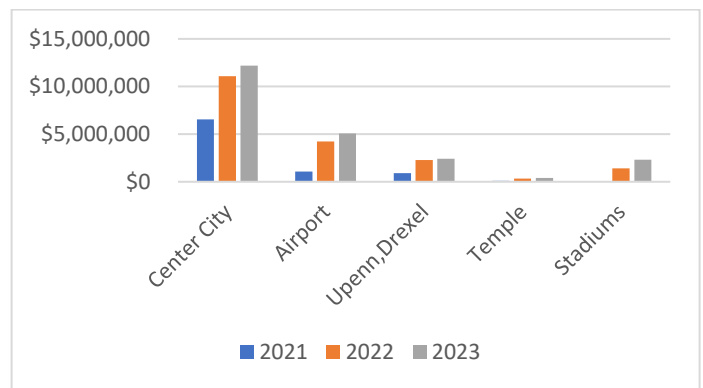
Analysis of Tax Data for Economic Information

Parking Tax⁶

- Keeping in mind that the parking tax was lowered at the beginning of FY22, we see an increase in summertime parking use in all regions.
- The summer months of FY21 were the height of the COVID pandemic. As such, there were no sports at the stadiums and no theater productions in center city.
- Parking tax revenues seem to be bouncing back during the summers of FY22 and FY23.
- All regions are close to or surpassing the parking revenue for Q1, 2019, despite being based on a lower tax rate.

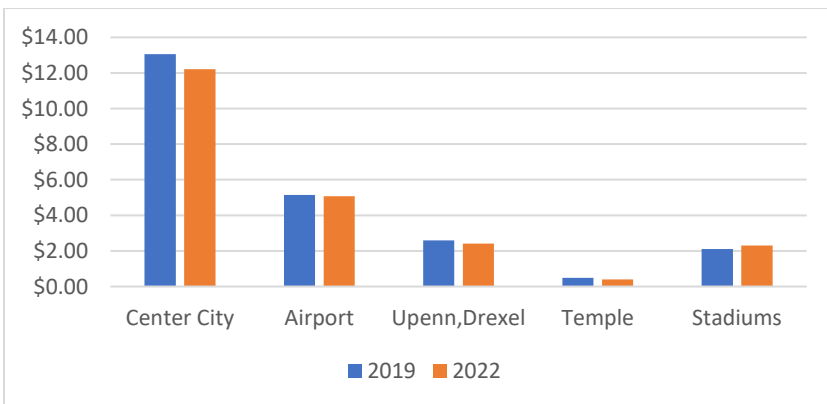
Parking Tax for all regions (July through September, 2020-2022)

Region	2020	2021	2022
Center City	\$6,557,520	\$11,088,315	\$12,206,108
Airport	\$1,079,860	\$4,238,098	\$5,071,798
Upenn,Drexel	\$897,772	\$2,267,852	\$2,417,055
Temple	\$83,579	\$344,156	\$393,653
Stadiums	\$59,337	\$1,423,707	\$2,304,051



Parking Tax, 2019 vs 2022 (in millions)

Region	No of Locations	Total Paid per Location	No of Locations ²	Total Paid per Location ³
Center City	249	\$13,063,523	230	\$12,206,108
Airport	16	\$5,146,169	14	\$5,071,798
Upenn,Drexel	76	\$2,586,698	66	\$2,417,055
Temple	18	\$484,085	19	\$393,653
Stadiums	9	\$2,112,875	8	\$2,304,051



⁶ The Parking Tax is collected every month on the 15th; it is set at 22.5% of gross receipts. There are no discounts applicable to the Parking Tax.

Real Estate Transfer Tax

- Commercial and resident buildings have shown an overall growth for the first quarter in FY2023 (+151.72% & +13.65% respectively). However, residential buildings experienced a slight decline (-17.45%) between FY2021 and FY2022.
- For the first quarter of fiscal year 2023, the location analysis (large apartments focused) reports a large dollar amount of apartment transfers in University Southwest area followed by Northwest Philadelphia.
- In the last four years, the city has seen a drastic increase in collections for large apartments (+975%) and houses (+20%) in the first quarter. Office buildings had a slight increase from FY2021-FY2022 then decreased back to 1M in the first quarter of FY2023.

Real Estate Transfer Tax Amounts Q1, FY2020 to FY2023

Fiscal Year	2020		2021		2022		2023	
Bldg Category	Local Tax Amount	# of Transfers	Local Tax Amount	# of Transfers	Local Tax Amount	# of Transfers	Local Tax Amount	# of Transfers
<input type="checkbox"/> commercial	\$31,962,048	650	\$15,024,382	456	\$15,732,077	431	\$80,455,885	640
<input type="checkbox"/> apartmentLarge	\$3,901,242	69	\$4,002,581	45	\$2,100,373	46	\$43,153,232	69
<input type="checkbox"/> bank			\$17,210	1	\$11,473	2	\$26,224	1
<input type="checkbox"/> condo	\$3,289,473	5	\$52,022	6	\$77,604	4	\$124,298	7
<input type="checkbox"/> hotel	\$172,095	1	\$5,304	1	\$373,271	3	\$4,197,184	3
<input type="checkbox"/> industrial	\$11,841,362	78	\$3,255,829	60	\$3,005,111	51	\$9,639,961	75
<input type="checkbox"/> miscCommercial	\$393,773	25	\$191,733	16	\$1,224,538	25	\$751,414	35
<input type="checkbox"/> mixedUsage	\$1,961,924	232	\$1,201,486	157	\$1,078,062	151	\$2,343,977	247
<input type="checkbox"/> nonProfit	\$1,522,435	26	\$1,295,836	32	\$377,672	12	\$1,970,050	31
<input type="checkbox"/> officeBuilding	\$969,177	10	\$849,296	8	\$3,791,281	10	\$1,019,376	8
<input type="checkbox"/> parking_garage			\$0	1	\$1,196,931	4	\$229,460	1
<input type="checkbox"/> parkingLot	\$1,232,514	22	\$489,286	16	\$291,032	9	\$463,935	11
<input type="checkbox"/> Restaurant_Bar	\$676,217	16	\$445,724	8	\$107,120	3	\$836,052	19
<input type="checkbox"/> retail	\$3,006,530	64	\$2,371,421	47	\$1,270,893	48	\$7,108,106	57
<input type="checkbox"/> theater_stadium_other amuse	\$25,939	6	\$90,766	5	\$43,650	7	\$96,701	5
<input type="checkbox"/> utility	\$0	2					\$78,730	2
<input type="checkbox"/> vacantLand	\$2,969,367	94	\$755,890	53	\$783,064	56	\$8,417,186	69
<input type="checkbox"/> residential	\$56,453,283	10,222	\$52,605,930	8,444	\$43,425,062	6,412	\$64,157,550	9,384
<input type="checkbox"/> apartmentSmall	\$4,382,686	668	\$3,322,652	510	\$3,219,490	425	\$5,352,287	640
<input type="checkbox"/> condo	\$7,734,452	655	\$5,190,185	530	\$6,708,382	465	\$8,028,816	670
<input type="checkbox"/> garage	\$86,863	28	\$127,815	20	\$20,897	10	\$113,200	19
<input type="checkbox"/> house	\$40,416,202	7,877	\$40,048,911	6,656	\$31,309,759	5,074	\$48,098,136	7,518
<input type="checkbox"/> miscResidential	\$10,140	7	\$10,863	6	\$9,752	4	\$59,192	7
<input type="checkbox"/> vacantLand	\$3,822,940	987	\$3,905,502	722	\$2,156,782	434	\$2,505,918	530
<input type="checkbox"/> Unknown	\$2,856,228	262	\$2,464,745	209	\$1,709,086	180	\$4,821,397	308
<input type="checkbox"/> Unknown	\$2,856,228	262	\$2,464,745	209	\$1,709,086	180	\$4,821,397	308
Total	\$91,271,559	11,134	\$70,095,057	9,109	\$60,866,225	7,023	\$149,434,832	10,332

Large Apartment Tax Transfer Amounts, Q1 FY2023

District	Local Tax Amount	Address Count New	Fiscal Year
East Central	\$2,275,543	18	2023
Far Northeast	\$57,748	2	2023
North	\$3,553,210	12	2023
Northeast	\$34,583	2	2023
Northwest	\$9,431,454	16	2023
River Wards	\$36,592	4	2023
South	\$24,585	1	2023
University Southwest	\$25,210,079	7	2023
West	\$170,456	1	2023
West Central	\$2,358,983	25	2023
	\$43,153,233		

