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COUNCIL OF THE CITY OF PHILADELPHIA

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COMMITTEE ON COMMERCE AND ECONOMIC

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DEVELOPMENT

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, October 7, 2010
1:10 p.m.

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PRESENT:

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COUNCILMAN W. WILSON GOODE, JR., CHAIR

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COUNCILMAN DARRELL CLARKE

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COUNCILMAN BILL GREEN

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COUNCILMAN CURTIS JONES, JR.

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COUNCILWOMAN MARIA D. QUINONES-SANCHEZ

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COUNCILWOMAN BLONDELL REYNOLDS BROWN

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BILL 100547 - An ordinance amending Section
19-2604 of The Philadelphia Code, relating to
tax rates and credits for the business
privilege tax, by amending the provisions
providing a credit for contributions to
community development corporations to add
certain nonprofit intermediaries as eligible
recipients of contributions...

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COUNCILMAN GOODE: Good

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afternoon. This hearing is called to

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order. This is a public hearing of the

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Commerce and Economic Development

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Committee on Bill No. 100547.

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My name is W. Wilson Goode,

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Jr., Chair of this Committee. I note

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that a quorum is present. To my far left

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is Councilman Curtis Jones, then

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Councilman Darrell Clarke, Councilwoman

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Blondell Reynolds Brown, Vice-Chair of

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the Committee. To my immediate right is

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Bill Green and next to him is

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Councilwoman Maria Quinones-Sanchez.

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The title of Bill No. 100547,

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amending Section 19-2604 of The

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Philadelphia Code, relating to tax rates

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and credits for the business privilege

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tax, by amending the provisions providing

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a credit for contributions to community

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development corporations to add certain

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nonprofit intermediaries as eligible

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recipients of contributions, under

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certain terms and conditions.

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2 Our first witness is Andrew
3 Frishkoff, Commerce Department.

4 (Witness approached witness
5 table.)

6 MR. FRISHKOFF: Good afternoon,
7 Mr. Chairman and members of City Council.
8 Thank you for the opportunity to testify
9 today. My name is Andrew Frishkoff. I'm
10 the Director of Neighborhood Economic
11 Development for the Philadelphia Commerce
12 Department. I am here today to provide
13 testimony regarding Bill No. 100547
14 regarding an amendment to the CDC
15 Contribution Tax Credit Program.

16 Since the inception of the
17 program, the Commerce Department has
18 assisted the Revenue Department with
19 determining CDC eligibility and with
20 reviewing new applications and renewal
21 applications. In that specific role, our
22 primary responsibility has been to ensure
23 that the targeted communities are
24 economically distressed and that
25 participating CDCs use contributed funds

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2 for eligible economic development
3 activities.

4 In the broader role of the
5 Commerce Department, as the coordinator
6 of economic development activities in the
7 City, we work closely with many of the
8 participating CDCs to assist them with
9 their projects and programs. We also
10 work with many intermediaries who provide
11 financial, technical and policy
12 assistance to CDCs.

13 The proposed amendment would
14 allow as many as three qualifying
15 nonprofit intermediaries to be designated
16 as recipients of tax credit-eligible
17 contributions under the program. The
18 amendment defines a qualifying nonprofit
19 intermediary as a nonprofit organization
20 with an established record of providing
21 financial, technical, policy or related
22 assistance to community development
23 corporations or other organizations
24 undertaking neighborhood economic
25 development activities within the City of

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2 Philadelphia.

3 Insofar as many intermediaries
4 provide tangible assistance that supports
5 measurable economic development
6 activities, the Commerce Department is
7 supportive of this amendment. We
8 recommend one change and we seek
9 clarification regarding program
10 administration and accountability.

11 First, we would suggest eliminating the
12 phrase "or other organizations" from
13 Subsection (6)(a)(.2). Because the
14 current program is limited to qualifying
15 CDCs, it seems reasonable to target the
16 amendment to those intermediaries that
17 provide assistance to qualifying CDCs.

18 Second, we would like to state
19 for the record that Commerce intends to
20 apply the same program performance
21 standards to intermediaries that it does
22 for CDCs. We will expect intermediaries
23 to demonstrate annually that they have
24 used tax credit-eligible contributions to
25 assist CDCs with eligible economic

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2 development activities in economically
3 distressed communities. Where feasible,
4 we will ask them to document the outcomes
5 of such activities as well. We ask for
6 clarification that this approach is
7 consistent with the intent of the
8 proposed program amendment.

9 Thank you again for the
10 opportunity to testify today. I'm happy
11 to answer any questions you may have.

12 COUNCILMAN GOODE: Thank you
13 for your testimony, Mr. Frishkoff. The
14 amendment has been circulated to members
15 of the Committee, so we will strike those
16 three words. In addition to that, for
17 the record, "qualifying organization" is
18 defined within the legislation as a
19 qualifying CDC or qualifying nonprofit
20 intermediary, and we would expect that
21 both of them would be treated the same as
22 qualifying organizations.

23 Are there questions from
24 members of the Committee?

25 Councilman Green.

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2 COUNCILMAN GREEN: I'm just
3 curious what your definition or if
4 there's regulations about what
5 "economically distressed communities"
6 means with respect to this ordinance.

7 MR. FRISHKOFF: Right. I think
8 our definition and what's in the
9 regulations maybe could be clarified
10 further. Our definition is generally
11 that there is physical blight and
12 particularly in terms of business areas,
13 and that there is underemployment, that
14 the CDC would be able to document both of
15 those in their application, or in this
16 case the qualifying intermediary would be
17 able to document for the areas that
18 they're providing support.

19 COUNCILMAN GREEN: I'm sorry.
20 You said there was an inconsistency
21 between your definition and the
22 regulations?

23 MR. FRISHKOFF: The regulations
24 don't lay out a very specific set of
25 criteria, so I gave you what the Commerce

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2 Department would apply. That's not
3 necessarily spelled out in that level of
4 detail in the current regulations.

5 COUNCILMAN GREEN: I guess I'd
6 suggest that you make the rules as clear
7 as possible in promulgating regulations
8 that further the intent of these
9 proposals.

10 MR. FRISHKOFF: We would seek
11 to do that with the Revenue Department.
12 Just a note, that the current program is
13 getting close to its ten-year
14 anniversary, which means that a number of
15 the current participants will reach the
16 end of their current commitments with
17 their business partners, and we think
18 that is a good time to look at both
19 regulations and what the outcomes have
20 been of the program and to address all of
21 those issues, because there will be a
22 question for those that come up for
23 renewal what the process would be for
24 determining whether they are more
25 eligible or less eligible than new

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2 applicants for those current 30 slots.

3 COUNCILMAN GREEN: Thank you.

4 COUNCILMAN GOODE: Councilwoman
5 Sanchez.

6 COUNCILWOMAN SANCHEZ: Yes.

7 Thank you.

8 Good afternoon, Andy.

9 Question, because I know where we want to
10 go with this. I want you to
11 operationalize this for me in my head.
12 So we have one tax credit partnering CDC
13 who then receives -- who is going to be
14 able to split their tax credit piece with
15 technical assistance, as the case of
16 PACDC?

17 MR. FRISHKOFF: For this
18 amendment -- and I'll defer to Councilman
19 Goode on this, but this would be that
20 within the 30 slots, as many as three
21 would be for intermediaries, and they
22 would be able to provide assistance to
23 any of the qualifying CDCs or
24 participating CDCs in the program, as
25 well as other CDCs. So it wouldn't be on

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2 the participating CDCs to seek the
3 technical assistance. It would be on the
4 intermediary who is proposing to fill a
5 slot to demonstrate that they will be
6 providing eligible assistance.

7 COUNCILWOMAN SANCHEZ: How many
8 slots are currently available?

9 MR. FRISHKOFF: Prior to this
10 amendment, there are zero slots available
11 for intermediaries. Right now the
12 current ordinance requires that you be a
13 qualifying CDC. So the current 30
14 occupants of those slots are all
15 qualified CDCs.

16 COUNCILWOMAN SANCHEZ: Okay.
17 Again, I know where we want to go with
18 this. I'm just concerned that outside of
19 the Philadelphia CDC Association who else
20 would be potential applicants of this.

21 MR. FRISHKOFF: And this was
22 one of the reasons why we sought the
23 clarification around CDCs. It would be
24 an organization that provides financial
25 assistance to CDCs --

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2 COUNCILWOMAN SANCHEZ: So it
3 could be the Reinvestment Fund?

4 MR. FRISHKOFF: It could be the
5 Reinvestment Fund or Local Initiatives
6 Support Corporation. It could be
7 technical assistance, which could be
8 Community Design Collaborative. It could
9 be policy assistance, which could also
10 apply to Philadelphia Association of
11 CDCs. That's our current reading in
12 terms of the financial, technical,
13 policy-related assistance. Those would
14 be examples.

15 COUNCILWOMAN SANCHEZ: Okay. I
16 mean, I do have a little bit of concern
17 about how many hands could get in this
18 pot, just because I do have many tax
19 credit partners, tax credit folks in my
20 district in terms of CDC doing actual
21 activity. General operating support is
22 so difficult for these CDCs to receive,
23 and then you have them potentially
24 competing with the bigger guys, who have
25 access to a lot of other technical

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2 assistance. Again, I'll take the
3 Pennsylvania Association of CDCs out of
4 it, but when you start talking about the
5 Reinvestment Fund and some other folks,
6 it becomes very competitive for some of
7 my local guys. So if you assure me today
8 that none of my local guys are going to
9 be impacted with this, I'll be okay.

10 MR. FRISHKOFF: So as of this
11 moment in time, all 30 slots are occupied
12 by CDCs. So unless a group falls out of
13 the program prior to their ten-year
14 renewal period, it would have no
15 immediate impact.

16 COUNCILWOMAN SANCHEZ: Is
17 anybody in jeopardy for being taken off
18 the program?

19 MR. FRISHKOFF: There are one
20 or two that are looking for new corporate
21 partners. I think in one case in your
22 district, I think they've secured a
23 partner, but we've not yet gotten the
24 formal renewal application from them.
25 But where I think it does become an issue

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2 is when we get to the ten-year mark --

3 and Councilman Green's question as

4 well -- and making sure that we have

5 clear criteria for performance, for what

6 determines a distressed community and is

7 there any preference given to a current

8 CDC renewing their slot versus a new CDC

9 who applies when a slot becomes open.

10 So I think all of those we need

11 to determine and make sure that we're in

12 keeping with the spirit of the ordinance,

13 but make sure that we have good

14 regulations.

15 COUNCILWOMAN SANCHEZ: When is

16 the ten-year deadline?

17 MR. FRISHKOFF: We're looking

18 at not this coming calendar year but the

19 year after will be the first.

20 COUNCILWOMAN SANCHEZ: Thank

21 you.

22 COUNCILMAN GOODE: For the

23 record, there are only three slots for

24 intermediaries, and so there will only be

25 competition for those three slots, at

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2 most.

3 Any more questions for this
4 witness?

5 (No response.)

6 COUNCILMAN GOODE: Thank you
7 very much.

8 MR. FRISHKOFF: Thank you.

9 COUNCILMAN GOODE: Our next
10 witness is Rick Sauer, PACDC.

11 (Witness approached witness
12 table.)

13 COUNCILMAN GOODE: Good
14 afternoon. Please state your name for
15 the record and proceed with your
16 testimony.

17 MR. SAUER: Good afternoon and
18 thank you, Councilman Goode and members
19 of the Committee, for the opportunity to
20 testify. My name is Rick Sauer and I'm
21 the Executive Director of the
22 Philadelphia Association of Community
23 Development Corporations. As most of
24 you, I think, know, PACDC is a citywide
25 association of 80 community development

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2 corporations and other organizations that
3 are engaged in neighborhood
4 revitalization and addressing the
5 community development needs of local
6 residents. Many of our CDC members are
7 working to strengthen their neighborhood
8 economies and commercial corridors and
9 are actively participating in the CDC Tax
10 Credit Program right now.

11 As the umbrella organization of
12 Philadelphia CDCs, PACDC advocates for
13 policies and resources to support CDCs'
14 efforts to revitalize their neighborhood
15 commercial corridors, grow jobs,
16 strengthen their communities and
17 ultimately increase the City's tax base.
18 We also provide technical assistance and
19 training to community development
20 practitioners, such as the upcoming
21 two-day training later this month on
22 mixed-use commercial/residential
23 development, in conjunction with the
24 National Development Council and Citi
25 Foundation. This training, I believe, is

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2 especially timely given that the City now
3 has a new dedicated funding source for
4 mixed-use development.

5 First, I would like to express
6 my gratitude to Councilman Goode and
7 members of this Committee for their
8 leadership in creating and working to
9 strengthen the CDC Tax Credit Program.
10 About two years ago, PACDC released this
11 report called "Expanding Economic
12 Opportunities and Revitalizing
13 Neighborhoods," which highlights
14 accomplishments of partnerships that are
15 currently participating in the Tax Credit
16 Program and also lays out a series of
17 recommendations to further strengthen the
18 program that are enumerated on the last
19 two pages of the report.

20 PACDC's recommendations have
21 included expanding the program to 30
22 partnerships, which we did work with City
23 Council and the Administration to
24 implement back in the fall of 2008. Also
25 to allow a CDC to partner with up to two

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2 businesses instead of just one, given the
3 downturn in the economy, to ensure
4 continued success of the program, which
5 Council approved in spring of 2009. We
6 also worked with the Commerce Department
7 and Revenue to strengthen the reporting
8 requirements for participants in the
9 program last year and to amend and
10 strengthen the regulations governing the
11 program this past spring.

12 Today, we seek your support for
13 Bill No. 100547 that would implement
14 another key recommendation from the
15 report we drafted by, as what was
16 mentioned, allowing up to three nonprofit
17 intermediaries with established track
18 records in assisting CDCs in their
19 economic development efforts to
20 participate in the Tax Credit Program.
21 And we strongly believe that now that the
22 program has grown to 30 partnerships,
23 it's essential to also strengthen the
24 infrastructure to support the long-term
25 success of these partnerships and the

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2 capacity of CDCs to undertake
3 neighborhood economic development work.

4 The proposed amendment was
5 referenced earlier. We certainly support
6 that proposed amendment to clarify that
7 the nonprofit intermediary must have an
8 established track record of providing
9 assistance to CDCs versus a broader range
10 of organizations and, in particular,
11 because the emphasis for creating the
12 program and both the focus going forward
13 has been around expanding CDC capacity
14 with regard to neighborhood economic
15 development.

16 We believe that the bill before
17 you today, along with the need that sort
18 of Andy just outlined around clarifying
19 the process for CDCs and businesses
20 currently participating in the program to
21 be able to continue to do so after their
22 initial ten-year term is up, is critical
23 at this point in time to the success of
24 the program and will further advance the
25 impact and its connection to the City's

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2 overall economic development strategy.

3 So we want to urge this
4 Committee to amend the bill as proposed
5 and report it from Committee with your
6 full support and to continue to work with
7 us to continue the program's success.

8 Thank you, and if you have any
9 questions, I'm certainly willing to
10 answer them.

11 COUNCILMAN GOODE: Thank you
12 for your testimony.

13 Any questions for this witness?

14 (No response.)

15 COUNCILMAN GOODE: Thank you,
16 Mr. Sauer.

17 MR. SAUER: Thanks.

18 COUNCILMAN GOODE: Our next
19 witness is Antoinette Truehart,
20 Philadelphia Development Partnership.
21 That's actually the final witness I have
22 slated. There's written testimony from
23 the Greater Philadelphia Chamber of
24 Commerce and the Center City District,
25 which has been given to the stenographer

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2 and will be incorporated into the record.

3 (Witness approached witness
4 table.)

5 COUNCILMAN GOODE: Good
6 afternoon.

7 MS. TRUEHART: Good afternoon.
8 I am Antoinette Truehart, Managing
9 Director of Philadelphia Development
10 Partnership, here to testify on behalf of
11 the amendments being proposed to Bill
12 100547.

13 So good afternoon, Councilman
14 and Chairman Wilson Goode, Jr. and
15 distinguished members of the Commerce and
16 Economic Development Committee of City
17 Council. I am Antoinette Truehart,
18 Managing Director of Philadelphia
19 Development Partnership, which is a
20 micro-enterprise development and finance
21 organization serving the Philadelphia
22 area. Philadelphia Development
23 Partnership provides micro-loans and
24 business support services to
25 entrepreneurs and small businesses

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2 throughout Philadelphia's low- and
3 moderate-income communities. Small
4 businesses are critical to the quality of
5 life and economic health of our
6 neighborhoods, and small businesses are
7 the lifeblood of our neighborhood
8 economies, especially in our low-income
9 and minority communities. They provide
10 accessible and affordable goods and
11 services. They keep dollars circulating
12 in the community. They create jobs for
13 local residents, and they generate income
14 for their households and families. With
15 limited resources and support systems in
16 place, these hard-working entrepreneurs
17 struggle day in and day out to keep their
18 businesses up and running. Therefore, it
19 is imperative that we as civic leaders
20 look for ways to support and indeed
21 strengthen this all important but often
22 overlooked sector of our local economy,
23 and I'm here today to support the passage
24 of this bill that amends the provisions
25 of the business privilege tax which will

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2 expand the type and number of
3 organizations eligible to receive
4 contributions in exchange for tax credit
5 to the contributor.

6 The Business Privilege Tax
7 Credit Program has successfully leveraged
8 private-sector dollars to invest in
9 community development in Philadelphia
10 since its inception. These investments
11 in community development corporations
12 have brought about positive change in our
13 communities that have ranged from new
14 housing development, commercial
15 development and streetscape improvements.
16 We applaud these achievements and support
17 the efforts to continue this important
18 work.

19 However, by limiting the type
20 of organization eligible to receive
21 qualifying contributions, the community
22 development corporations may limit the
23 choices of the contributing companies and
24 thereby limit the potential
25 private-sector investment. Expanding the

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2 eligibility of qualifying organizations
3 to include nonprofit intermediaries will
4 serve to expand the potential private
5 resources by opening up new investment
6 opportunities. This will result in
7 channeling more resources into our
8 communities in need, leveraging
9 additional investments, and protecting
10 the investment and progress that has
11 already been made.

12 It is our hope and expectation
13 that the program will be further expanded
14 in the near future to include nonprofit
15 organizations that provide direct
16 economic services to residents in these
17 very same communities, organizations such
18 as community development financial
19 institutions like PDP, who provide
20 services that go right to the heart of
21 the neighborhood economic development by
22 helping small businesses start up and
23 grow.

24 I commend the Commerce and
25 Economic Development Committee of City

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2 Council for taking this initiative to
3 amend the Philadelphia Tax Code and
4 thereby improve economic health of our
5 City's neighborhoods and our region.

6 Thank you very much for your
7 time, and I'm open for any questions or
8 comments.

9 COUNCILMAN GOODE: Thank you
10 for your testimony.

11 Any questions for this witness?

12 (No response.)

13 COUNCILMAN GOODE: Seeing none,
14 thank you very much.

15 MS. TRUEHART: Thank you.

16 COUNCILMAN GOODE: Is there
17 anyone else to testify on this bill?

18 (No response.)

19 COUNCILMAN GOODE: Seeing none,
20 we will move from our public hearing into
21 a public meeting.

22 The Chair recognizes
23 Councilwoman Reynolds Brown for an
24 amendment to Bill 100547.

25 COUNCILWOMAN BROWN:

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2 Mr. Chairman, I move that Bill No. 100547
3 be amended.

4 (Duly seconded.)

5 COUNCILMAN GOODE: All in
6 favor?

7 (Aye.)

8 COUNCILMAN GOODE: Those
9 opposed?

10 (No response.)

11 COUNCILMAN GOODE: The bill is
12 amended.

13 The Chair recognizes
14 Councilwoman Reynolds Brown for a motion
15 on Bill No. 100547 as amended.

16 COUNCILWOMAN BROWN:
17 Mr. Chairman, I move that Bill No.
18 100547, as amended, be moved out of the
19 Committee with a favorable recommendation
20 and further move that the rules of
21 Council be suspended so as to permit
22 first reading at the next scheduled
23 session.

24 (Duly seconded.)

25 COUNCILMAN GOODE: All in

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2 favor?

3 (Aye.)

4 COUNCILMAN GOODE: Those

5 opposed?

6 (No response.)

7 COUNCILMAN GOODE: Bill No.

8 100547, as amended, is reported out of

9 the Committee with a favorable

10 recommendation and a suspension of rules

11 to allow first reading at our next

12 Council session.

13 This concludes our public

14 meeting.

15 Thank you very much.

16 (Committee on Commerce and

17 Economic Development concluded at 1:30

18 p.m.)

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CERTIFICATE

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I HEREBY CERTIFY that the

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proceedings, evidence and objections are

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contained fully and accurately in the

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stenographic notes taken by me upon the

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foregoing matter on October 7, 2010, and that

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this is a true and correct transcript of same.

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MICHELE L. MURPHY

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RPR-Notary Public

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