PACDC
PHILADELPHIA ASSOCIATION
OF COMMUNITY DEVELOPMENT CORPORATIONS

Testimony of Beth McConnell
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On Bill No. 180261
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Good morning Chairwoman Blackwell and other members of Council. My name is Beth McConnell, and I'm the Policy Director for the Philadelphia Association of Community Development Corporations (PACDC). PACDC supports Bill No. 180261, which expands the CDC Tax Credit program by 10 slots.

We thank Councilman Henon for his leadership in introducing this bill, and for his long-standing support for neighborhood economic development.

The CDC Tax Credit program has been an enormous success in Philadelphia. It is the reason why our city has such a vibrant, strong network of CDCs in every kind of neighborhood: from regional destination corridors like Chinatown, to middle neighborhoods like Tacony, from low-income neighborhoods like Nicetown, to West Philadelphia where small businesses face gentrification pressure and rising rents. Every neighborhood can benefit from a non-profit CDC whose mission is entirely focused on that specific community, and which deploys the right strategies for each neighborhood to provide economic opportunity and activity.

Under the program, a CDC must find up to 2 corporate partners that have a combined $100,000 or more Business Income and Receipts Tax (BIRT) liability owed to the City each year. The corporate partners donate a combined $100,000 each year to the CDC to support economic development activity, then take advantage of the tax credit to their BIRT liability. Unlike other business tax credit programs, the businesses do not accrue any city subsidy; it is all directed toward the CDC's economic development staff and programs.

I can say unequivocally that without this program, many CDCs in Philadelphia would not exist. They would not have had the reliable, flexible source of revenue needed to:

- Hire the staff that fundraise the additional city, state, and federal dollars to support our commercial corridors, make streetscape improvements, and launch commercial or mixed-use development projects, then manage the staff that implement those projects;
- pay the rent, utilities, and insurance for the office space where job training programs are run for formerly homeless individuals, or where families take financial self-sufficiency courses so they can get out of poverty;
- cover the cost of neighborhood branding, events, and promotions that attract visitors and spending, including paying for marketing analyses that help small businesses know

where there is opportunity to provide needed goods and services;
- and many other programs and activities for which there isn't reliable or adequate city, state, federal or philanthropic resources.

There are easily another 10 CDCs in neighborhoods across the city that if able to get into the program, could enhance the quality and quantity of the services they provide to small businesses and job seekers.

PACDC is one of the four intermediary organizations in the program, and we've used our CDC Tax Credit funds to:

- Convene our Commercial Corridor Working Group, which is a monthly gathering of corridor managers from across the city. In the last few months, we've brought in the Pa. Liquor Control Board and Bureau of Liquor Enforcement to help the corridor staff understand liquor and nuisance business laws, and how they can help business be in compliance; get connected with lenders that offer financing tools for small businesses; learn about the Power Up Your Business program to recruit businesses to enroll; and get expert guidance on code enforcement and property maintenance rules from L&I. We've also used this group and our CDC Tax Credit funds to develop a Commercial Corridor Policy Agenda for Philadelphia.

- Run our Community Development Leadership Institute (CDLI), a training program hundreds of community residents, neighborhood economic development professionals, and others have taken to sharpen their knowledge and skills. These included a visit to economic development initiatives in cities like Newark NJ and Washington D.C., a training on how to use Conservatorship to revitalize problem properties, and a business resource training with the Free Library of Philadelphia, to name just a few.

The 10-year term of the CDC Tax Credit program is one of its most valuable components. This gives the organization time to build the trust and relationships that is the hallmark of *community* economic development: engage in planning with neighborhood stakeholders to determine what they want to see in the neighborhood, do the tough job of raising funds—which can be a multi-year effort—then implement programs and plans. No other source of local, state, or federal funds gives our neighborhoods that kind of long-term reliability.

Another important aspect is the ability of CDCs in *every* neighborhood to get an opportunity to be in the program. We certainly have CDCs in the program operating in neighborhoods with very high concentrations of poverty that need significant investment and support, and where small businesses operate on razor thin margins. But our middle neighborhoods are also home to businesses that struggle to compete against on-line retailers and big box stores, and they need strong vibrant corridors and business technical support as well. As some of our neighborhoods gentrify, programs run by CDCs in the Tax Credit program help residents access job training and financial self-sufficiency, which is part of creating more equitable neighborhoods.

While PACDC fully supports Bill No. 180261 and urges its passage before the summer recess, we ask that Council come back in September to make one important change the program: allow CDCs to also bring in Real Estate Tax credit partners. Unfortunately, an increasing number of CDCs are losing their tax credit partners because fewer companies have adequate BIRT liability. Because BIRT liability is not publicly available information, the CDC has to guess what businesses might be appropriate targets for recruitment, so they spend a lot of time talking to ineligible businesses. On the other hand, Real Estate tax liability is a growth area for the city, and liability is publicly available on the website of the Office of Property Assessment. The fiscal impact to the City is no different if the tax credit is against the BIRT liability or the Real Estate Tax liability, but it would open up a whole new set of potential corporate partners.

In closing, the CDC Tax Credit program, which was created under the leadership of former Councilman Wilson Good Jr., has become a port in the storm during these very unpredictable times. We don't know whether federal funding will be available to support our neighborhood economic development from one year to the next. But CDCs that are in the Tax Credit program know that they are anchored, and will make it through the turbulence to continue to serve our communities.

Thank you for the opportunity to testify.

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