

HCID Case Studies

Philadelphia: Commercial Corridors



Overview

Philadelphia offers one of the more successful national examples of an integrated approach to neighborhood investment. In the past year, City investments have been made in 70 commercial corridors. Economic development implementation is coordinated by the City's Department of Commerce, which "is the umbrella organization for all economic development activity in Philadelphia."

Policy and funding decisions are based in part upon a 2009 report called *Commercial Corridors: A Strategic Investment Framework for Philadelphia*, published by Econsult Corporation, to direct investment decisions and program design. An advisory committee representing 4 City departments, City Council, LISC, and several nonprofit intermediaries and CDCs guided the analysis. The City developed a unified vision for its neighborhood investment strategy, enlisting key public, nonprofit, and private sector partners in its implementation.

The Department's mission is to create an economic environment throughout Philadelphia that is conducive to business success & job creation. The Department administers and coordinates several programs for neighborhood improvements:

1. ***Business Services***: 1-on-1 assistance, business training, on-line support, M/W/DSBE support, and workforce development.
2. ***Improving Neighborhoods***: revitalizing corridors, community development corporation support, empowerment zones, storefront improvement grants, InStore forgivable equipment loans, SafeCam security grants, corridor beautification and cleaning, support for Business Improvement Districts, Main Street support, and strategy development for commercial corridors.
3. ***Real Estate Services***: developer services, capital projects, loans, grants, and tax-exempt financing, Opportunity Zone tax reductions.
4. ***Business Attraction***: site selection assistance, low-cost financing and job creation tax credits, workforce recruitment and training.
5. ***Financial Incentives***: loans and grants through the Philadelphia Industrial Development Corporation, a nonprofit joint venture of the City and the Greater Philadelphia Chamber of Commerce.

Use of Funds

In 2006, the City committed \$65 million from its Cultural and Commercial Corridors Program Revenue Bonds toward its *ReStore Philadelphia* initiative. In 2008, Mayor Michael Nutter committed Community Development Block Grant (CDBG) funds for small business and commercial corridor development. Nearly \$10 million of CDBG Recovery Funds were awarded to commercial corridor, transit-oriented development, and economic development projects in 2009. In 2011, the Mayor allocated \$2.3 million in CDBG funding to expand the Targeted Corridor Management Program, the Business Technical Assistance Program, and the Corridor Cleaning Program. The AmeriCorps VISTA initiative was re-focused to assist immigrant-owned small businesses grow and integrate into the economic mainstream.

In FY 2013, Philadelphia committed:

- \$4.95 million for business loans and technical assistance to small business
- \$2.35 million for targeted neighborhood commercial area assistance, including storefront improvements, corridor management, BID support, and business attraction
- \$1.58 million for capacity building and support of community-based organizations
- \$20 million in Section 108 loans

Sample projects highlighted by the Mayor in November 2013 include:

- ***Enhancing neighborhood commercial corridors through fit-out grants***: A \$50,000 city investment in an "InStore" forgivable loan paid for startup supplies and refrigeration equipment for a new cafe and lounge in the Germantown neighborhood.
- ***Encouraging shoppers to buy local on "Small Business Saturday"***: Mayor Nutter visited the Fishtown neighborhood to highlight the revival of the East Girard commercial corridor. Commerce Department grants and loans support dozens of businesses on the shopping strip. Now, attention from the Mayor is helping to build awareness of the improvements and grow the customer base.
- ***Replacing blighted vacant lots with small businesses that create new jobs***: A long vacant lot will be converted into an 11,550 square foot manufacturing facility for a metal fabrication company in the East Kensington neighborhood.

A \$250,000 Empowerment Zone grant will leverage a \$2.1 million investment that will create 15 new jobs.

Government and Intermediary Integration

Program integration is an explicit policy of Philadelphia's government and affirmed in its Con Plan. The Department of Commerce sets and leads policy related to small business, large corporations, major real estate development, and neighborhood commercial corridors. Commerce oversees and coordinates the work of the Philadelphia Industrial Development Corporation. The Director of Commerce also serves as Deputy Mayor for Economic Development. The Office of Housing and Community Development reports to the Deputy Mayor so that housing and economic development investment is coordinated.

The Philadelphia Industrial Development Corporation issues project financing on behalf of the Commerce Department. It manages a \$600 million loan portfolio and has invested more than \$11 billion into economic development projects. Resources include:

- *Small Business Finance*: Gap loans for acquisition and construction, working capital,

lines of credit for M/W/DBE, and loan guarantees.

- *Capital Projects*: New Markets Tax Credits, TIF financing for site improvements, new construction, and rehab, and a "Welcome Fund" for prospective large employers.
- *Grant Intermediary*: Matching funds are provided for shovel-ready development projects, infrastructure, site improvements, transportation facilities, land clearance, and remediation.
- *Tax-Exempt Financing*: Tax-exempt bonds are issued for loans to manufacturing companies and nonprofits for property acquisition, renovation, and for lease purchase of fixed assets.

Philadelphia LISC administers a Commercial Corridor Revitalization Initiative, engaging communities, and providing capacity building training for corridor managers, predevelopment financing, and early-action grants for small, visible improvements such as murals, landscaping, and facade improvements. The City recently awarded LISC \$2 million for low interest loans to nonprofits for mixed-use developments on the City's retail corridors.

Additional Resources

City of Philadelphia Department of Commerce
<http://www.phila.gov/commerce>

City of Philadelphia Year 38 Consolidated Plan - Action Plan 2013
<http://www.phila.gov/ohcd/conplan38/Year 38 Consolidated Plan for web.pdf>

LISC Philadelphia Commercial Corridors Initiative
<http://www.philadelphialisc.org/commercial-corridors.html>

Philadelphia Industrial Development Corporation
<http://www.pidc-pa.org>