

BUILD REHABILITATE IMPROVE TEACH RENOVATE TRAIN COUNSEL ENGAGE CREATE



COLLECTIVE STRENGTH

The **\$3.3 Billion** Impact
of Philadelphia Community
Development Corporations

TWO DECADES OF SUCCESS



Supporting CDCs. Strengthening Neighborhoods.

DECEMBER 2012

The Philadelphia Association of Community Development Corporations (PACDC) is a membership organization which provides advocacy and policy development and other services to 90 members, including 45 CDCs. PACDC marks its 20th anniversary with the release of this first-ever study of the economic impact of CDCs in Philadelphia. While CDC benefits to individuals, families, and neighborhoods are truly incalculable, we now know they are worth at least \$3.3 billion.

PACDC is grateful to Citi Community Development for underwriting this study and to Citi's Pennsylvania State Community Development Director Don Haskin for his on-going support of this project. PACDC is also grateful for the support of the City's Office of Housing and Community Development.

Community Development



Finally, PACDC wishes to credit the following people for their work on this report:

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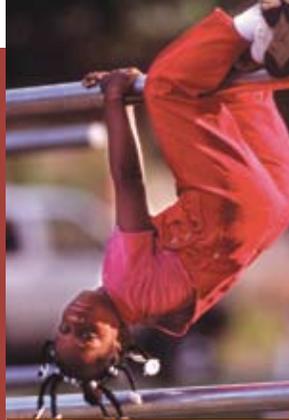
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Row 1, Photo 1: Photo by B. Krist for GPTMC
 Row 2, Photo 2; Row 3, Photo 1; Row 4, Photo 1; Row 5, Photo 1: Photo by J. Fusco for GPTMC



“The City’s long-time investment in CDCs as developers, social service providers, housing counselors, and leaders in neighborhood revitalization has had a tremendous impact not only on the economy, but also on the well-being of our residents. In a time where funding is lean and needs are great, CDCs effectively use support from the City to create jobs, develop affordable housing, and invest in the future of our neighborhoods and our people.”

MAYOR MICHAEL A. NUTTER





Philadelphia's community development corporations (CDCs) are among the best and most respected in the nation, and for good reason. During the past two decades, they have contributed more than \$3.3 billion to Philadelphia's economy through housing and commercial development and a range of community services, while also increasing household wealth, building the local tax base, revitalizing neighborhoods and creating thousands of jobs.

Philadelphia CDC investments contributed \$3.3 billion to the local economy during the past twenty years.

\$2.2 Billion in Worker Wages and Contracts with Area Businesses. CDCs contributed \$2.2 billion to the city economy in wages to workers and in contracts with area companies for materials and services. They built and rehabilitated thousands of homes and commercial spaces for small businesses, and improved neighborhood shopping districts and green spaces across the City. CDCs are long-standing neighborhood anchors that continue investing—more than \$850 million since the 2007 recession—long after private developers pull out.

\$1.1 Billion Increased Spending to the Local Economy. Expenditures resulting from this direct investment created \$1.1 billion in additional economic impact to the local economy, and \$2.9 billion statewide.¹

The CDC industry adds to the tax base, increases wealth, and sustains jobs.

Nearly 12,000 Jobs Created in Philadelphia from CDC Investments. CDC investments generated nearly 12,000 jobs in Philadelphia since 1992. These investments added a total of more than 37,000 jobs in the Commonwealth of Pennsylvania.²

\$28 Million Added to City Tax Rolls. CDC investments resulted in more than \$28 million in tax revenue to the City and another \$118 million to the Commonwealth. CDCs generated this tax revenue by paying hundreds of millions of dollars in wages and payments to area companies for products and services.

\$680 Million in Increased Wealth for Neighborhood Property Owners. By transforming blight through new construction and vacant property clean-up, CDCs increased surrounding property values by \$680 million city-wide. If valued accurately, this would yield \$10 million more in property tax revenues to the City and School District.

CDC Programs and Services Created 3,400 Additional Jobs. Annual operations of local CDCs collectively generate an additional \$300 million in total local economic impact each year, support 3,400 jobs in Philadelphia and yield \$4.3 million in additional local tax revenue annually. The statewide economic impact is \$400 million, resulting in 5,500 permanent jobs and \$10.5 million annually in tax revenue to the Commonwealth.

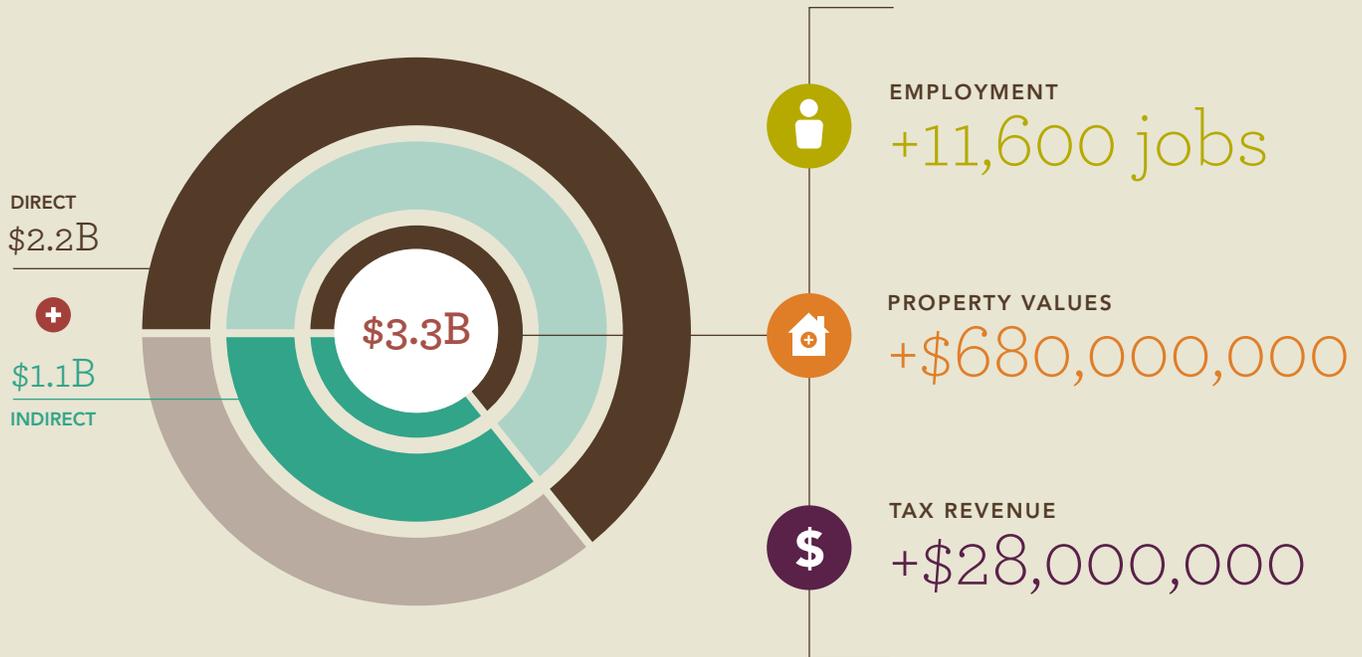


COLLECTIVE STRENGTH

The \$3.3 Billion Impact of Philadelphia Community Development Corporations

TOTAL CITY ECONOMIC IMPACT OVER THE PAST 20 YEARS

\$3.3 Billion



Direct expenditures of \$2.2 billion triggered indirect spending of \$1.1 billion.

DIRECT EXPENDITURES



\$2.2 Billion

For new and rehabilitated homes, revitalized commercial corridors, community facilities, and more.



INDIRECT EXPENDITURES



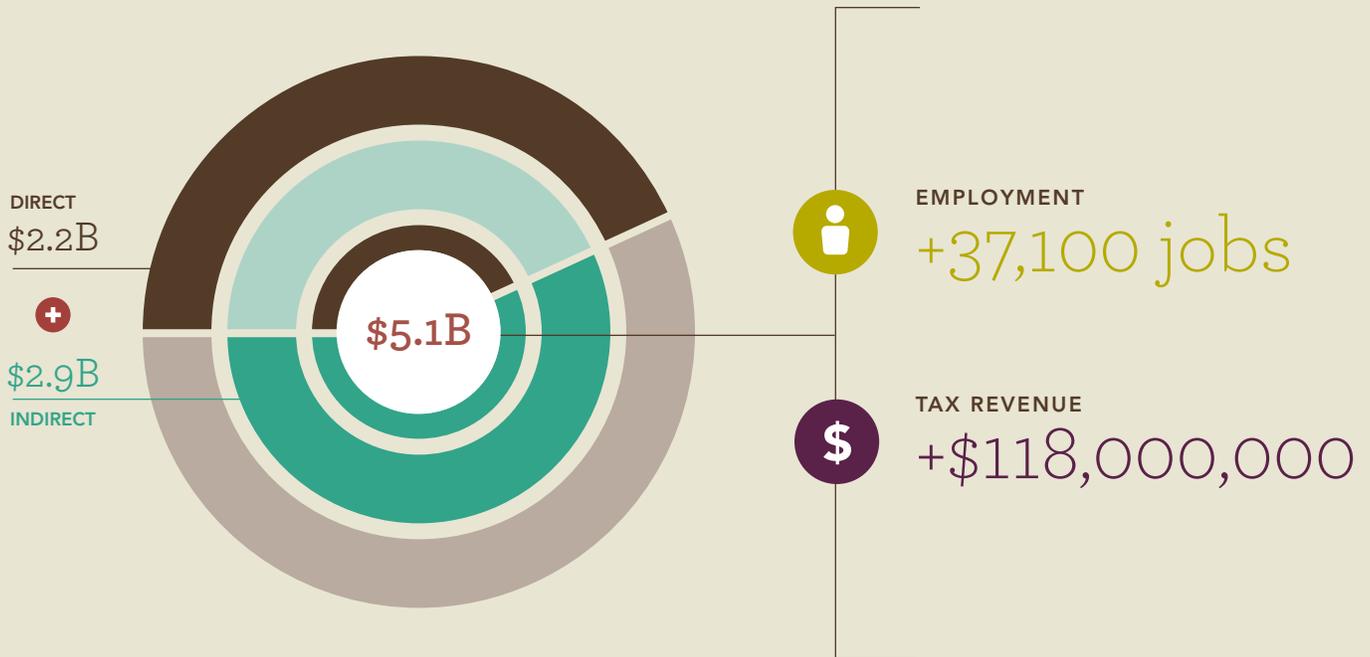
\$1.1 Billion

COLLECTIVE STRENGTH

The \$5.1 Billion Impact of Philadelphia Community Development Corporations

TOTAL STATE ECONOMIC IMPACT OVER THE PAST 20 YEARS

\$5.1 Billion



Direct expenditures of \$2.2 billion triggered indirect spending of \$2.9 billion.

DIRECT EXPENDITURES



\$2.2 Billion

For new and rehabilitated homes, revitalized commercial corridors, community facilities, and more.



INDIRECT EXPENDITURES



\$2.9 Billion

CDCs' Important Role In Philadelphia's Economy

Who Are CDCs? We are investors in Philadelphia. We are neighborhood watchdogs. We are commercial corridor managers. We are real estate developers. We are job trainers. We are job creators. We are blight removers. We are caretakers for our children and youth. We are non-profit, community-controlled organizations dedicated to the revitalization of neighborhoods. We are Philadelphia CDCs.

What Do CDCs Do? We work in neighborhoods across the city to revitalize homes, businesses and infrastructure—from street lighting to greening vacant lots. We also work diligently to ensure that residents have a voice in how their neighborhoods are rebuilt after decades of disinvestment.

What Economic Impact Have CDCs Had on Philadelphia

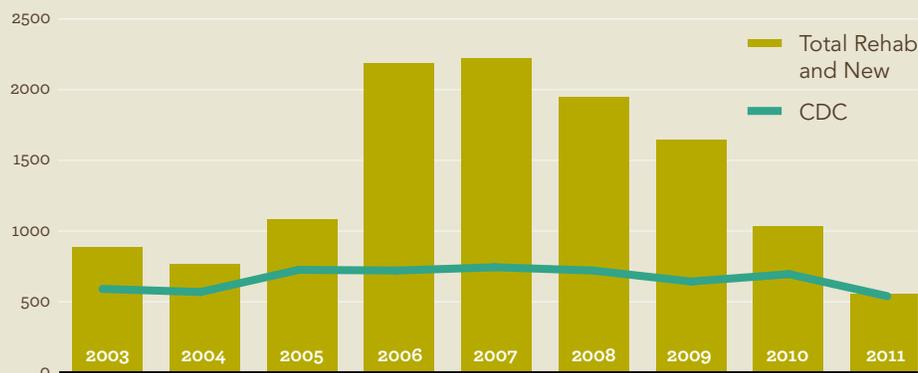
Neighborhoods? We have contributed \$3.3 billion to the local economy during the past twenty years. We have made a \$2.2 billion direct investment in our neighborhoods through new construction and rehabilitation of homes and commercial spaces. We have also added hundreds of millions of dollars to the economy through the other services we perform including housing counseling, job training, energy conservation and after-school programs.

How Many Millions of Dollars Did CDCs Invest During the Economic

Downturn? We invest in neighborhoods during the tough times, when private developers leave. Since the recession started in 2007, when private construction stopped and unemployment soared, we have spent more than \$850 million building and rehabilitating thousands of affordable homes and hundreds of commercial spaces, resulting in much needed jobs. We are also leaders in foreclosure prevention, and prevented hundreds of families from losing their homes.

CDCS ARE A CONSISTENT NEIGHBORHOOD INVESTOR

New and Rehabilitated Housing Units Completed by CDCs vs. Private Sector Recipients of the City's 10-Year Property Tax Abatement for New Construction and Major Rehabilitations, 2003 to 2011



SOURCE: City of Philadelphia Department of Records (2012), City of Philadelphia Office of Property Assessment (2012), Econsult Corporation (2012), Philadelphia Association of Community Development Corporations (2012), Individual CDCs (2012)

CDCS PERFORM A VARIETY OF SERVICES

- Build**, repair and weatherize homes
- Rehabilitate** small business spaces and storefronts
- Improve** streetscapes and green vacant lots
- Manage** neighborhood shopping districts
- Renovate** community facilities
- Teach** computer, financial literacy and life skills
- Train** workers
- Counsel** homeowners
- Provide** education, after school activities and other youth programming
- Increase** access to healthy food
- Engage** and organize the community
- Create** and implement neighborhood plans

“Philadelphia neighborhoods are undergoing profound change, and much of it is for the better. CDCs have played a critical role in advancing that change and ensuring that it is responsive to the needs of lower-income communities and residents.”

—MAYOR JOHN F. STREET



CDCS DIRECTLY INVESTED \$2.2 BILLION IN PHILADELPHIA

Estimated Economic and Fiscal Impact from New Construction and Major Rehabilitation Projects Completed by CDCs from 1992 to 2011 (in 2012\$)



\$2,183,000,000

CDCs have made a \$2.2 billion direct investment in Philadelphia neighborhoods in construction and rehabilitation of homes, commercial spaces and public spaces. All of these investments were made to help existing residents, attract new residents, and to ensure families can continue to live in their neighborhoods even when home prices rise. CDCs understand that their work not only improves the neighborhood's physical conditions and quality of life, but it also increases market demand in the communities they serve.

Philadelphia CDCs have a proven ability to secure resources and bring hundreds of millions of dollars into neighborhoods. CDCs attracted funding from regional, state and national sources, and invested those dollars in Philadelphia neighborhoods. CDCs help neighborhoods access this capital from government, foundations, corporations, and individuals. Neighborhood leaders could not attract this capital on their own.

On an annual basis, CDCs invested **\$179 million** in programs for residents such as job training, housing counseling and after-school programs.

SOURCES OF INCOME FOR CDC OPERATING BUDGETS

Data provided by a subset of CDCs to show representative distribution of income from various sources.

| | |
|----------------------------|-------------------------|
| Earned Income 29.3% | Corporation 6.3% |
| Foundation 21.8% | Other 5.5% |
| State 20.3% | City 3.1% |
| Federal 10.9% | Individual 2.8% |

CDCs are located in nearly all of the City's neighborhoods. Reviewing CDC investments in new construction and rehabilitation projects during the past twenty years, it is clear that their reach is broad and their level of investment in many areas is growing.

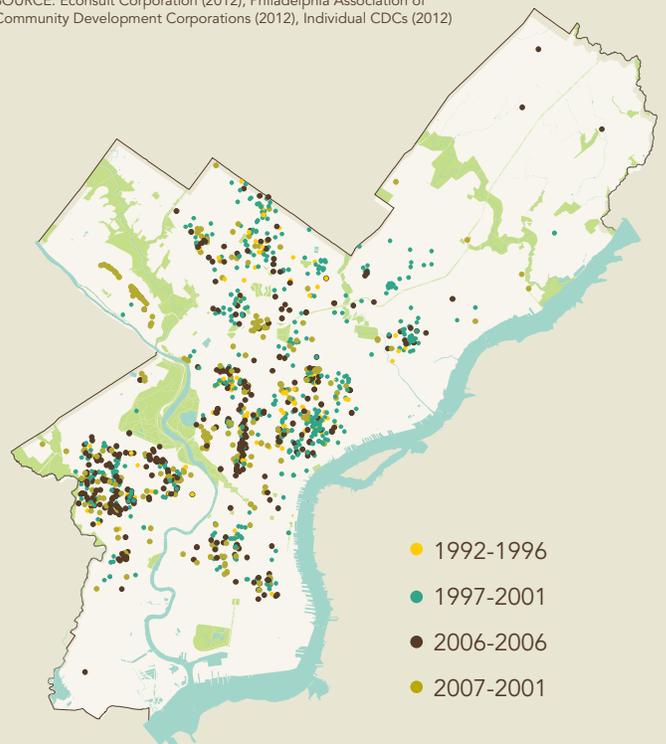
TOP 3 TYPES OF CDC INVESTMENT ACTIVITIES



CDC INVESTMENTS REACH NEARLY ALL OF THE CITY'S NEIGHBORHOODS

Geographic Distribution of New Construction and Major Rehabilitation Projects Completed by CDCs from 1992 to 2011

SOURCE: Econsult Corporation (2012), Philadelphia Association of Community Development Corporations (2012), Individual CDCs (2012)



CDCs Bring More Than \$1 Billion in Spending to the Local Economy

A percentage of the wages a CDC pays to workers and spends with other city businesses stays in the local economy for days or even months, providing more than \$1 billion in additional economic benefit to the City. These indirect expenditures, such as a CDC housing counselor who buys coffee or lunch or a plumber who makes payments to his pipe supplier, made possible through CDCs' \$2.2 billion investment in physical improvements, brought an additional \$1.1 billion to the city economy, and \$2.9 billion to the state economy, during the past 20 years.

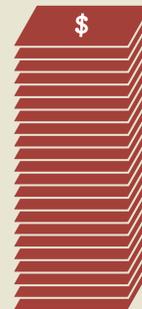
CDC CREATED INDIRECT AND INDUCED EXPENDITURES

(1992-2011)



\$1,067,000,000

City of Philadelphia



\$2,897,000,000

Commonwealth of Pennsylvania

WHY ARE CDCS PARTICULARLY IMPORTANT TO PHILADELPHIA?



Philadelphia CDCs have persevered through thick and thin. During the past 20 years, CDCs have halted and turned around the decline many of the City's neighborhoods have experienced since World War II. Thousands of homes have been replaced or rehabilitated. Decaying infrastructure has been replaced. Disinvested commercial corridors have been revitalized and new businesses born. Crumbling mass transit hubs have been rehabilitated into mixed-use venues. And, empty factories have given way to thriving commercial development. Much of this was sparked by the entrepreneurial spirit of the CDC industry—stable and reliable partners.

“The growth in the number and capability of community development corporations was a key factor in the turnaround of Philadelphia, which took place in the nineties...CDCs gained real expertise in economic development, which they used to great effect to help transform many of the City’s neighborhoods.”

—GOVERNOR EDWARD G. RENDELL

CDCs are Job Creators. CDCs have created 11,600 jobs within the City since 1992 through investments to build and rehabilitate real property such as homes and commercial space. About half of these jobs were in construction. The other half of the jobs were created in a range of other industries.

Philadelphia CDCs created even more jobs in the Commonwealth of Pennsylvania as they bought needed materials and services from businesses based throughout the region. Overall, CDCs created more than 37,000 jobs within Pennsylvania.

An additional 3,400 jobs are sustained annually by CDCs in Philadelphia through programs and services to neighborhood residents with a majority in the healthcare and social assistance fields. Within Pennsylvania, this number grows to 5,500 jobs.



CDCS CREATED THOUSANDS OF JOBS IN PHILADELPHIA AND PENNSYLVANIA

Jobs from CDC Construction (1992-2011)



Jobs from CDC Programs and Services



SOURCE: US Department of Commerce (2009), Econsult Corporation (2012), Philadelphia Association of Community Development Corporations (2012), Individual CDCs (2012)



CDCs Create Tax Revenue for the City and State. The economic activity generated by CDCs contributed \$28 million dollars to the tax rolls of the City of Philadelphia during the past two decades, not including property tax revenues resulting from new development. CDC efforts also contributed \$118 million in state tax revenues to the Commonwealth of Pennsylvania.

TOTAL TAX REVENUES

Philadelphia

\$28 million

Pennsylvania

\$118 million

The economic impact of CDCs is **even greater** in the Commonwealth than the City. The economic impact from CDC investments in projects is **\$5.1 billion** to the Commonwealth, supported **37,100 jobs** and generated **\$118 million** in state tax revenue. Nearly an additional **5,500 jobs** are supported statewide as a result of CDC programs and services that generated **\$10.5 million** annually in tax revenue for the Commonwealth. Most of these benefits were concentrated in the five county area, including and surrounding Philadelphia.¹

Philadelphia Would Have Fared Poorly Without CDCs' Billions of Dollars of Investment

Without CDC investment, every homeowner located near such an investment would have about \$4,000 less in home equity.

During the past twenty years, owners of homes within an eighth mile of a CDC investment experienced an average \$4,000 increase in the value of their properties from the positive impact of investment on surrounding homes. Citywide this increase in home wealth is equal to \$680 million.

Without CDC investment, the City would suffer an annual tax revenue loss of \$4.6 million, and the School District would lose \$5.6 million each year. If CDC investment were accurately accounted for in assessed values, during the past two decades this would have meant the City and School District had \$10.2 million less to spend for important programs annually.

THE AVERAGE PHILADELPHIA HOME NEAR A CDC INVESTMENT WOULD LOSE MORE THAN \$4,000 IN VALUE WITHOUT THAT INVESTMENT

Decline in Aggregate House Value Absent New Construction and Major Rehabilitation Projects Completed by CDCs from 1992 to 2011 (in 2012 \$)

Citywide

\$680,000,000

Average Homeowner

\$4,065

SOURCE: City of Philadelphia Department of Records (2012), City of Philadelphia Office of Property Assessment (2012), Econsult Corporation (2012), Philadelphia Association of Community Development Corporations (2012), Individual CDCs (2012)

PHILADELPHIA AND THE SCHOOL DISTRICT WOULD LOSE MORE THAN \$10 MILLION IN ANNUAL TAX REVENUE WITHOUT CDC INVESTMENT

Decline in Annual Property Tax Revenues Absent New Construction and Major Rehabilitation Projects Completed by CDCs from 1992 to 2011 (in 2012 \$)

| DECLINE IN HOUSE VALUE ABSENT CDC PROJECTS | ANNUAL LOSS TO THE CITY | + | ANNUAL LOSS TO THE SCHOOL DISTRICT |
|---|-------------------------|---|------------------------------------|
| \$680 Million | \$4.6 Million | | \$5.6 Million |
| DECLINE IN ANNUAL PROPERTY TAX REVENUES \$10.2 Million | | | |

SOURCE: City of Philadelphia Department of Records (2012), City of Philadelphia Office of Property Assessment (2012), Econsult Corporation (2012), Philadelphia Association of Community Development Corporations (2012), Individual CDCs (2012)



WITH CDC INVESTMENT IN CITY NEIGHBORHOODS DURING THE PAST 20 YEARS:

- On average, homes near CDC investments are worth \$4,000 more
- 9,000 families are living in new or renovated homes
- 12,000 jobs were created
- The City gained \$4.6 million in tax revenues annually
- The School District gained \$5.6 million in revenues annually

PHOTO CREDIT: PHOTO BY J. FUSCO FOR GPTMC

“One of the hidden jewels in this city is the CDC movement. I say movement because it is a movement of large and small CDCs across the city working to improve the lives of tens of thousands of people from educational enrichment to economic development and job creation. In a period of economic hard times, it is these groups that stand in the gap between survival and desperation for those who hurt the most in our society...The success of the city is tied to the success of the non-profit sector.”

—MAYOR W. WILSON GOODE



Supporting CDCs. Strengthening Neighborhoods.

METHODOLOGY

This report derives its data from “The Economic Impact of Community Development Corporations within the City of Philadelphia and the Commonwealth of Pennsylvania,” an economic analysis prepared by the Econsult Corporation in 2012. Econsult’s analysis explores the positive economic outcomes generated by the work of community development corporations (CDCs) in Philadelphia. The full economic analysis and methodology can be viewed at www.pacdc.org/CDCImpactReport. Data for Econsult’s analysis were obtained by surveying local CDCs. Forty-four respondents provided detailed information on construction and rehabilitation projects they have undertaken, and annual programmatic and operating expenditures they have incurred. Additional data were obtained from city agencies, including the Office of Housing and Community Development, the Philadelphia Housing Development Corporation and the Department of Commerce, as well as Right Sized Homes and CDC Federal Internal Revenue Service Form 990 returns. Since projects with incomplete information were not included in this analysis and there are other CDCs within the City besides the ones for which data were collected, the actual aggregate amounts and impacts associated with CDCs within the City are larger than what is depicted in this report.

ENDNOTES

¹ Because the City is completely contained within the Commonwealth of Pennsylvania, City economic impacts are included in Commonwealth economic impacts. Because the City and the Commonwealth are distinct government jurisdictions, City fiscal impacts are separate from Commonwealth fiscal impacts, as these estimates represent the tax revenues generated to each jurisdiction.

² As Philadelphia is part of Pennsylvania, these jobs include the 11,600 jobs created in Philadelphia.

PACDC

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