

Center City Reports Philadelphia's Major Employment Nodes: Where City Residents Work

A publication of the
Central Philadelphia
Development Corporation
and the Center City District
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Downtown

Center City Philadelphia provided private-sector jobs for 216,937 individuals who earned \$12.1 billion in salaries in 2008. The central business district (CBD), between Spring Garden and South streets, river to river, contains 39% of all jobs and provides 43.5% of all private-sector salaries earned within the city of Philadelphia. In the nine county region, Center City accounts for 10% of all jobs and 15% of all salaries.¹

An estimated additional 7,000 individuals work in Center City in the fields of law, accounting, finance, real estate, retail and hospitality for 895 firms that are structured as partnerships. These individuals are compensated not with salaries but through a share of partnership income, and earned an additional \$1.1 billion in 2008, with law firms

accounting for 70% of this income.²

Together, wage earners and partners who work in Center City account for 45% of all private-sector earnings in Philadelphia.

Public agencies provide an additional 71,300 jobs citywide, with 31,800 working for the federal government, 10,900 working for the Commonwealth and 28,600 working for the City of Philadelphia and the School District of Philadelphia. Based on the total square footage of federal office space in Center City, over 21,000 federal employees work downtown. The Commonwealth's Department of Community Economic Development reports that 300 state employees work in Center City, while 1,400 employees of the School District and 20,400 employees of the City of Philadelphia, including the criminal

justice agencies, work downtown.

Overall, there are 267,331 public and private employees working downtown.

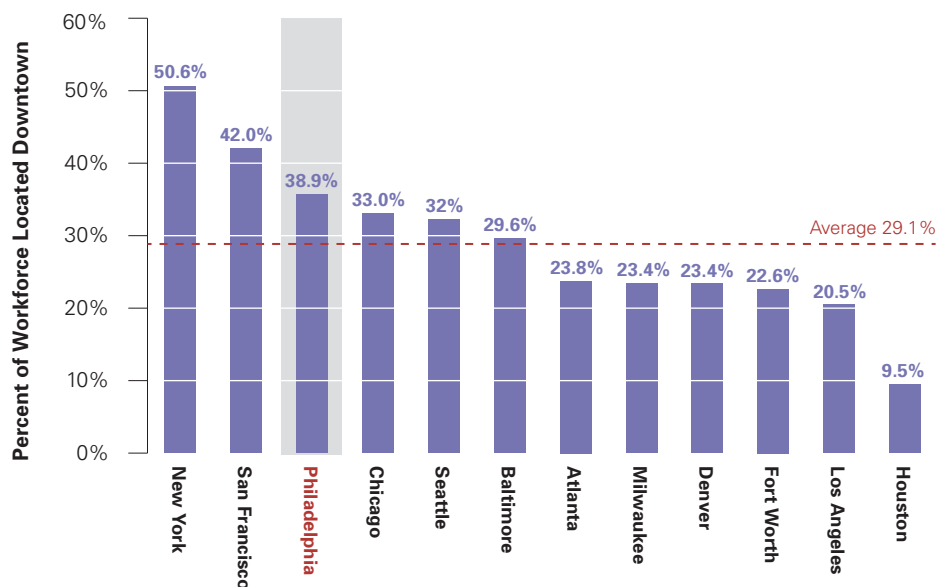
Employment Density and Diversity

This dense concentration of jobs and income places Philadelphia among just a handful of American cities in which the CBD accounts for more than one-third of all jobs in the city. This density would not be possible without an integrated, multi-modal transit system that brings more than 300,000 riders downtown each day, minimizing the acres of space devoted to parking. If, as many suggest, we are heading into the post-petroleum age, when the cost of gas will steadily rise, Philadelphia is well-positioned as a paradigm for smart-growth and sustainable development.³

In 2008:

- Center City provided **216,937** private sector jobs paying **\$12.1 billion** in salaries
- Downtown accounts for **39%** of all private-sector jobs in the city and **43.5%** of all salaries
- 7,000 individuals compensated as partners earned **\$1.1 billion**
- Partners in 153 law firms earned **\$771.7 million**
- Partners in 31 accounting firms earned **\$167.6 million**
- **43,394** federal, state and city employees work downtown
- **The total Center City workforce in 2008 was 267,331.**

chart 1: Percent of Workforce Located Downtown, 2008



Source: LED, On the Map Application, BLS/US Census Bureau

Employment Nodes

Prior to the rapid suburbanization after the Second World War, the CBD of every major U.S. city was the dominant employment node in its region. But the mass-production of cars and trucks and public investments in highways dramatically decentralized land-use patterns. In 1970, 70% of commercial office space nationally was still concentrated in downtowns. But today, the city/suburban proportions have almost exactly reversed and only four major American CBDs significantly exceed one-third of regional market share (see chart 15 on page 11).

While Philadelphia has had its share of auto-driven jobs and housing suburbanization, only the downtowns of New York⁴ and San Francisco hold a higher percent of their cities' jobs.⁵ It's no coincidence that each of these metro

areas benefit from strong public transit systems. Recent trends suggest that this concentration of jobs downtown is increasing, with the percent of Philadelphia workers employed in Center City growing by 2.6% from 2003 to 2008. The largest increase was 6.0% among workers in the Far Northeast.

Other Nodes

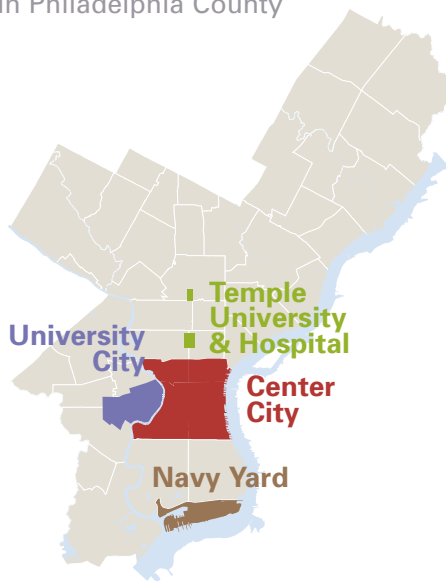
Philadelphia has four other significant employment nodes: Temple University and its hospital campus in North Philadelphia, University City, the emerging Philadelphia Naval Business Center at the Navy Yard and the Philadelphia International Airport.⁶ While each of these areas is important to the regional economy (and the expansion of the airport is essential to

the success of all employment nodes) none come close to providing the number of jobs found downtown.

While quantity is important, so too is the diversity of opportunities provided by Center City. The academic, research and medical institutions of North Philadelphia and University City are of extraordinary value not only because of the number of jobs they provide, but also because they import a significant number of students and faculty into the region and attract more than \$800 million research dollars from the National Institutes of Health alone.⁷ But employment in both areas is largely dependent on the fate of educational and health services institutions. By contrast, Center City's economy is as diversified as the region's.

Chart 2: Jobs and Earnings by Employment Node

Major Employment Nodes in Philadelphia County



Total Private Sector Employment and Earnings, 2008

Employment Area	Employees*	% of Total Phila Employees	Earnings	% of Total Earnings
Navy Yard	4,097	0.74%	\$210,586,002	0.76%
Temple University (Main Campus) and Hospital	15,301	2.75%	\$799,478,226	2.87%
University City	55,187	9.90%	\$2,818,779,402	10.12%
Center City (8-ZIP Code)	216,937	38.92%	\$12,130,912,827	43.55%
Philadelphia County	557,388		\$27,856,088,667	

* Excludes federal employees, self-employed, state & city employees and school district employees.
Source: LED, On the Map Application, BLS/US Census Bureau

79.6% of all partnership compensation in Philadelphia is generated by 895 Center City firms, which account for only **35.1%** of all partnerships in Philadelphia.

The close proximity of diverse employers creates not only a broad range of job opportunities, it generates activity on Center City sidewalks day and night and fosters productive cross-fertilization. Office jobs provide large volumes of customers for retailers and restaurants and fill hotel rooms with business travelers.⁸ Health care and educational institutions produce similar effects, but also import students, faculty, researchers, patients and convention attendees.⁹ Hotels, arts, and cultural institutions provide the amenities that make downtown an attractive place to work and live, animate the streets at night and generate work for architects, accountants, engineers and lawyers.



Chart 3: Mix of Employment Sectors by Node, 2008

Philadelphia Employment Nodes

(Private-sector only; data does not include self-employed individuals and those compensated as partners)

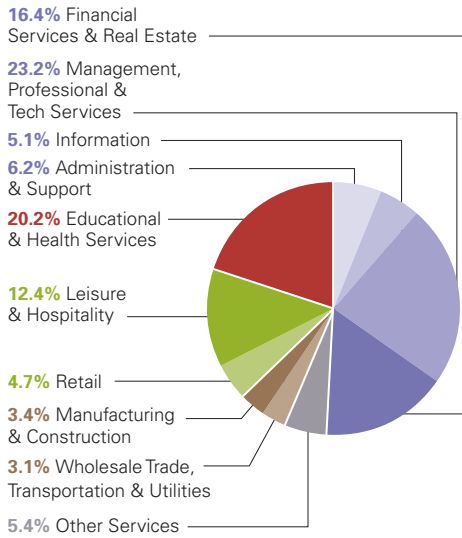
Industry Sectors	Center City		University City		Temple University		Navy Yard	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Office Sector								
Financial Services & Real Estate	35,534	16.38%	1,151	2.09%	206	1.35%	44	1.07%
Management, Professional & Technical Services	50,400	23.23%	1,827	3.31%	135	0.88%	983	23.99%
Information	11,125	5.13%	333	0.60%	70	0.46%	20	0.49%
Administration & Support	13,336	6.15%	1,087	1.97%	93	0.61%	1,198	29.24%
Office Sector Total	110,395	50.89%	4,398	7.97%	504	3.29%	2,245	54.80%
Educational & Health Services	43,753	20.17%	44,636	80.88%	13,587	88.80%	410	10.01%
Leisure & Hospitality	26,846	12.38%	3,346	6.06%	737	4.82%	9	0.22%
Retail Trade	10,262	4.73%	1,049	1.90%	249	1.63%	1	0.02%
Manufacturing & Construction	7,322	3.38%	513	0.93%	35	0.23%	967	23.60%
Wholesale, Transportation & Utilities	6,717	3.10%	337	0.61%	105	0.69%	452	11.03%
Other Services (excluding Public Administration)	11,642	5.37%	908	1.65%	84	0.55%	13	0.32%
Total	216,937		55,187		15,301		4,097	

Source: LED, On the Map Application, BLS/US Census Bureau

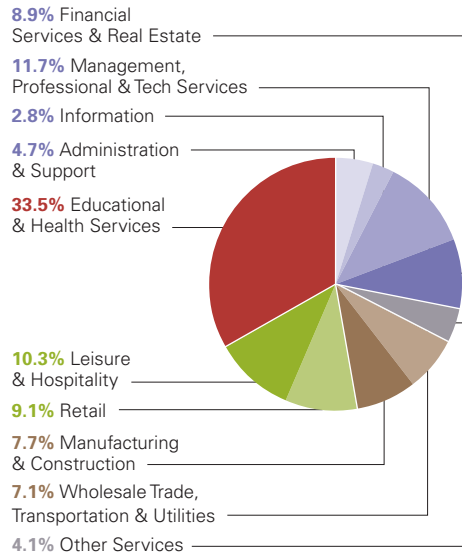
Employment Nodes

Chart 4: Private Sector Employment by Job Type

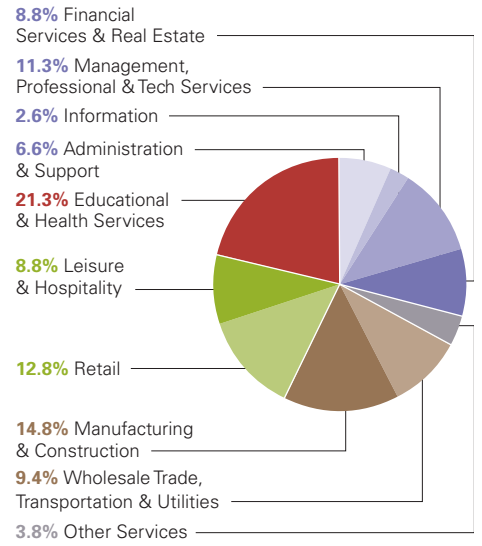
Center City



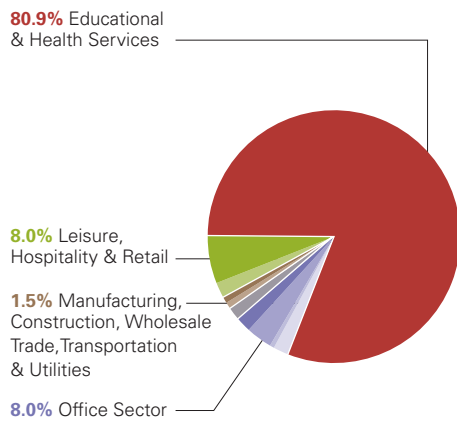
Philadelphia



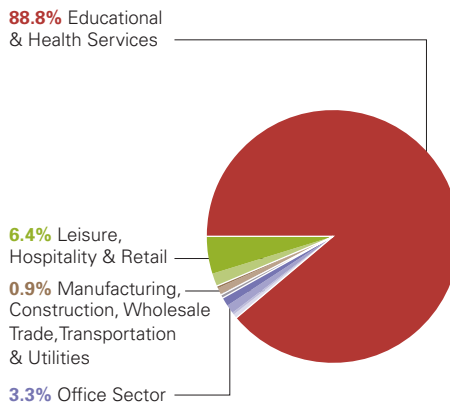
Philadelphia Region



University City



Temple University



Navy Yard

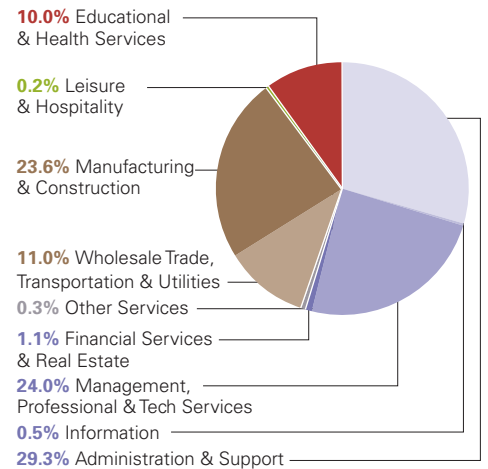


Chart 5: Public Sector Employees

Employer	Philadelphia	Center City	% of Philadelphia
Federal	31,800	21,294	67.0%
State	10,900	300	2.8%
City & School District	28,600	21,800	76.2%
Total	71,300	43,394	60.9%

Source: Center City District, 2010

Chart 6: Jobs and Salaries Paid by Center City Employers and Where Their Employees Live, 2008



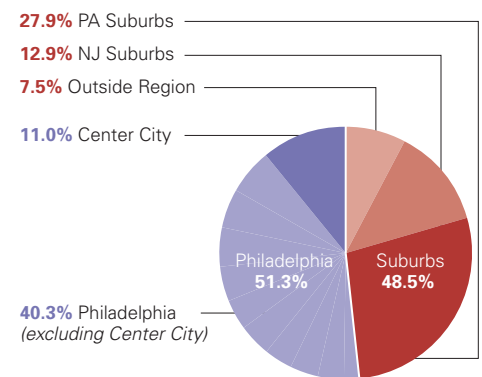
Employment Opportunities

Fifty-one percent (51%) of Center City private-sector jobs (114,285 jobs) are held by Philadelphia residents who earn \$5.9 billion in salaries working downtown. Center City provides more than 8,000 jobs for residents of Southwest Philadelphia, more than 11,000 jobs for residents of the Olney/Oak Lane area, and 12,497 jobs for residents in the Near Northeast. Because of the volume of downtown jobs, and because they are accessible by SEPTA, 8.4 times as many North Philadelphia residents work downtown than work on Temple's campuses; and twice as many West Phila-

delphia residents work downtown than work in University City. On average, 20% of the working residents in every part of Philadelphia work downtown and overall 60% work within the City of Philadelphia. Not surprisingly, Center City neighborhoods have the highest percent of residents who work downtown (43.3%) followed by South Philadelphia with 27%. But even in the Far Northeast, 17.4% of workers commute downtown each day.

The dramatic growth of Center City's population during the last decade has meant that a larger portion of downtown salaries (15%) remain there.

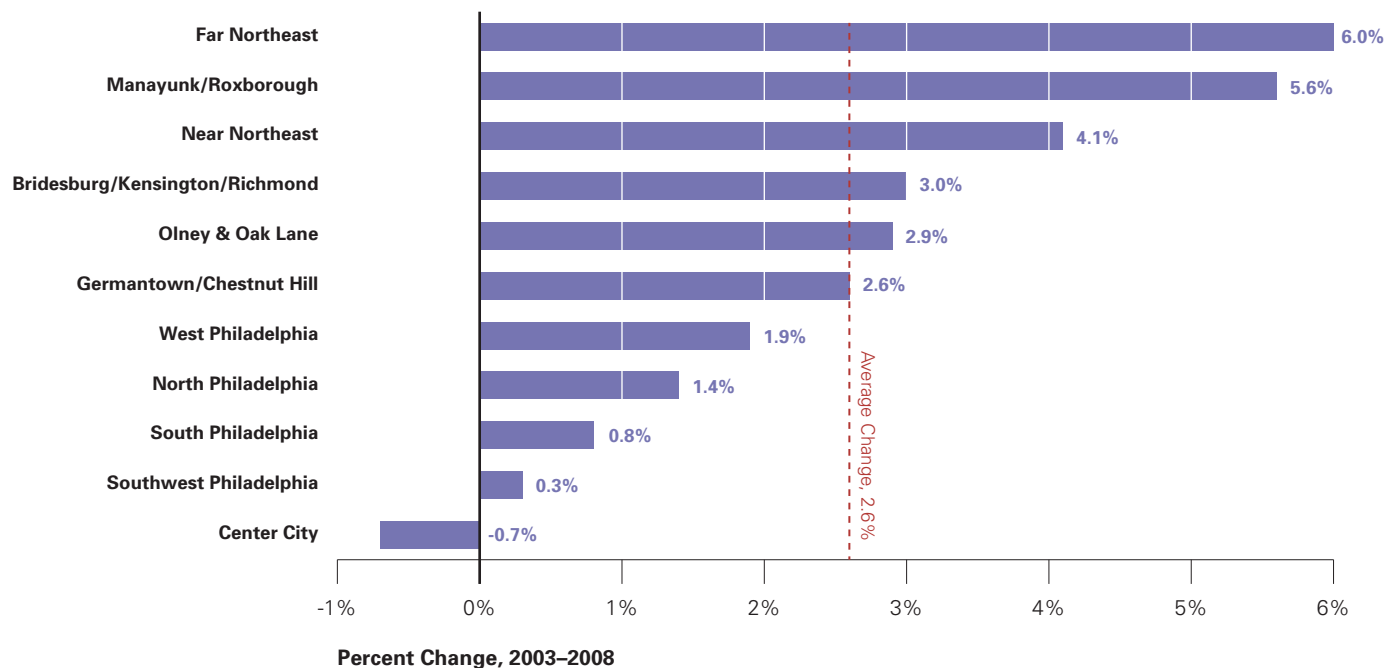
Chart 7: Center City Workers by Place of Residence



Source: LED, On the Map Application, BLS/US Census Bureau

Downtown Employment

Chart 8: Change in the Percent of Total Philadelphia Workers Employed in Center City, 2003–2008



Source: LED, On the Map Application, BLS/US Census Bureau

Between 2003 and 2008 the number of Philadelphians who worked in Center City rose by **2.6%**, with the largest increase occurring among workers who live in the Far Northeast.

Center City residents who work downtown now take home just under \$2 billion dollars each year and their spending has prompted retail growth not only in the CBD, but also in the residential communities between Girard Avenue and Washington Avenue. Vacant corner stores have been returned to active use, new supermarkets and grocery stores have opened, as have clothing stores, book stores, bike shops, cafes and restaurants.

Suburban dwellers hold 40.8% of downtown jobs and earn \$5.56 billion in salaries with 57,835 residents commuting from the Pennsylvania suburbs

and 23,604 arriving each day from New Jersey; 7.5% of downtown jobs are held by residents from outside the region. The 21,600 jobs that Center City provides to residents of Montgomery County account for 12.7% of the jobs held by residents of that county, while the 20,221 jobs held by Delaware County residents account for 10.1% of their residents' jobs. It is also likely that half of the estimated 7,000 partners who work downtown commute from the suburbs, though a growing number of partners are choosing to live in Center City.



Chart 9: Jobs and Salaries Paid by Node and Where the Employees Live, 2008

The chart for Center City, below left, contains the data that is mapped on page 5. The balance of the charts show where the employees of the other three nodes live and how much they earn.

Center City: Salaries Paid and Share of Earnings by Area

Residence of Workers	Employment	Salary (Millions)	Salary Share
Bridesburg / Kensington / Richmond	9,174	\$360.7	3.0%
Center City	24,089	\$1,908.0	15.7%
Far Northeast	7,255	\$375.4	3.1%
Germantown / Chestnut Hill	7,421	\$435.2	3.6%
Manayunk / Roxborough	3,348	\$216.6	1.8%
Near Northeast	12,497	\$590.2	4.9%
North Philadelphia	9,855	\$336.9	2.8%
Olney & Oak Lane	11,086	\$468.9	3.9%
South Philadelphia	10,386	\$426.4	3.5%
Southwest Philadelphia	8,077	\$344.0	2.8%
West Philadelphia	11,097	\$437.5	3.6%
Total Philadelphia County	114,285	\$5,899.8	48.6%
Bucks County	8,958	\$589.0	4.9%
Chester County	7,056	\$552.9	4.6%
Delaware County	20,221	\$1,229.0	10.1%
Montgomery County	21,600	\$1,544.9	12.7%
New Jersey Counties (Burlington, Camden, Gloucester & Mercer)	23,604	\$1,641.4	13.5%
Total for 9-county region	195,724	\$11,457.0	
Total	216,937	\$12,130.9	

Source: Local Employment Dynamics/On the Map, 2008, BLS-Private Sector Jobs

Navy Yard: Salaries Paid and Share of Earnings by Area

Residence of Workers	Employment	Salary (Millions)	Salary Share
Bridesburg / Kensington / Richmond	182	\$7.1	3.4%
Center City	240	\$18.1	2.3%
Far Northeast	104	\$4.9	2.4%
Germantown / Chestnut Hill	90	\$5.0	1.1%
Manayunk / Roxborough	48	\$2.4	8.6%
Near Northeast	184	\$8.1	3.9%
North Philadelphia	267	\$9.6	4.6%
Olney & Oak Lane	184	\$7.6	3.6%
South Philadelphia	235	\$9.9	4.7%
Southwest Philadelphia	218	\$9.0	4.3%
West Philadelphia	213	\$8.1	3.9%
Total Philadelphia County	1,965	\$90.0	42.8%
Bucks County	154	\$9.2	4.4%
Chester County	106	\$7.2	3.4%
Delaware	500	\$28.1	13.3%
Montgomery County	216	\$13.9	6.6%
New Jersey Counties (Burlington, Camden, Gloucester & Mercer)	730	\$40.5	19.2%
Total for 9-county region	3,671	\$188.9	
Total	4,097	\$210.6	

Source: Local Employment Dynamics/On the Map, 2008, BLS-Private Sector Jobs

University City: Salaries Paid and Share of Earnings by Area

Residence of Workers	Employment	Salary (Millions)	Salary Share
Bridesburg / Kensington / Richmond	1,343	\$49.8	2.4%
Center City	5,548	\$398.8	10.1%
Far Northeast	766	\$34.6	1.4%
Germantown / Chestnut Hill	2,058	\$109.2	3.7%
Manayunk / Roxborough	920	\$44.0	1.7%
Near Northeast	1,790	\$75.2	3.2%
North Philadelphia	1,791	\$61.3	3.2%
Olney & Oak Lane	2,236	\$87.9	4.1%
South Philadelphia	1,522	\$61.0	2.8%
Southwest Philadelphia	3,625	\$142.1	6.6%
West Philadelphia	5,392	\$196.0	9.8%
Total Philadelphia County	26,991	\$1,259.9	48.9%
Bucks County	1,548	\$87.9	3.1%
Chester County	2,039	\$131.9	4.7%
Delaware County	9,171	\$489.8	17.4%
Montgomery County	5,861	\$357.7	12.7%
New Jersey Counties (Burlington, Camden, Gloucester & Mercer)	6,543	\$344.6	11.9%
Total for 9-county region	52,153	\$2,671.9	
Total	55,187	\$2,818.8	

Source: Local Employment Dynamics/On the Map, 2008, BLS-Private Sector Jobs

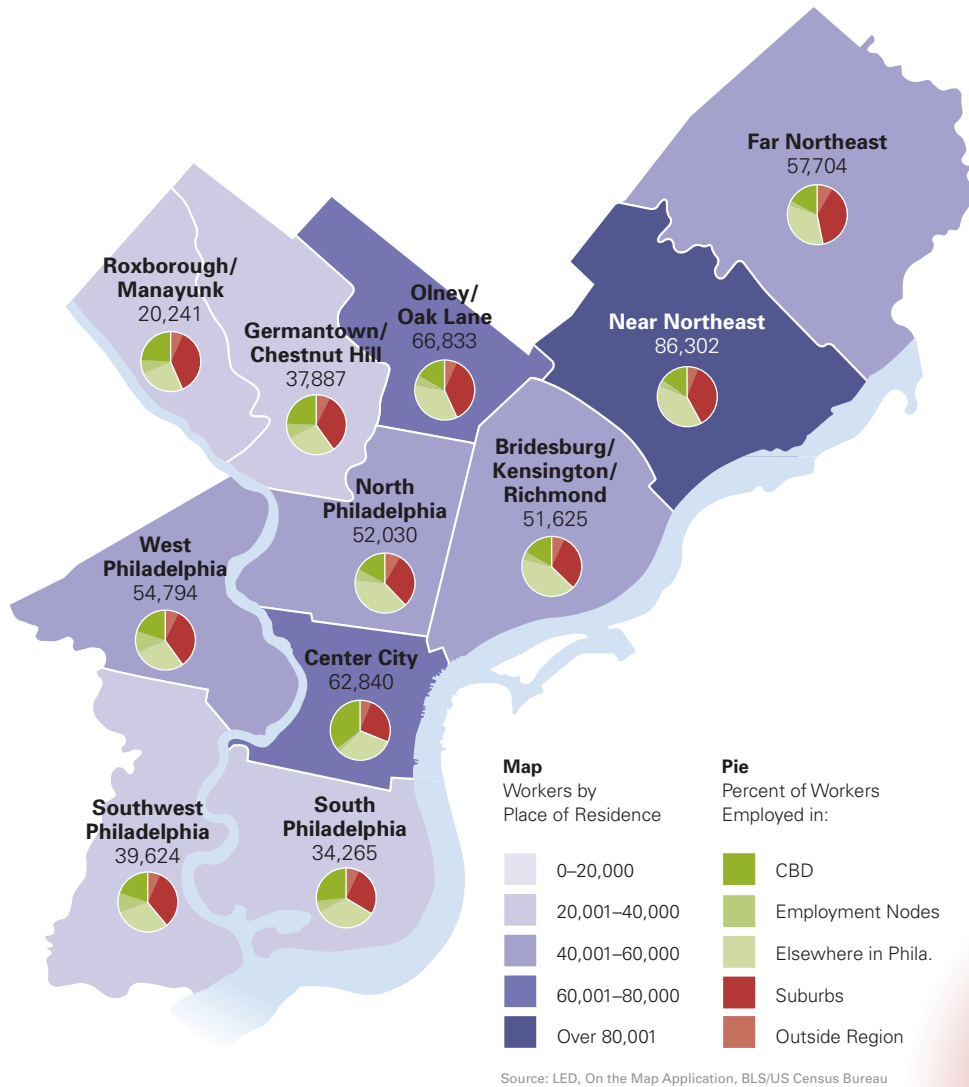
Temple University: Salaries Paid and Share of Earnings by Area

Residence of Workers	Employment	Salary (Millions)	Salary Share
Bridesburg / Kensington / Richmond	720	\$27.2	3.5%
Center City	1,251	\$94.4	11.7%
Far Northeast	581	\$26.8	3.4%
Germantown / Chestnut Hill	871	\$48.2	6.0%
Manayunk / Roxborough	334	\$16.5	2.1%
Near Northeast	947	\$40.8	5.2%
North Philadelphia	1,173	\$41.5	5.2%
Olney & Oak Lane	1,239	\$50.2	6.3%
South Philadelphia	277	\$11.5	1.4%
Southwest Philadelphia	443	\$18.0	2.3%
West Philadelphia	680	\$25.7	3.2%
Total Philadelphia County	8,516	\$401.1	50.3%
Bucks County	730	\$42.8	5.4%
Chester County	236	\$16.1	2.0%
Delaware County	1,115	\$62.3	7.7%
Montgomery County	2,432	\$155.2	19.3%
New Jersey Counties (Burlington, Camden, Gloucester & Mercer)	1,688	\$92.3	3.8%
Total for 9-county region	14,717	\$769.9	
Total	15,301	\$799.5	

Source: Local Employment Dynamics/On the Map, 2008, BLS-Private Sector Jobs

Where City Residents Work

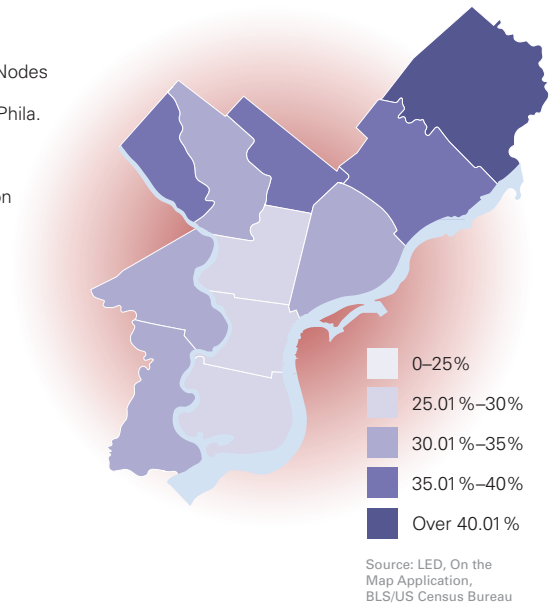
Chart 10: Total Number of Employees Living in Philadelphia and Where They Work



Where Philadelphians Work

The Local Employment Data source enables researchers to select specific geographical areas of the city, calculate how many residents in that area are employed and determine their place of employment. The map on this page shows the number of workers per area and whether they work in Center City, one of the other three employment nodes, elsewhere in Philadelphia or in the surrounding suburbs. Chart 12 breaks out each of the major employment nodes.

Chart 11: Percent of Workers Employed in the Surrounding Suburbs



In 2008,
564,145
salaried employees
were living in Philadelphia neighborhoods

40% of Philadelphia's workers commute to jobs outside the city, with highest daily outmigration occurring in the communities along the city's northern edge, furthest from Center City.

Where City Residents Work

chart 12: Where Residents of Philadelphia Neighborhoods Work, 2008

Philadelphia Neighborhoods	Total Workers	Work in CBD	% Work in CBD	Work in Phila	% Work in Phila
Bridesburg / Kensington / Richmond	51,625	8,708	16.9%	32,291	62.5%
Center City	63,026	27,297	43.3%	43,265	68.6%
Far Northeast	57,657	10,042	17.4%	30,621	53.1%
Germantown / Chestnut Hill	37,904	9,363	24.7%	22,708	59.9%
Manayunk / Roxborough	17,899	4,342	24.3%	10,138	56.6%
Near Northeast	86,302	13,377	15.5%	50,074	58.0%
North Philadelphia	52,030	9,022	17.3%	32,321	62.1%
Olney & Oak Lane	66,833	11,237	16.8%	37,937	56.8%
South Philadelphia	34,265	9,234	26.9%	22,732	66.3%
Southwest Philadelphia	39,624	7,925	20.0%	24,181	61.0%
West Philadelphia	54,794	10,959	20.0%	32,752	59.8%
Total Philadelphia	564,145	113,064	20.0%	340,262	60.3%

Source: LED, On the Map Application, BLS/US Census Bureau

chart 13: Percent of Neighborhood Workers Employed by Node, 2008

Philadelphia Neighborhoods	University City	Temple Univ. & Hospital	Navy Yard	CBD	Elsewhere in Philadelphia	Total
Bridesburg / Kensington / Richmond	2.60%	1.39%	0.35%	16.9%	41.3%	62.55%
Center City	8.83%	1.99%	0.38%	43.3%	14.2%	68.68%
Far Northeast	1.33%	1.01%	0.18%	17.4%	33.2%	53.11%
Germantown / Chestnut Hill	5.43%	2.30%	0.24%	24.7%	27.2%	59.91%
Manayunk / Roxborough	4.55%	1.65%	0.24%	24.3%	25.1%	55.80%
Near Northeast	2.07%	1.10%	0.21%	15.5%	39.1%	58.02%
North Philadelphia	3.44%	2.25%	0.51%	17.3%	38.6%	62.12%
Olney & Oak Lane	3.35%	1.85%	0.28%	16.8%	34.5%	56.76%
South Philadelphia	4.44%	0.81%	0.69%	26.9%	33.5%	66.34%
Southwest Philadelphia	9.15%	1.12%	0.55%	20.0%	30.2%	61.03%
West Philadelphia	9.84%	1.24%	0.39%	20.0%	28.3%	59.77%
Total Philadelphia	4.78%	1.51%	0.35%	20.0%	33.6%	60.31%

Source: LED, On the Map Application, BLS/US Census Bureau

Policy Implications

The Importance of Education

Center City is accessible by transit to residents of every neighborhood in the city and the downtown offers a broad range of unskilled, semi-skilled and high-skilled jobs. But nationally and locally it is the high-skilled jobs that are growing and far too many city residents lack the requisite skills or educational training.

One of the most interesting statistics released recently by the Bureau of Labor Statistics shows the relationship between education levels, unemployment and compensation and helps to explain the huge variations in experience for Philadelphia's residents during this recession. While nationally, unemployment stands at 14.6% for those who did not graduate from high school, it falls to 9.7% for those with a high school diploma, to 5.2% for those with a college degree and to 2.3% for those with a professional degree.

To remain competitive, it is essential that Philadelphia increase the percentage of students who complete high school, the number who complete community college and those who earn a four year degree. Better-educated workers have more opportunities, just as employers benefit from an expanded pool of skilled labor. Better-educated workers earn and spend more in the city, consume fewer expensive public services and pay more city taxes.

Implications for Public Policy: Infrastructure

There are at least two ways to interpret Center City's dominance as Philadelphia's main employment center. Seen from one perspective, it is the product of more than a half-century of well-planned public and private investment. The creation of the transit-oriented, Penn Center office district, Society Hill, the commuter rail tunnel, new highways, the Avenue of the Arts,

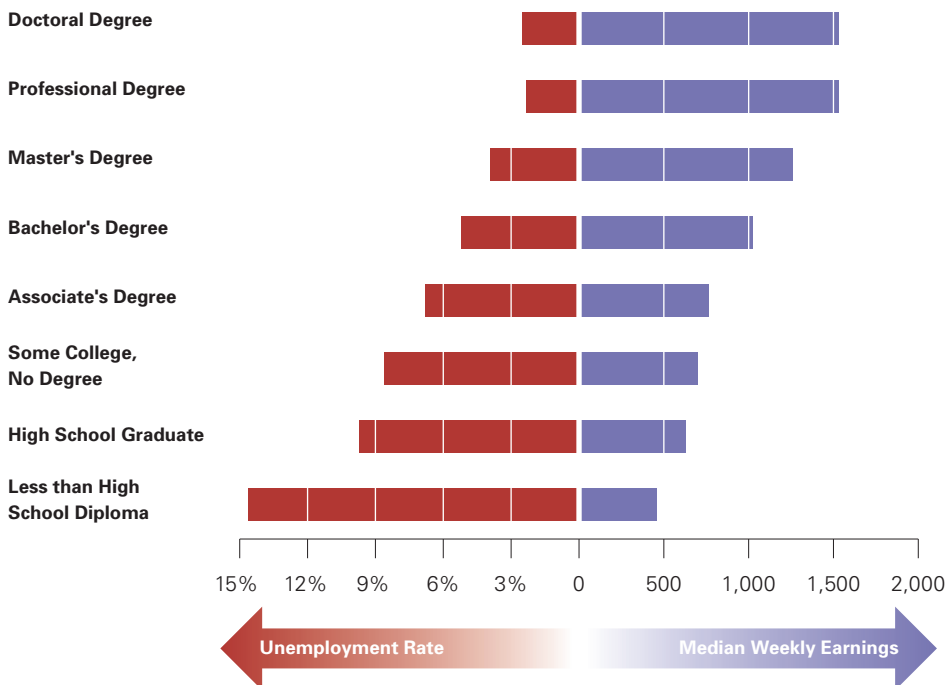
the Pennsylvania Convention Center and the implementation of a ten-year tax abatement helped remove or reuse the obsolete remnants of the manufacturing age, facilitating the transition to a post-industrial economy and a diversified, 24-hour downtown. Cumulative, operating expenditures since 1991 by the Center City District of \$221 million and capital investments of \$55 million have also enhanced the quality of the public environment and reinforced downtown's appeal as a place for business, work and entertainment.

But Philadelphia can not rest on past laurels. Other cities are continually investing in new transportation technologies and upgrading public spaces. An increasing number of suburban communities are calming traffic and investing in pedestrian amenities. **To stay competitive, Philadelphia must use its limited capital budget to leverage foundation, state and federal resources to make infrastructure, transportation and public space improvements that reinforce our largest employment nodes.** It is no accident that planners for Temple University, the institutions of University City, the Navy Yard and Center City are each seeking to improve the walkability and transit connections to their areas. This report can enable transit planners to prioritize the investments that link most workers to their jobs.¹⁰

Implications for Public Policy: Tax Reform

But, the profile of the four employment nodes is also heightened by contrast with the paucity of employment centers elsewhere in the city. Many areas of Philadelphia once were major hubs for manufacturing, exporting and importing for industries that long departed from the Northeast and from North America. Today, almost two-thirds of all city jobs can now be found in just five nodes of post-industrial employment; in between are thousands of economically

Chart 14: Earnings and Unemployment Rate by Education Level, 2009



Source: Bureau of Labor Statistics, 2010

dormant acres that are neither residential nor park land.

While many older manufacturing cities share this problem, the successful ones have stopped looking in the rear view mirror and are re-using old buildings and vacant land in a handful of target areas to foster 21st century jobs. This is exactly what is occurring at the Naval Business Center.

Yet one of our most significant barriers to new business formation is self-imposed. As noted in the October 2009 report of the Mayor’s Task Force on Tax Policy & Economic Competitiveness in Philadelphia, the challenge is not taxes per se, but rather **what** Philadelphia chooses to tax: *“Our fundamental problem is that Philadelphia has a tax structure that was appropriate to an industrial economy when people and firms were tied to the fixed assets of railroads, factories, and ports. By continuing to derive the lion’s share of locally generated revenues by taxing people and jobs that are now highly mobile, we continue to undermine our future. Only by making a wholesale shift by lowering the burden on people and businesses and placing a greater emphasis on land and improvements can we guarantee a future of growth.”*¹¹

While downtown’s share of jobs dwarfs other areas of the city, Philadelphia has succeeded less well in holding its own at the regional scale and local taxes are a contributing cause. Nothing is more nimble in the 21st century economy than the professional, financial, business services and consulting firms that fill office buildings. Most often they are tenants, not owners. They are rarely anchored by major capital investments, as are hospitals and universities. Rather, they live off laptops, fiber-optic cable and high-speed wireless connections. They can be almost anywhere.

Access to labor matters, as do amenities, and both are strong suits for Philadelphia. Yet our regional share of office space looks far more like auto-dependent Atlanta or Houston rather than like transit-oriented peers such

Chart 15: Downtown Share of Regional Office Space, 2Q 2010

City	Office Space			
	Downtown	Suburban	Total	% Downtown
San Francisco	83,224,000	33,518,000	116,742,000	71.29%
New York*	361,518,349	158,220,914	519,739,263	69.56%
Chicago	131,254,000	105,448,000	236,702,000	55.45%
Seattle	43,629,000	63,643,000	107,272,000	40.67%
Boston	58,000,000	102,774,000	160,774,000	36.08%
Washington	141,413,000	307,320,000	448,733,000	31.51%
Philadelphia	41,436,000	108,875,000	150,311,000	27.57%
Atlanta	57,263,000	189,692,000	246,955,000	23.19%
Houston	37,899,000	157,940,000	195,839,000	19.35%
Baltimore	22,159,000	102,584,000	124,743,000	17.76%
Denver	25,706,000	128,681,000	154,387,000	16.65%
Los Angeles	32,039,000	187,815,000	219,854,000	14.57%

* Based on data from Grubb & Ellis, 2010
Source: Colliers International, 2010

as Boston, New York and Chicago. (Chart 15)

University City and Temple’s campuses are major generators of the wage tax, the primary revenue source for municipal government. But these institutions are largely exempt from Philadelphia’s second and third largest taxes on real estate and business profits. The Navy Yard and the eastern edge of University City are Keystone Opportunity Improvement Zones, which benefit not only from exemption from local real estate and business privilege taxes, but also from state business taxes.

There is a simple way to understand how our tax structure encourages the migration of many office tenants to the suburbs or to tax-free zones, even when suburban rents are quite similar to those downtown. While real estate taxes are usually less than 10% of occupancy costs in Center City and are included in rent, the business privilege tax for the average commercial tenant adds a 10%

premium on downtown occupancy costs. It rises to a 30% to 40% premium over suburban costs for large partnerships. The wage tax adds an additional 3.5% premium.

Philadelphia’s taxes have also retarded both the formation of firms that spin-off from academic and research institutions and the expansion of small businesses that could capitalize on inexpensive real estate in many areas of the city.

While infrastructure investment is important, it is not always easy to predict the locations where private firms might start-up and grow.

To create a level playing field, Mayor Nutter needs to restart Philadelphia’s decade-long process of wage and business tax reduction in the City’s next fiscal year to create a more competitive environment, not just in a few places, but in each neighborhood in the city.

1 The data in this report is drawn from new data sources that are available from the Bureau of Labor Statistics (BLS) and the United States Census Bureau called Local Employment Dynamics (LED) and the On the Map application. Until recently, employment data from federal, state and local sources has only been available at the county level. But the new sources enable researchers to identify the number of workers within a specific geography within a region and to determine where these employees live. It also enables one to look at a specific residential area, by census tract or ZIP Code, and to determine where in the region those residents work. Because this data is available for most regions for the first time, downtowns can now be compared across the country. Unfortunately for our comparative purposes, data is not available for either Boston or Washington, D.C. The location of workers in the LED data is based on the Quarterly Census of Employment and Wages (QCEW) which employers fill out for all workers covered by unemployment insurance. Exceptions in this data include: the self-employed; partners and shareholders in LLCs & LLPs; armed forces; domestic workers; railroad workers.

The application uses workers' home addresses drawn from IRS records that link employee residential locations with their work locations. The Bureau of Labor Statistics (BLS) assigns those workers to industry sectors for the Quarterly Census of Employment and Wages (QCEW). Earnings were then assigned to workers by industry. The Quarterly Workforce Indicators data set (BLS) provides firm-reported average monthly wages for workers by industry at the city level.

Using this data, staff assisted by consultant Deborah Diamond, assigned earnings to workers by their home address using the following methodology: Dividing the average neighborhood income from Census data into the CBD Average Salary provides a weight each CBD employee will carry when calculating the neighborhood's percentage of CBD earnings. Then, a percentage share of CBD earnings for each neighborhood was determined by multiplying the number of CBD employees in that neighborhood by their weight. By multiplying the percentage share of earnings by the total wages earned in the CBD, we derive neighborhood income paid by downtown employers.

- 2 Those compensated through a share of partnership income pay the City's Net Profits Tax (NPT) and these numbers are based on 2008 data from the City of Philadelphia Revenue Department which requires partnerships, for the purpose of paying NPT, to provide compensation totals for all partners as a lump sum, but does not require firms to provide the total number of partners nor report their individual compensation. To derive an estimate of the number of partners, CCD staff polled members of Central Philadelphia Development Corporation in firms that are structured as partnerships, to learn the total number of partners in 2008. Using this data, we were able to estimate an average compensation per partner by sector. This average was then divided into the total sector compensation for lawyers, accountants, etc. to arrive at an estimated number of partners per sector. While Center City accounts for 35.1% of all partnerships incorporated in Philadelphia, it generates 79.6% of all partnership compensation in the city.
- 3 Among those who live downtown, 35% walk to work.
- 4 Both New York City's Midtown and the Wall Street areas are counted together in this report because of the continuous fabric of commercial land-use between them, unlike multi-nodal downtowns like Atlanta, Houston and Los Angeles which have several, very discrete employment nodes with low-density residential and/or commercial development between.
- 5 Unfortunately data of this sort is not available for Boston and Washington, D.C., but based on their significant shares of their region's commercial office space, both of these cities probably also have at least a third of their total jobs in their CBDs.
- 6 The Local Employment Dynamics (LED) database does not include information for Philadelphia International Airport, but previous estimates suggest that airline and airport-related employment accounts for approximately 6% of the jobs in the city.
- 7 In 2009, the Naval Business Center secured a total of \$506 million in research dollars from the Department of Defense and the Department of Energy. In 2010, a research consortium led by Pennsylvania State University received close to \$160 million in state and federal grants over the next five years to establish an energy innovation hub at the Navy Yard.
- 8 Business travel is the largest source of hotel demand in Center City, generating more hotel room nights than either leisure travelers or convention attendees.
- 9 The Philadelphia Convention & Visitors Bureau estimates that 55% of the business at the Pennsylvania Convention Center is generated by health care and pharmaceutical industries.
- 10 CCD/CPDC's recommendations for infrastructure investments that can enhance Center City are summarized in the Fall 2009 Center City Digest and can be downloaded at <http://www.centercityphila.org/docs/CCDigest-Fall09-Web.pdf>
- 11 Mayor's Task Force on Tax Policy & Economic Competitiveness