

# PIDC: A Legacy of Innovation in Economic Development

Carol J. de Fries 08 December 2014

In every corner of Philadelphia, the Philadelphia Industrial Development Corporation (PIDC) is driving growth, spurring investment, creating jobs and revitalizing neighborhoods and communities. For more than 50 years, PIDC has attracted, managed and invested public and private resources in the businesses and organizations, communities and markets that energize Philadelphia's economy. We work with companies large and small, for-profit and nonprofit in all areas of the city. It is our job to make Philadelphia a thriving robust city, and we love doing it.

As the economic development corporation for Philadelphia since 1958, PIDC's hallmark has been innovation since its very founding. The corporation's early leadership established the organization as a nonprofit founded jointly by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. This unique structure gave PIDC greater flexibility to undertake a wide variety of activities and to have a longer-term approach to economic development. Over time, this unique structure has allowed PIDC to adapt to the needs

of businesses in the city as the market inevitably changed. PIDC now serves both geographic and industry sectors covering manufacturing, industry and commerce in Philadelphia's central business districts, neighborhood businesses and minority-/women-/disabled-owned businesses, nonprofit organizations and corporate and commercial development.

Whether it's piloting the nation's first loan pool using HUD's Section 108 Loan Guarantee Assistance program to offer low-cost debt on subordinated terms to capital projects, creating one of the most successful sports stadium complexes in the country or undertaking the wholesale revitalization of the Navy Yard (the size of Philadelphia's downtown commercial business district) PIDC has continued to push the boundaries of economic development. Always looking ahead to ensure the vitality of Philadelphia's economy, PIDC recognizes the importance of Philadelphia's nonprofit sector as a major driver of its economic development, and is attracting new resources to support Philadelphia's evolving, more diversified economy.

## **Nonprofit Economic Development Innovation**

In 2005, the City of Philadelphia released an economic development blueprint that acknowledged that more than 30% of its employment base came from the nonprofit sector. It begged the question, Is there a difference to

Philadelphia's economy between a nonprofit that has 100 employees and \$10 million in annual revenue and a for-profit business? While there may be an impact on generating property and business taxes, in terms of jobs, and funds spent for operations, there may be very little difference. In fact, many of these nonprofits' activities and programming generate other kinds of positive economic impacts such as tourism, improved quality of life for our citizens, skills development and training and education access and improvement, to name just a few. In response, PIDC recognized the nonprofit sector as unique and worthy of its investment, resources and staff time on par with other industry sectors. Since 2007, PIDC has had a dedicated nonprofit market sector manager who focuses exclusively on the subsectors of education, healthcare and social services and arts, culture and recreation. In addition, its neighborhood business market manager covers community development corporations and community-based nonprofits.

The notion that nonprofits drive cities' economic and community development goes against a growing national tide of viewing these organizations as drains on city resources because they're tax-exempt. In Philadelphia, nonprofits are seen as vital to a robust and dynamic economic environment that fuels creativity, inspires beauty, prepares, educates and aids our most vulnerable citizens and finds groundbreaking solutions and cures to society's most persistent problems.

PIDC has touched hundreds of nonprofits throughout the city, utilizing every resource available to for-profit businesses. Since 2007, PIDC's activity with nonprofits has constituted 57% of its overall financial volume, totaling close to \$3 billion in a variety of transactions. These activities include: we disbursed more than \$75 million in loans to over 35 nonprofits; \$61 million of our \$148 million in New Market Tax Credits (NMTCs) have benefited nonprofits, with more on the way; over 131 organizations have received more than \$650 million in Commonwealth of Pennsylvania Redevelopment Assistance Capital Grants (RACP); over 150 nonprofits have received more than \$200 million in other grants administered by PIDC; 10 real estate transactions have been completed; and close to \$2 billion in tax-exempt bonds have been issued by over 85 nonprofits through the Philadelphia Authority for Industrial Development, the conduit issuance authority that PIDC manages.

## **Attracting Innovative New Resources**

In an environment of declining federal, state and city resources for business growth, PIDC has been at the forefront of seeking new forms of private capital to put to use for the varied needs of Philadelphia's business community. In particular, over the last several years, PIDC has focused on attracting resources to assist several key areas of growth in Philadelphia: small businesses, entrepreneurial ventures and major developments across

the city.

## Flexible Capital

Recent studies have shown that there is a significant gap in funding availability for small businesses in Philadelphia. In order to raise funds for this sector, PIDC received certification as a community development finance institution in 2012. As a result, the corporation is now able to attract private bank and foundation capital for small businesses (both for-profit and nonprofit). PIDC is one of the few economic development organizations in the country that have taken this path. One recent success was attracting the *Goldman Sachs 10,000 Small Businesses* effort in conjunction with the Community College of Philadelphia as the education partner and PIDC as the Philadelphia capital partner. Overall, our efforts have raised more than \$14 million to help Philadelphia's small businesses grow, and we have plans to increase this even more.

## Startup PHL

While PIDC traditionally lends to businesses with at least three years of history, we saw a gap in fostering the entrepreneurial activity that was burgeoning in Philadelphia. PIDC is part of a unique partnership with the City of Philadelphia called Startup PHL. This program is a series of initiatives targeted to Philadelphia's start-up community. PIDC, with First Round Capital, partnered to

create the \$6 million dollar Startup PHL Seed +Angel Funds. Since 2013, the funds have made co-investments of over \$1 million to six Philadelphia startups in combined seed and angel investments.

## **Foreign Capital**

Established in 2003, PIDC was the first economic development agency to be approved by the U.S. Citizenship and Immigration Services to form the PIDC Regional Center, with CanAm Enterprises, LLC. The program allows for foreign investment opportunities in qualifying projects that meet the requirements of the U.S. Immigrant Investor Program (EB-5 program). The EB-5 program provides foreign nationals a path to U.S. citizenship if they invest \$500,000 in a project that will create at least 10 new jobs in targeted areas. These investments capitalize a PIDC loan program, The Welcome Fund, that provides a low-interest senior financing vehicle for large-scale, job-creating projects undertaken by strong government, corporate or institutional sponsors. More than \$608 million in Welcome Fund loans have been made to 27 projects, resulting in the creation of approximately 19,390 new, full-time jobs in the region. More than 1,200 immigrant investors and families participate, and \$187.5 million in principal has been repaid to investors in 21 projects to date. The Fund has provided capital for projects around the city, like Aker Philadelphia Shipyard, Temple University Health's  Allegheny West

campus and two Kimpton Hotels.

## Federal Funding

In 2007, PIDC was designated a community development entity by the U.S. Treasury and awarded its first allocation of NMTCs for \$60 million. Since then, the federal government has allocated an additional \$88 million in NMTCs, which are targeted for projects that will revitalize low-income and impoverished communities. These federal tax credits are a critical element in PIDC's economic development toolbox. PIDC has invested \$121.5 million of our NMTCs in 10 development projects to eliminate blight, create jobs and transform neighborhoods. These credits leveraged an additional \$279 million in private investment to create more than 950 jobs and stimulate investment in the city's most distressed communities.


Below are just a few examples of our work with nonprofits across the spectrum of our available economic development tools:

### Real Estate



- Fringe Arts - PIDC worked with this innovative arts organization to find a permanent home that reflected its creative and vibrant energy. PIDC sold a former city water pumping station on the waterfront at Race and Delaware Avenues and administered a

state RACP grant to create a year-round venue for arts performances.



## Capital Improvements

- Child Guidance Resource Center (CGRC) -  CGRC, a behavioral health and educational service nonprofit, opened a new location in southwest Philadelphia with a low-interest subordinate loan to help acquire and fit out the new location, creating 40 new jobs.


## Interim Financing

- Asian Arts Initiative (AAI) -  PIDC administered two separate public grants for AAI's  relocation to a new facility at 11<sup>th</sup> and Vine and its renovation to create a multi-tenant, community-based arts facility. PIDC also worked with AAI to provide interim financing to purchase the facility from its landlord. AAI is leveraging this unique location in Chinatown to revitalize the Pearl Street alley as an outdoor gallery and vibrant public space from 10<sup>th</sup> Street to Broad.


## Working Capital Assistance

- Welcoming Center for New Pennsylvanians -  PIDC has partnered with Valley Green Bank to guarantee to support the Welcoming Center's  ongoing cash flow needs as it looks to expand its services.

## Tax Exempt Financing

- Nueva Esperanza -  PIDC structured \$32 million in tax-exempt financing and administered a state grant to open a new public charter school in north Philadelphia. Esperanza Academy is now a comprehensive college preparatory high school for more than 700 students.

## New Market Tax Credits

- Oxford Mills -  In South Kensington, PIDC invested NMTCs in this innovative \$38 million mixed-use redevelopment of a former abandoned factory complex into affordable office space for education and social service nonprofits and affordable living space for teaching professionals.

As PIDC continues to leverage our resources, knowledge and networks for all nonprofits in Philadelphia, the opportunities for even further innovation and positive economic development will thrive. The result will be a better Philadelphia for all.