Preservation Through Property Tax: The Impacts of Philadelphia's 10-Year Property Tax Abatement on Historic Preservation

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Preservation Through Property Tax: The Impacts of Philadelphia's 10-Year Property tax Abatement on Historic Preservation

Abstract
Philadelphia's 10-year property tax abatement program has proven effective as a transformative force throughout the city by offering a 10-year abatement on the taxable value of any improvements on a structure or land. Originally implemented in a vastly different real estate market than exists today, the abatement has had profound economic impact, yet has been heavily criticized by some of its varied stakeholders as a drain on municipal finances. Regarding historic preservation, the abatement has existed with a dual nature: while it serves as a key factor in rehabilitation financing on large projects throughout the city, it also incentivizes demolition of “soft site” (i.e. sites that could be officially designated, but aren’t and/or have a zoning envelope far exceeding what actually exists) historic fabric with replacement of larger structures. Using a series of maps, comparable abatement policies from other cities, and case studies of regulatory gaps within the preservation system, this thesis examines the impacts of the abatement on historic preservation in Philadelphia and culminates in a series of recommendations to improve the policy. These recommendations are geared toward advocating for a more targeted approach, altering of the policy to be better suited towards stopping historic demolitions, and reforming the abatement to benefit historic rehabilitation.

Keywords
development, abatement, property tax, zoning, incentives

Disciplines
Historic Preservation and Conservation

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PRESERVATION THROUGH PROPERTY TAX: THE IMPACTS OF PHILADELPHIA’S 10-YEAR PROPERTY TAX ABATEMENT ON HISTORIC PRESERVATION

Joel Naiman

A THESIS

In

Historic Preservation

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# Table of Contents

Acknowledgements ................................................................................................................................. ii  
List of Tables: .......................................................................................................................................... iv  
List of Figures ......................................................................................................................................... iv  
Introduction ........................................................................................................................................ 1  
Section 1: Mechanics and Municipal Finance ................................................................................... 5  
Section 2: Philadelphia’s Enabling Environment ............................................................................... 12  
Section 3: Property Tax as a Planning Tool .......................................................................................... 25  
Section 4: Financial Impacts of the Property Tax Abatement on Philadelphia .................................. 36  
Section 5: Proposals for Amending Existing Property Tax Abatement Policy ................................. 44  
Section 6: Comparable Policies ......................................................................................................... 49  
Section 7: Abatement Usage ............................................................................................................. 60  
Section 8: Conclusions and Recommendations ................................................................................ 82  
Bibliography ...................................................................................................................................... 95  
Appendix 1 ...................................................................................................................................... 101  
Appendix 2 ...................................................................................................................................... 128  
Appendix 3 ...................................................................................................................................... 130  
Appendix 4 ...................................................................................................................................... 132  
Index ................................................................................................................................................ 133
List of Tables:

Table 1: Breakdown of Philadelphia’s Fiscal Year 2017 Budget ................................................................. 11
Table 2: Employment Change Indexed to 1970 in Major East Coast Cities ............................................. 13
Table 3: Cumulative & Incremental Tax Revenue from Expiring Abatements ........................................ 41
Table 4: New High-rise Construction Costs $/sqft ....................................................................................... 41
Table 5: Capitalization Rate of High Rise Development, Q1 2016 ............................................................ 42
Table 6: Comparable Abatement Cities Comparison .................................................................................. 49
Table 7: Philadelphia Neighborhoods Average Indexed Home Sale Price ............................................... 63
Table 8: Example Comparison of Fishtown and Philadelphia Housing Markets 2000-2015 ..................... 64
Table 9: Breakdown of Top 150 (1%) Largest Abatement Projects in Annual Abated Sum ...................... 66

List of Figures

Figure 1: Map of Keystone Opportunity Zone Properties ........................................................................ 101
Figure 2A, 2B: Lost Heritage Buildings and Historic Districting ............................................................... 102-103
Figure 3A, 3B: Neighborhoods with significant demolition and new construction; Heat Map ................ 104-105
Figure 4A, 4B: Map of demolition permits correlated with abatements ............................................... 106-107
Figure 5: Naval Square Development in Grays Ferry .............................................................................. 108
Figure 6: Before and after images of 1130 Hewson Street in Fishtown ............................................... 109
Figure 7: Development on the 300 block of east Allen Street in Fishtown ............................................. 110
Figure 8: Demolition of a school at 701 Lehigh Avenue in North Philadelphia ....................................... 111
Figure 9A, 9B: Major tax abated rehabilitation projects ....................................................................... 112-113
Figure 10: Tax-abated rehabilitation at 320 Walnut Street .................................................................... 114
Figure 11: Tax-abated rehabilitation at 1338 Chestnut Street ................................................................ 115
Figure 12: Tax-abated rehabilitation at 241 South 49th Street ................................................................ 116
Figure 13: Tax-abated rehabilitation at 1221 Mount Vernon Street ...................................................... 117
Figure 14: Tax-abated rehabilitation at 2424 East York Street ................................................................ 118
Figure 15: 702-710 Sansom Street on Philadelphia’s Jewelers’ Row ......................................................... 119
Figure 16: Toll Bros. proposed designs for Jewelers’ Row tower ............................................................. 120
Figure 17: Demolition of the former Please Touch Museum .................................................................... 121
Figure 18: Society Hill Playhouse demolition ......................................................................................... 122
Figure 19: Demolition of 4046-48 Chestnut Street ................................................................................... 123
Figure 20: The St. James and York Rowhouses ....................................................................................... 124
Figure 21: Fortyieth Street ME Church and its replacement .................................................................... 125
Figure 22: Map of recently demolished religious structures in Philadelphia .......................................... 126
Figure 23: Standing church & apartment site at 605 s. 16th street ............................................................. 127
Introduction

Introduced in 1997 as a means of stimulating an otherwise stagnant real estate market, Philadelphia’s 10-year property tax abatement program has been crucial to the city’s resurgence. By offering a 10-year abatement on the taxable value to any improvements on a structure or land, the program has drawn developers to pursue a variety of new projects. The program includes rehabilitation and remodeling, construction on vacant land, and construction on land of a demolished building, yet does not include the demolition cost of any preexisting structure. Politicians have embraced the abatement for its ability to transform urban fabric, and bolster population growth as well as its overall economic impact as a job creator.

Since the abatement’s implementation, Philadelphia’s real estate market has drastically changed. Rather than being weighed down by vacant lots, abandoned buildings and blighted neighborhoods, the city has embraced rapid development and now has a skyline full of new skyscrapers and cranes. Philadelphia now plays host to numerous Fortune 500 companies and is increasingly seen as an incubator for emerging industries and younger residents. The abatement has consequently encouraged developers with incentive to construct denser, larger buildings in order to take full advantage of policy’s benefits. As Philadelphia’s development climate faces disproportionately high construction costs, with a low rate of return, the abatement helps to level the playing field, keeping Philadelphia competitive among east coast cities as a hub for business and development.
Conversely, the program has brought with it numerous unintended consequences, which have caused controversy among local citizens and gravely impact many public interests. Residents have perceived the program as a drain on the municipal budget, causing a fiscal in-balance in the city’s public school system. As Philadelphia’s public schools have struggled to keep doors open, and maintain programming, more properties receive larger abatements, leaving longtime residents questioning the city’s priorities. Numerous council members have proposed amendments to the program to create a more targeted approach for underserved neighborhoods and the school system, though none have come to realization.

Ultimately, as a tool facilitating the removal of blight, the abatement has arguably brought about many positive changes within the city, with significant progress being shown in up and coming real estate markets. Regarding its impact on historic preservation, however, the program has essentially incentivized demolition of unprotected historic structures. While the property tax abatement program aids in neighborhood transformation by providing what is essentially a universal municipal tax incentive, this program simultaneously endangers unprotected historic buildings in favor of the construction of larger projects many of which could presumably produce larger income levels than that of the lower density fabric. This is exemplified by historic properties such as 702-708 Sansom Street on Jewelers’ Row which is slated for demolition, and row houses on 4046-48 Chestnut Street demolished in December, 2016.

The abatement’s positive impacts on historic properties have additionally revealed a duality in its nature: while it can endanger smaller unprotected properties,
the program has provided a financial bonus for the renovation and rehabilitation of numerous residential and commercial properties throughout Philadelphia. While many of these properties are listed on the National Register of Historic Places and, if income-producing properties, are also eligible for preservation tax credits, many are not and receive an additional boost for renovation from the presence of the abatement which presumably adds to their *pro forma* projections.

Methodologies for this thesis include a review of abated properties and properties receiving demolition permits through a series of maps highlighting the preservation and demolition impacts of abatements, a review of comparable policies in surrounding cities, and a series of case studies examining the types of policy gaps resulting in historical demolitions. The results reveal that there have been relatively few locally or nationally designated historic properties demolished in favor of new construction. When this scenario does occur, however, it is frequently unprotected vernacular gems of Philadelphia left vulnerable by flaws in the local preservation environment that are demolished. Planning and development in Philadelphia currently operate without a city-wide survey of resources, while simultaneously relatively few properties are nominated and protected by the local ordinance. Additionally, there is often a disconnect between the built environment, and the allowable as-of-right building envelope as determined by the city’s zoning code. Thus, it is not just the unregulated abatement causing demolitions, it is a combination of factors creating an unfavorable preservation climate in Philadelphia which has led to the system’s breakdown and occasional overt failure.
Policies such as property tax abatements are common in other cities; many differ greatly from the policy in Philadelphia, and are described in Section 6 of this thesis. Cities commonly adopt property tax abatement provisions as development tools with both social and economic developmental ends. In other cities, comparable policies, however, are often more tailored to meet these specific socio-economic needs. Provisions differ from the length of abated funds to the types of targeted programs, to the ability to qualify. Philadelphia’s program, in its current form, is comparably untargeted, leading to a more sporadic and inconsistent path of development.

This thesis culminates in recommended alterations to the provisions of Philadelphia’s existing property tax abatement policy. Contained in section 8 below, these recommendations are not meant to be the sole proprietor of preservation regulation in Philadelphia, but rather part of a larger programmatic package that together represent a series of reasonable preservation incentives and disincentives. Their provisions have been crafted around three fundamental principles: 1) primarily, that a targeted approach towards specific types of development in predetermined areas within the city will yield more sustainable development. 2) The abatement should be altered in conjunction with addressing deficiencies in Philadelphia’s regulatory preservation structure in order to better manage and protect Philadelphia’s finite architectural and cultural landscape. This change will ultimately raise the bar for the approval of tax abatements for projects that require demolition of an historic asset. 3) The final recommendations are directed at extending the abatement on rehabilitations of historic properties as a municipal preservation incentive.
Section 1: Mechanics and Municipal Finance

Abatement Mechanics

In order to gain a deeper understanding of the overarching impacts of Philadelphia’s property tax abatement program, this thesis breaks down the legislation of each of four respective programs, their individual mechanisms, and if as pertinent, their interactions. In its current form, Philadelphia’s property tax abatement program comes in four forms: State Act 175, Ordinance 961, Ordinance 1130, and Ordinance 1456-A. Each of the abatements contains provisions concerning property tax breaks for the improvement of existing property, or that of vacant land.

Local Economic Revitalization Tax Assistance Program of 1977 (LERTA)

Philadelphia’s initial abatement ordinance, Ordinance 961, dates back to 1974 as an intended stimulus for the rehabilitation of single-family residential properties worth less than $10,000.1 Three years later, the Commonwealth of Pennsylvania drafted enabling legislation in 1977 that permitted and enhanced the ability of municipalities across the state to enact local abatement legislation. This legislation, known as Local Economic Revitalization Tax Assistance Act (LERTA), authorizes local taxing authorities to create tax exemptions for predetermined economically distressed communities for a set period of time.2 The creation and implementation of this act came following the realization that increasing property taxes provided a disincentive for improvements and blight removal. The legislation specifically calls for:

\[ \text{Improvement, repair, construction or reconstruction, including alterations and additions, having the effect of rehabilitating a deteriorated property} \]

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1 City Councilmanic Ordinance 961 of 1974, As Amended 1 Section 19-1303 (2) of the Philadelphia Code; accessed at http://digitalcollections.library.cmu.edu/awweb/awarchive?type=file&item=548952
so that it becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance with laws, ordinances or regulations governing such standards. Ordinary upkeep and maintenance shall not be deemed an improvement.³

The LERTA program has been, and continues to be, used around Pennsylvania in a variety of contexts to improve local properties. While Philadelphia’s property tax abatement programs arguably extend beyond LERTA, their purposes and uses reflect a similar ideology that stems state wide: the leveraging of property taxes may be used as an economic driver meant to improve conditions and stimulate redevelopment.

Philadelphia’s Property Tax Abatement Programs

Philadelphia’s Office of Property Assessment provides the following mission statement for the property tax abatement:

Abatements encourage new construction or rehabilitation of properties with the exemption of all or part of the value of the improvement for a set number of years. Abatements help revitalize communities, retain residents, attract home- and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects.⁴

The first of the modern abatements, State Act 175—enacted in 1984 by the Pennsylvania legislature, and applicable statewide—provides an abatement on the real estate taxes of new construction, and on the rehabilitation of single and multi-family housing during the construction process. This abatement lasts up to 30 months, though only large-scale projects have that duration. Moreover, this specific abatement incentivizes conversion to residential units from other uses by minimizing costs during the construction process.⁵ The second abatement, Ordinance 961, originally introduced

⁵ STATE ACT 175 OF 1984, AS AMENDED. 72 P. S. § 5020-205
in 1974 as a city ordinance\(^6\), offers a 10 year abatement from real estate taxes for
improvements on preexisting residential properties. This is specifically available for
residential dwelling units.\(^7\) The third type of abatement, Ordinance 1130, offers
applicants a 10-year abatement from real estate taxes on new construction of retail,
industrial or commercial properties—specifically not intended for residential
properties.\(^8\) The last of the abatements, Ordinance 1456-A, similarly offers a 10-year
abatement from real estate taxes on the improved value on any new construction
residential property, specifically excluding hotels.\(^9\) All tax abatements are issued
through Philadelphia’s Office of Property Assessment, and the abatement amount is
given and determined based on work receipts from construction projects.

Philadelphia has another property tax program supporting home-ownership, The
Homestead Exemption Program, and it is important to note the difference between the
tax abatement programs. Homestead exemptions are primarily used by owner-occupied
properties, reducing the taxable property assessment by $30,000. All owner-occupied
residential properties in Philadelphia are eligible for this program, yet are ineligible to
simultaneously hold a 10-year abatement. This program is commonly used throughout
Philadelphia, and while its savings are minimal compared with that of the tax
abatement, it is capable of saving residents hundreds of dollars annually. These are not

\(^6\) http://digitalcollections.library.cmu.edu/awweb/awarchive?type=file&item=548952
\(^6\) City Councilmanic Ordinance 961 of 1974, As Amended 1 Section 19-1303 (2) of the Philadelphia Code; accessed at http://digitalcollections.library.cmu.edu/awweb/awarchive?type=file&item=548952
\(^7\) City Councilmanic Ordinance 961 of 1974, As Amended 1 Section 19-1303 (2) of the Philadelphia Code
\(^8\) City Councilmanic Ordinance 1130, As Amended 2 Section 19-1303 (3) of the Philadelphia Code
\(^9\) City Councilmanic Ordinance 1456-A, As Amended 3 Section 19-1303 (4) of the Philadelphia Code
competing policies, rather they serve different purposes within Philadelphia—one promoting homeownership, and the other attracting new business, removing blight and stimulating development.¹⁰

Municipal Finance Structure and The Actual Value Initiative (AVI)

In 2013 the city of Philadelphia introduced a program known as the Actual Value Initiative (AVI). The program is designed to shift a higher proportion of the city’s tax to the residential sector, by reassessing certified market value on all parcels of land to reflect their true value, thus fairly increasing the municipal revenue stream.¹¹ The Office of Property Assessment (OPA) has been enacting the program by gradually readjusting these values on an annual basis. Inevitably, these readjustments have proven controversial. Many homeowners have challenged the new valuations, and 10.3 percent of homeowners sought appeal, claiming that their new valuations were inaccurate.¹² Upon its release of 2017 tax year assessments, critics immediately responded to the increase in tax assessment. While nearly 85% of properties in the city saw no change in tax assessment, over 14% saw an increase and only 1.21% saw a decrease. These increases were typically under $400, yet were concentrated in in Center City. In general, those receiving a property tax abatement saw only marginal increases based on their “contributory value of land” as opposed to their exempt building value.¹³

¹² Ibid.
Other prime concerns are the distribution of land value, as well as the valuation of vacant lots. While land value should be a reflection of the true value, Christopher Sawyer of Philadeliquency notes that land is valued according to its location in the city, as city assessors have drawn evident lines of gentrification. Sawyer notes a stark contrast in land value to the east and west of 52nd street in West Philadelphia, and argues that the assessments are an unfair representation of true value.\(^\text{14}\) Additionally, according to Sawyer, vacant lots are being assessed far below their true market value, and do not reflect the values of surrounding properties as they should.\(^\text{15}\) While this appears as an added benefit aimed at developing vacant lots throughout the city, OPA claims that this is solely part of the transition of the AVI and that this will be corrected with further installments of the program.\(^\text{16}\)

As of 2012, under AVI Philadelphia’s total taxable property was reassessed to $96.5 billion from $38 billion, and the property tax rate changed from about .5 percent to about 1.25 percent. This increase in property value is expected to add substantial revenue.\(^\text{17}\) Philadelphia’s general fund for the fiscal year 2017 is $4.167 billion, and its total budget $8.669 billion.\(^\text{18}\) Philadelphia’s property taxes are directly funneled into, and directly control municipal services, such as Philadelphia’s school budget, fire, police

\(^\text{15}\) Ibid.
\(^\text{16}\) Ibid.
and sanitation services, local road maintenance and public parks. It is additionally important to consider Philadelphia’s unusual tax structure, and its heavy reliance on the city’s wage tax as source of revenue. In 2016, Philadelphia collected $1.85 billion from its wage tax. Other American cities frequently have higher property tax rates to fund municipal expenditures.\(^{19}\)

To put it in perspective, the city’s total income from property tax in fiscal year 2017 is $594 million\(^{20}\) and the city’s school budget (coming from the general fund) is $104.26 million – increased by more than $35 million in the past year\(^{21}\) whereas the school district’s total budget for 2017 is $838 million, with the remainder coming from state and federal entities. Another aspect of the budget of interest is the percentage given to the Philadelphia Historical Commission. According to the general budget, $431,732 was given to the Historical Commission to fulfill its duties. Table 1 below provides a breakdown of these aspects.\(^{22}\) Property taxation in Philadelphia, as in most municipalities, is directly related to the adequacy and stability of its school system’s budget on which generations of students and communities depend. In many ways, the quality of the city’s public school system, so very intertwined with the adequacy and equity of its property tax system, is the broadest and deepest of preservation issues.


\(^{21}\) School System of Philadelphia "Preliminary Five-Year Plan (FY17-21) and Lump Sum Statement (FY16-17." March 2016.

\(^{22}\) Map produced by author with data collected from Philadelphia’s municipal budget website http://www.phila.gov/openbudget/
While this thesis does not attempt to redefine municipal finance in Philadelphia, it does comment on the intertwined nature of the complications and shortcomings of its historic preservation and school systems.

![Table 1: Breakdown of Philadelphia’s Fiscal Year 2017 Budget](image)
Section 2: Philadelphia’s Enabling Environment

Post-WW II Philadelphia and the Need for Incentives

In the post-World War II economic climate of Philadelphia, city officials had begun to notice evident signs of economic decline. Mayors Joseph Clark, Richardson Dilworth and other urban liberals in the 1950’s and 60’s were faced with a racially divided population fighting for equality and increased opportunity.23 As it became apparent that this economic decline was not of a cyclical nature, but rather a larger manifestation of the impacts of changing manufacturing technology and globalization, these mayors along with city planning officials, such as Edmund Bacon, embraced new models of industrial and urban renewal, designed to stimulate the economy with industrial job growth, the development of a new highway system and a facelift for formerly blighted sections of Philadelphia.

While these programs may have yielded some success, a radical divestment in Philadelphia ultimately was perhaps the inevitable result of a greater change in American psyche.24 As the creation of the American dream lured former urban residents to the suburbs, housing developments, such as Levittown, began to flourish. Philadelphia’s industrial economy began a rapid descent that would prove restrictive to the city’s physical development and population growth for decades.25

24 Ibid, 1-120.
25 Ibid, 1-120.
chart, produced by the Center City District, reveals Philadelphia’s decline in employment as a signifier of these trends.\textsuperscript{26}

As Philadelphia lost its appeal, the city’s population declined by nearly 500,000 residents between the 1960’s and today, roughly totaling a quarter of its inhabitants. Through the loss of its tax base, urban infrastructure and populations were marginalized and the city was left with an overabundance of vacancy and tax delinquency. It was not until the 1990’s and 2000’s that Philadelphia’s population began to recover from these trends. Currently, Philadelphia has a population of 1.56 million, and is looking to continue expanding its population and growing its infrastructure.

\textit{History and Environment of Property Tax Abatement:}

The property tax abatement in Philadelphia can trace its origins back to the late 1990’s as the city began its recovery from its post-industrialization era. John Kromer—

the former director of housing in Philadelphia between 1992 and 2001—has written on the origins of the program in his book *Fixing Broken Cities*. Although controversial in its modern context, Kromer discusses the original necessity of the abatement in the context of the stagnant 1990’s Philadelphia real estate market. Originally introduced in Philadelphia’s municipal sphere in 1974, the program’s re-emergence had been discussed and debated in city council for nearly a decade until the program recommenced in 1997 as a means of stimulating brick and mortar redevelopment to catalyze a wave of private sector development. Solely intended to stimulate rehabilitation, the abatement was designed to encourage the conversion of vacant and blighted properties solely into residential use. The program was expanded in the year 2000, allowing access to larger scale developers and investors, for broader uses other than solely residential. Through the 2000’s the program subsequently began attracting new outside development, making Philadelphia an attractive prospect for expansion and investment. Center City saw the majority of this revitalization effort as numerous tax abatement conversions and rehabilitations began to improve the general aesthetic and allure of the city. These projects include the conversions of the former Wanamaker Department Store into a Macy’s, the former City Hall Annex into a Marriott Courtyard Suites, and the former Cigna building into a luxury hotel.

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These projects each used federal historic preservation tax credits in addition to the property tax abatements, and would not have been feasible without the inclusion of preservation tax credits. While the property tax abatements were not the sole factor that allowed for the feasibility of these projects, it certainly was a substantial contributing factor. Additionally, preservation tax credits are an inherently stronger tool, although they are not available to the same variety of properties to which the abatement applies. Tax credit projects require National Register inclusion (individually listed or district contributing) whereas the abatement may be applied to any building within Philadelphia’s boundary. They may often work in conjunction, however, with each presumably aiding in a given project’s feasibility and pro forma projections.

These projects saw the abatement transform from a desperate approach of stimulating revitalization into a commonplace driver of development through the mid 2000’s. Between 2002 and 2008, Michael Sklaroff, a local real estate attorney, chaired the Historical Commission. Sklaroff’s leadership represented an ideological departure from the Commission’s past leadership focusing more on permit review rather than on designation. It was during this era that the Historical Commission developed somewhat of a pro development attitude as new development was coming to Philadelphia at an unprecedented pace. An example in this shift is seen in the demolition of Philadelphia’s historic Best Western Hotel, located at 22nd and Pennsylvania Avenue,

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with replacement by a residential tower, a project greenlighted by Sklaroff, who was the lead attorney on the project, and expedited by the City Planning Commission. In embracing a somewhat more pro-development attitude, the Historical Commission was joined by the City Planning Commission, as both saw an active free market take a new grasp on Philadelphia’s urban infrastructure and planning.

This developmental ethos continues to define Philadelphia and the Historical Commission today. Now chaired by Robert Thomas, the commission is stranded somewhere between its past years of upholding the integrity of the municipal register, and allowing new, unsympathetic development, though the Commission has no authority to approve new construction on a vacant parcel that was vacant at the time of designation. Financial hardship claims have become more frequent occurrences, not because more historic buildings are deteriorating at an accelerating rate, but because developers increasingly seek to garner the most value from real estate ventures.\(^{31}\) The abatement has become one of the mechanisms of choice to enable these habits due to the fact that the abatement value is directly correlated to the cost of improvements.

The City’s Center City District & Central Philadelphia Development Corporation’s 2016 annual report discusses these changes, and how they relate to and shape the built environment. Primarily, in Center City—the area bounded by the Delaware and Schuylkill Rivers to the east and west respectively, and South and Vine Streets to the

south and north— the population has grown by 17% since 2000 and currently sits at 184,998 residents. To accommodate for this growth, developers have added a reported 5,600 new housing units since 2013. Moreover, Center City has followed suit as a commercial and retail district. Developments such as the $1.5 billion Comcast Center, and the Ritz-Carlton (additionally a preservation tax credit project) building have brought in new jobs and made Center City a more attractive place to live. An expected $8.5 billion in major developments are in the pipeline, and the real estate pressure on not only Center City but on surrounding neighborhoods is rising. There are currently a reported 2,772 hotel rooms to be added by the year 2019 to accommodate an increasing tourism industry. As this neighborhood develops, Philadelphia’s historic resources become increasingly endangered, and much of this development has been made possible through Philadelphia property tax abatement programs, as well as TIF districting (tax increment financing), and Keystone Opportunity Zone Designation.

These expanding developmental trends may have an even heightened impact, with new pending state legislation supported by Mayor Jim Kenney enabling the city to change its taxation system, reducing its revenue from business taxes, and relying more heavily on commercial property taxes. Local Representatives John Taylor and William Keller have lobbied for bill PA HB1871 which would allow Philadelphia to opt out of a uniformity clause, permitting the city’s commercial real estate tax rates to vary by more

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31 Ibid.
34 State Act 1871 of 2015, As Amended. 72 P.S. § 3620
than 15% from the rates of other real estate.\(^{35}\) This increased reliance on property tax affects much municipal activity, and has large potential impacts on local public schools. By changing the role and structure of the city’s real estate taxes, the property tax abatement programs become a crucial factor in shaping not only Philadelphia’s built environment, but its political and social environments as well.

This trend of increased development in Philadelphia comes after the country’s recovery from The Great Recession, which had impacts stretching well into 2013. According to a Forbes article by Troy McMullen on these emerging real estate trends in Philadelphia, the city is experiencing growth due to the millennial trend to return to cities. McMullen states that this millennial return has caused the local economy to flourish, and is currently accommodating an increasing number of jobs annually.\(^{36}\) The establishment of these trends has encouraged outside national developers to stake a claim in Philadelphia’s real estate market. As the pipeline supply of Philadelphia’s housing stock still does not meet its demands, there is more market for new development. In both 2014 and 2015, the city has seen near records in multi-family building permits, rounding 2500 in those years, and the market shows no imminent signs of slowing down.\(^{37}\)


\(^{37}\) Ibid.
Despite its resonant success, the use of the property tax abatements has proven controversial. A fundamental deficiency of the program pertains to how it potentially impacts long-term homeownership. A series of articles published by philly.com in 2016 address several of these issues. One of the articles, *The Issues that Can Divide a Changing Neighborhood*, discusses the combined impacts of the city’s Actual Value Initiative and the property tax abatements. The AVI has increased the assessed value of housing to double and triple prior rates.\(^{38}\) Meanwhile, because of the property tax abatement, owners of newly-constructed and renovated properties pay minimal property taxes. The combination of these city initiatives is actively transforming formerly blue-collar neighborhoods into hubs of new construction overnight and disincentivizing long-term homeownership. For example, the article cites recent changes in the Point Breeze neighborhood which has seen significant new development, and consequently, a clash between new developers and long term residents in an effort to maintain its historic and cultural character. As of spring 2015, the city had approved 430 abatements for the area, and long-term residents are concerned about an uncertain future in their neighborhood.\(^{39}\)

Local CDC’s in Philadelphia additionally cite the dual impacts of the property tax abatement as a strong tool for local development and revitalization, albeit a cause of inequitable development. The Newbold CDC, located in the south-east neighborhood of Point Breeze, notes the impacts of the property tax abatement as a tool to incentivize

\(^{39}\) Ibid.
renovation of property. In one regard, this program increases homeownership and
rentals in previously uninhabitable dwellings. In this manner, the program is an effective
blight remover. These properties have seen a 137% increase in sales price, and have to
date helped stimulate economic development and integration of the neighborhood.\textsuperscript{40}

Another 2015 report, conducted by the Philadelphia Association of Community
Development Corporations, entitled \textit{Beyond Gentrification: Toward Equitable
Neighborhoods}, discusses pressing issues associated with the property tax abatement
program, and the necessity to update its provisions to keep pace with the modern real
estate market in Philadelphia. Primarily, the report discusses how the most substantial
abatements have been utilized by large scale developers building high end housing at an
alarming rate. Too infrequently, these awards are not given to developers of affordable
housing. The report lobbies for increased neighborhood input to enhance equitable
development and preserve cultural and physical character.\textsuperscript{41} Another consideration of
the report is the use of expiring abatement funds. As past property tax abatements
expire, the city receives a significant influx of funds annually. The report suggests that
this funding, or a proportion thereof, be used to create enhanced housing opportunities
for low-income residents throughout the city.\textsuperscript{42}

\textsuperscript{40} Newbold CDC. "Housing." Newbold CDC. Accessed December 18, 2016.
http://www.newboldcdc.org/cdc-overview/housing/
\textsuperscript{41}PACDC. "Beyond Gentrification: Towards Equitable Neighborhoods." PACDC. Accessed December 18,
2016.
\textsuperscript{42} Ibid.
State of preservation in Philadelphia:

As the impact of the property tax abatement has increased in shaping and developing Philadelphia, the state and efforts of historic preservation have shifted and evolved as well. In 2015, Philadelphia became the only city in the United States to be designated a World Heritage City. Although this title perhaps holds much nominative weight, it has minimal substantive impact. While the award may draw increased tourism, or even cause enhanced awareness, the designation comes with no funding for the preservation or promotion of historic assets. One of the fundamental downsides to this designation may well be in its creation of a false sense of security.43

This designation comes on the heels of a slew of highly publicized preservation battles occurring in Philadelphia – in particular, the loss of the auditorium of the historic Boyd Theater to a large scale apartment development, as well as the announcement that the developer Toll Brothers plans to demolish four undesignated properties on historic Jewelers’ Row for a 29 story apartment complex overlooking Washington Square Park (discussed in detail in Section 7). Numerous other historic assets fall into this category as well, whether through a lack of designation or inability of the Philadelphia Historical Commission to act upon submitted designations.

According to a 2016 Hidden City article by Oscar Beisart, less than three percent of buildings in Philadelphia are historically designated, leaving a vast array of historic fabric vulnerable not only to inappropriate alteration, but also to demolition. This

number is significantly less than other major cities. Manhattan, in contrast, has 28% of
its building infrastructure under local designation. Beisart goes on to discuss the ever-
ingreasing number of demolition permits issued in historic corridors, such as Fishtown,
West Philadelphia, and Germantown, which have led to much indiscriminate
demolition.\textsuperscript{44} Preservation efforts have consequently been promulgated by a loose
coalition of concerned citizens and community members who wish to preserve the
historic character of Philadelphia. While this group may have noble intentions, they lack
regulatory authority and resources, and frequently comprise a reactive, rather than a
proactive approach due to the overwhelming task at hand.\textsuperscript{45} Moreover, while the city
has various historic districts, the historical commission, for a variety of reasons, has
been reluctant as of late to designate new districts, although there has been a definitive
increase in individual property designation.

These efforts have gained wide-spread attention as current mayor Jim Kenney
has addressed the situation on Jewelers’ Row, publicly denouncing the plans of the Toll
Brothers’ development, after the developer’s plan changed from 16 to 29 stories. While
there is nothing legislative about this statement, it signifies that these small scale
preservation efforts are receiving notice from Philadelphia’s top policymakers.\textsuperscript{46}

In its current form, Philadelphia’s historic ordinances permits the Historical
Commission to take action on matters regarding preservation. Adopted in 1985,

\textsuperscript{44} Oscar Beisart, “Wasting History in A ‘World Heritage City,’” HiddenCity, December 7, 2016, accessed
\textsuperscript{45} Ibid.
\textsuperscript{46} “Kenney Slams Toll Brothers’ plan to double height of jewelers’ Row Project,” CBS Local, 2016, accessed
Philadelphia’s Historic Preservation Ordinance has been administered by the Philadelphia Historical Commission, a regulatory agency whose mission it is to protect and preserve Philadelphia’s historic resources, and holds the responsibility of stewardship therein. The rules and regulations of the Historical Commission denotes their function within Philadelphia, as the upholders of the designation process:

*The Commission also, however, has an advocacy function within the municipal government in the duty to make recommendations to the Mayor and City Council and a like role with the public at large in its obligations to increase awareness of the values of historic preservation.*\(^47\)

These ends are accomplished through individual property and historic district designation.\(^48\)

In the midst of the Jewelers’ Row controversy, the ineffectiveness of the commission became highly politicized ensuing its tabling of nominations that may have limited or stopped demolitions on Jewelers’ Row, and several historic row houses located at 4046-48 Chestnut Street. Due to the unprecedented nature of the circumstances, the Commission had legitimate due process concerns given that the demolition permits had already been granted. The Commission does not currently carry enough staff to effectively police preexisting designated properties, and does not have the authority to confront zoning issues. In December 2016, remarking on the abundant need to enhance the Historical Commission, three city council members, Brown, Squilla and Toubenberger, introduced legislation to enhance the commission’s efforts. The Historical Commission currently has an annual budget of $424,560, and would receive

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\(^48\) Ibid.
an additional $350,000 under the new legislation. In order to add these funds to the budget, the legislation proposes an additional fee for any permits reviewed by the Historical Commission concerning new construction, demolition or alteration of historic properties. Other cities have adopted similar fee structures, and Mayor Jim Kenney has publicly expressed support for the bill. While this would not eliminate current real estate pressures, nor protect all undesignated historic assets, it may provide the Historical Commission with greater means to enact its mission and better enforce preservation standards in Philadelphia, while simultaneously preventing numerous unwarranted demolitions.

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Section 3: Property Tax as a Planning Tool

Property Tax Stimulated Development Programs

The use of property taxation as a means to leverage developmental objectives is neither unique to the property tax abatement, nor unique to Philadelphia as a municipality. Varying types of property tax programs have been implemented as state and local initiatives for decades, and often have been directed towards downtown development and revitalization of blighted corridors. Beyond development initiatives, property taxes typically go towards expenditures such as school funding, maintenance of municipal infrastructure and administrative costs, among others. When this revenue stream is temporarily abated or cut, as in a property tax abatement, the municipality typically must pass on the tax burden to its constituency, or find a new source of revenue to combat mounting costs. The tax burden is typically balanced by other tax revenues from other sources including wage taxes, construction and others. Described in detail below are key other programs implemented in Pennsylvania using property tax as a development tool, including: the Keystone Opportunity Zone (KOZ) and Tax Increment Financing Districting (TIF).

The Keystone Opportunity Zone

Contemporaneous with, and similar in structure to the property tax abatement, Pennsylvania’s KOZ program was enacted in 1998 to “develop a community’s abandoned, unused, underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community
Keystone Opportunity Zones are chosen for participation and nominated by local communities, and must be approved by the state. The KOZ offers businesses and residents tax abatements on both business and property taxes for 12 years, and has been used in 12 areas across 61 counties, including several in Philadelphia. Ideally, these programs are designed to spur development to areas in close proximity to major interstates, ports, rail lines and international airports. To qualify, a business must actively conduct business in a designated zone. While similar to Philadelphia’s property tax abatement program, the KOZ program is a bolder, financially stronger method of revitalizing blighted corridors, and may be considered one of the most powerful developmental policies in the America today. The program exempts businesses within the nominated properties from paying state and local taxes, and abates any increased premiums in property tax.

In Philadelphia, over 140 properties have been designated to the KOZ in corridors throughout the city. The map in Figure 1 represents the dispersion of the 147 KOZ compliant buildings ranging from northeast Philadelphia, to Center City, to the Navy Yard.

This program has recently been met with intense controversy over its expansive use of designated zones, and minimal returns. In 2014, Philadelphia’s Office of the

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51 Ibid.
52 Ibid.
53 Ibid.
Controller examined the impacts of the KOZ from 1999-2012, and found that current use of the KOZ needs to be more closely examined primarily because the returns produced by KOZ are not substantial enough compared with the tax burden it creates.\textsuperscript{55} The City Controller further found that $384 million has been awarded to the program via forgone taxable revenue to a total of 617 business entities, and that $132.6 million of wage tax receipts have been generated, most of this preexisting the designation of KOZ. The Controller additionally discovered, however, that the program has created 3,700 new jobs and boosted the general fund by $39.2 million. Much of the program’s popularity was stimulated after the opening of the Cira Center in 2006, and has since spread to other major Center City Developments.\textsuperscript{56} Many proponents of the KOZ argue that the program stimulated investment that would otherwise have failed to be feasible in Philadelphia’s development climate, and that it continues to do so. Opponents, however, remark on the abundance of lingering vacancy in many designated zones that remain untaxed, and the relative ineffectiveness of the program as a true development incentive.\textsuperscript{57}

\textit{Tax Increment Financing}

Another commonly used form of property tax stimulated development is the TIF program. TIF has had a widespread, national use and dates to 1952 in California when it

\textsuperscript{56} Ibid.
was conceived as an innovative measure to finance urban projects with public funds.\(^58\)

At a basic level, TIF utilizes the anticipated future property tax revenue increases from
within a bounded, predetermined TIF district towards a development project. The
program has been used in municipalities across the country with varying results, and has
been used to develop numerous landmark projects in Philadelphia.

The program was initiated in Pennsylvania in 1990, and first brought to
Philadelphia in 1995 as a means of enticing PNC bank to keep 1100 jobs within the
city.\(^59\) The program has been considered a low risk means of stimulating development
due to the fact that the city does not directly deal funds to developers, rather it diverts
future revenue. Moreover, the policy contains a ‘but for’ clause, signifying that
proposed projects would not be eligible to use the policy if they were determined to be
financially feasible without it; essentially, the TIF must function as a last resort to make
projects feasible. The program has been used on numerous new construction projects,
as well as renovation and preservation projects, such as Reading Terminal Headhouse
and the PSFS building, both of which would not have been feasible without preservation
tax credits used in conjunction with TIF.\(^60\)

Just like the KOZ, Philadelphia’s use of TIF has been under scrutiny, with critics
arguing that implementation has not yielded favorable returns. In 2013, Jared Brey
wrote an article published in *PlanPhilly* critiquing the actual yields of Philadelphia’s TIF


\(^{59}\) Ibid.

\(^{60}\) Ibid.
districts. Brey cites PlanPhilly’s study of the reported property tax revenues against originally projected property tax revenues conceived during the projects’ proposals. The study found that the districts combined produced $20 million less in property taxes than was initially projected.\textsuperscript{61} City officials, however, argue that since the city is not directly distributing funding to TIF projects, and all projects would have otherwise been impossible, the city does indeed still receive benefit from utilizing the TIF.\textsuperscript{62}

It is additionally important to note TIF’s contributions to historic preservation practices. Numerous projects both preserving historic character and repurposing historic buildings have used TIF funding. The City Hall Annex, PSFS Building, Reading Terminal Headhouse were all recipients of TIF (as well as federal historic preservation tax credits, and would not have been feasible without the latter), and would otherwise not be shaping Philadelphia’s vibrant Center City without this policy. Another crucial consideration is that TIF works on a different scale than other types of publicly leveraged subsidies. For example, while the property tax abatement program and KOZ programs both have the capability of impacting smaller scale residential and commercial buildings and projects, TIF is limited to large-scale urban development projects. Lastly, it is important to note that TIF has seldom been used in Philadelphia. While KOZ has impacted over a hundred Philadelphia buildings in its history, and the property tax abatement thousands in its various forms, as of 2014, TIF had only been used on 13 projects in Philadelphia.

\textsuperscript{61} Ibid.
\textsuperscript{62} Ibid.
Property Tax as a Planning Tool and Economic Driver

The use of property tax abatement as a planning and economic development tool has come in various forms over the course of the 20th century. From preserving urban spaces to blight removal, to assuring welfare of a particular segment of the population, tax policy and abatement can leverage conditions to help create certain kinds of behavior.\(^{63}\) In her article entitled *Property Tax Exemptions as a Tool of Planning* Leslie Carbert discusses the role of property tax-based developmental programs. Carbert lays out the fundamental considerations in using property tax as a means to leverage assets, and reveals a duality between state and local interests. While state interests may influence municipal interests with regards to economic development, it is ultimately local governments that have the ability to control and enact taxation policies with enough substantive teeth to spark development. Carbert states, “By their very nature tax laws are, from the point of view of economic policy, persuasive rather than coercive, though the persuasion is not always gentle and friendly. Even though the payment of taxes is compulsory, it is compulsory only in a conditional way.\(^{64}\)” In this manner, property tax exemption works as a planning tool because of its ability to give a competitive advantage, rather than by forcing the involved parties to engage in any particular behavior, or increase taxes for other municipal desires.

This type of taxation, Carbert states, cannot be used effectively in the absence of other economic and political factors. While tax abatements will inherently have an initial

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\(^{64}\) Ibid 235.
negative revenue effect, they take time to spur further ripple effects. Carbert suggests three possible governmental actions of handling any short to intermediate term deficit created through property tax leveraging: 1) cutting governmental expenditures by an equal amount to the abated sum, 2) shifting property tax burdens to non-exempt portions of the tax field, and 3) creating and utilizing other types of taxation to account for the differences.65

Additionally, Carbert considers the reasons for which a local government would use property tax exemption as a planning tool: those created for the purposes of administrative simplicity66, those designed for social purposes, and those designed for economic purposes.67 It is important to consider that these designated purposes are not mutually exclusive, and can frequently overlap. Carbert thus concludes that exemptions and abatements on property taxes are only effective when there is a clear set of governmental priorities to drive both the private and public sectors, and appropriate regulations to ensure the enactment of these priorities.68

In its current form, Philadelphia’s property tax abatement encompasses the third of these reasons – as an economic driver for new development. Its impact, however, on social purposes yields a dual effect: while the abatement has a prominent role in shaping the built environment, it does so in a relatively unregulated manner,

66 Carbert defines this type as a governmental means to waive property taxes when it would otherwise be too complicated or expensive to pursue.
67 Ibid, 240.
68 Ibid, 244.
endangering some historic neighborhoods and unevenly distributing development, while simultaneously building a future tax base.

An article by Walter Farr, entitled *The Property Tax as an Instrument for Economic and Social Change*, discusses the impacts of varying levels and methods of property taxing on specific sectors within communities. Farr discusses the impacts of rising property taxes in blighted communities as specifically achieved through rehabilitation:

> Property taxes can also discourage housing rehabilitation even when taxes are no higher than those in surrounding municipalities. Any alteration or improvement that increases the market value of a residential unit should increase the property taxes on that unit. This logical sequence is widely believed to discourage housing rehabilitation, particularly in deteriorating urban neighborhoods, because the tax increase nullifies the benefits of increased rental value.69

Farr’s discussion is particularly relevant to numerous blighted neighborhoods in Philadelphia, as developers and neighborhood organizations often face similar uphill battles when engaging in redevelopment initiatives. Additionally, cities with higher property taxes, and no effective means of mitigating them, frequently encounter issues of premature abandonment. Through well-leveraged property tax abatement schemes neighborhoods can see a general aesthetic improvement but also mitigate the numerous problems associated with abandonment.70

In other sectors, Farr argues, property taxes and abatement schemes have drastically different intentions and outcomes than in residential sectors. For example:

for larger businesses, property taxes constitute a small fraction of general expenses, yet

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70 Ibid, 90.
effective property tax rates provide an adequate incentive to influence locational
decisions, and often influence corporate placement and decision-making.\footnote{Ibid, 68.}
By
introducing effective legislation to promote a decrease in property tax levies for
businesses, municipalities may see an increase in both larger corporate entities settling
and choosing a particular city, as well as the establishment of local businesses.\footnote{Ibid, 67.}

However, one of the largest pitfalls of the municipal use of property tax
incentives for business entities is in extending incentives that do not influence a
Frequently, once a market has been established in a
given location, there is no further need to use abatements to attract businesses. Daphne
Kenyon and Adam Langley in a recent article, have laid out a two part test to assess if
property tax exemptions and abatements will impact locational decisions:

\textit{One approach policymakers can take to increase the chance that property
tax incentive dollars are not spent frivolously is to gather information in
order to answer two key questions: (1) Are property taxes a significant
component of a firm's total costs? And (2) Does the firm serve a national
or international market? If the answer to both of these questions is yes,
there is a greater chance that the property tax incentive can affect the
firm's location decision and that the local government is spending its
property tax incentive dollars wisely.}\footnote{Ibid, 1013.}

Additionally, the cost of extending too many exemptions and abatements may exceed
the potential returns and benefits. There are numerous economic and social impacts
that must be considered in extending incentives which relate to public service costs,
gentrification, new traffic congestion, neighborhood and community design, and new
competition with longstanding businesses.\textsuperscript{75}

The over-use of property tax incentives may additionally stimulate a type of
bidding war with competing cities. Cities across the country have fallen victim to
offering greater and greater incentives in order to attract new business, and been
unable to disengage from this trend. For example, New York City and New Jersey have
historically used abatements and exemptions as an economic development tool. As New
Jersey does not offer comparable corporate proximity to New York City, Newark was
forced to use tremendous tax incentives to retain businesses, such as Prudential
Insurance.\textsuperscript{76} As Philadelphia lies between Baltimore, Washington and New York the city
has the potential to fall into this same trap, with an overstimulation of benefits.

Another consideration of property taxation, which has applied specifically to
Philadelphia and has greatly influenced the city’s post-industrial development, is the
notion of migration. Municipal dependence on property taxation is most commonly
justified when property is inelastic.\textsuperscript{77} In this manner, Edward Glaeser argues that this
scenario supports the services required (i.e. police, street cleaning, better schooling,
etc...) better than when there is an abundant oversupply of property.\textsuperscript{78} While
neighborhoods of Philadelphia such as Center City may justify higher property taxes,
according to Glaeser’s ideology, surrounding neighborhoods have an oversupply of tax

\textsuperscript{75} Ibid, 1013.
\textsuperscript{76} Ibid, 1014.
\textsuperscript{78} Ibid, 95.
delinquent and abandoned properties, and accordingly do not support higher property
taxes, and may therefore necessitate alternative developmental programs and schemes
to catalyze redevelopment, such as a more directed and targeted abatement.

One of the major players currently opposing the expansion of the property tax
abatement in Philadelphia is the School Board, voicing concerns that students are
ultimately losing out on funding opportunities for their schools until abatements expire
(further discussed in Section 4). Such concerns regarding the time dependency of results
of property tax abatements, and their impacts on local school systems, were voiced and
studied in a 2004 article by Esteban Dalehite. This study focuses on a school system in
Indiana that uses a similar model of property tax abatement to Philadelphia, though
with a more narrow scope of eligibility.79 The study ultimately concluded that the
abatements produced statistically significant changes in the local tax bases of schools,
and widened the socio-economic gap among school districts, favoring areas with an
already thriving free market. Moreover, the study showed that districts in less need of
the exemption engaged in more inefficient spending with the excess funding than did
schools with greater need.80 This negative impact on Philadelphia’s public schools would
presumably have more severe consequences than the regions studied due to the fact
that Philadelphia’s property tax abatement provides a greater reward, which is
concentrated in Center City – an already thriving district.

79 Dalehite, Esteban G. "SCHOOL FINANCE AND LOCAL INCENTIVES: THE EFFECTS OF PROPERTY TAX
ABATEMENTS ON THE DISTRIBUTION OF THE TAX BASE." Proceedings. Annual Conference on Taxation and
80 Ibid, 445.
Section 4: Financial Impacts of the Property Tax Abatement on Philadelphia

When assessing the relative success of Philadelphia’s property tax abatement program, there are numerous factors which must be considered, ranging from its impact on local public schools, to its impact on Philadelphia’s long term economic development, to the way in which it shapes and impacts communities. These factors weave a web that reveals the abatement program’s complicated nature. While there is no single doctrinal method of assessing the abatement, an overview of its impacts on local stakeholders is revelatory of its impacts on the various components of Philadelphia’s civic life. The following section examines reactions and reports from differing stakeholders across the city, and the general impact that the abatement has had on their respective missions.

Educational Considerations
The first consideration is given to the Philadelphia Coalition Advocating for Public Schools (PCAPS). A 2013 report compiled by PCAPS details the adverse impacts the abatement has had on local public schools. The report argues that the local school system, already filled with strenuous budget cuts, loses out in the short term through loss of revenue directly caused by abated taxes since 55 percent of every property tax dollar goes directly to Philadelphia’s public school system. Much of the school system’s discontent can be traced back to Governor Corbett’s and the Pennsylvania legislature’s cuts to public education funding, which have left the school system more reliant than ever on local property tax.81 In these conditions, the public school system has been

forced to make difficult budgeting decisions, cut programs, and borrow $24 million in 2014 just to remain operational.\textsuperscript{82} Specifically, in 2014, the projected loss to Philadelphia public schools of forgone income through the abatement program was upwards of $50 million.\textsuperscript{83} Property tax has typically accounted for more than 20 percent of the schools budgeting, a number likely to increase in the future.\textsuperscript{84}

The PCAPS report goes on to discuss the disparity between high income and low income neighborhoods, stating that wealthy neighborhoods are the primary recipient of tax abatements (as Dalehite’s study suggests), whereas lower income neighborhoods continually lose out, receiving minimal investment.\textsuperscript{85} Moreover, the majority of abatement dollars are given to large scale developers in Center City, and the program fails to adequately address tax delinquency and blight in the outlying neighborhoods which would receive the most benefit from a well-structured program. More specifically, the report questions the program’s lack of limitation—as of 2014, the 20 largest tax abated properties were exempted from paying nearly $14.5 million in property tax towards schools.\textsuperscript{86} While the program successfully enables developers to make projects feasible in the city, the report suggests that its benefits are solely felt by high income neighborhoods, and it lacks a targeted approach. The report lobbies for changes to the program, such as the mandated inclusion of affordable housing in

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{82} Ibid, 1.
\item \textsuperscript{83} Ibid, 1.
\item \textsuperscript{84} Ibid, 1.
\item \textsuperscript{85} Ibid, 2.
\item \textsuperscript{86} Ibid, 6.
\end{itemize}
\end{footnotesize}
properties receiving larger awards, and a possible maximum amount of abated dollars for future projects.\textsuperscript{87}

\textit{Financial Considerations}

In contrast, a 2014 report studying the economic impact of the property tax abatement by Jones Lang LaSalle discusses the program in light of its strong development incentives, and its ability to keep Philadelphia competitive among east coast cities. The report focuses on the potential impact of reorganizing the abatement in order to mitigate its negative impacts on the public school system. The study yielded that any benefits to the school system are outweighed by the long term impact of the larger tax base that the abatement would help to procure should current development trends continue and the abatement remain in its current form.\textsuperscript{88}

Additionally, the report found that any changes minimizing eligibility for the abatement takes a substantial toll on Philadelphia’s ability to attract new and profitable development:

\textit{The city’s data and a historical rent analysis suggests that had the abatement not been in place, as is, during the past economic cycle, at least 65% of Philadelphia’s recent development volume would likely not have been attractive enough to initiate. Had only the City portion had been abated, there would have been 45% fewer development projects.}\textsuperscript{89}

This is partially due to Philadelphia’s disproportionately high cost of construction in combination with lower property values and rents in comparison to other cities, as well as the greater impact of local construction unions. While cities such as Boston and New

\begin{footnotes}
\item[87] Ibid, 11.
\item[89] Ibid, 1.
\end{footnotes}
York have higher construction costs, their respective rent levels allow them to produce adequate returns for investment. Philadelphia, however, is perennially stuck between the lower construction costs of Baltimore and Washington D.C., and the successful markets of Boston and New York. Moreover, the annual return on investment in Philadelphia, among competitor cities, is much lower, making Philadelphia a less desirable place for new development. The abatement, however, gives Philadelphia a needed competitive edge to stimulate development.

Annually, there are between 15,000 and 16,000 property tax abatements pending in Philadelphia, with approximately 60 percent for new construction, and 40 percent for rehabilitation. The vast majority of these projects are for residential sector rowhomes and condominiums. The averaged abatement value in a dollars per square foot ratio is $85 for rehabilitation and $172 for new construction, signifying that the policy is aiding in Philadelphia’s growth plan, and increasing residential construction. Lastly, the report argues that the abatement is responsible for the creation of nearly 2000 construction jobs, many of which would be lost with an altered program.

In 2013, Kevin Gillen of the Fels Institute at The University of Pennsylvania studied the abatement’s financial impact on the city, coming to many conclusions similar to those of the 2014 Jones Lang LaSalle report. Gillen’s study points out that the

90 Ibid, 2.
91 Ibid, 6.
92 Ibid, 8.
93 Ibid, 20.
primary user of the abatement is the Philadelphia Housing Authority.\textsuperscript{94} He notes that many critics of the abatement have a misconception that large developers are the primary users (though they are frequently given the largest abated sums). Instead, Gillen argues that while the primary concentration of abatements take place in Center City, abatements of all kinds are used in outlying areas of the city at an increasing rate, and improving overall infrastructure.\textsuperscript{95} Accordingly, this massive upturn in the Philadelphia development climate would not have been possible without the impact of the abatement, as evidenced by the fact that Philadelphia’s suburbs and surrounding towns have not seen growth remotely comparable to that of the city.\textsuperscript{96} Lastly, Gillen argues that financial impacts of expiring abatements, and the expansion of the AVI program provide sufficient incentive to leave the program unaltered. Under AVI, abated properties will contribute an additional $10.5 million annually, which will increase to $70 million by 2018 with expiring abatements.\textsuperscript{97} Table 3 below reveals the annual cumulative and incremental tax revenue from expiring abatements.\textsuperscript{98} This chart reveals one of the primary reasons that city officials have so readily embraced the abatement. As the program ages and abatements expire, the revenue stream from these properties have proven, and will continue to prove, valuable to the city in terms of generous financial return and increase to the school and city budgets.

\textsuperscript{95} Ibid, 27.
\textsuperscript{96} Ibid, 7.
\textsuperscript{97} Ibid, 1.
\textsuperscript{98} Ibid, 17. Chart data collected by Kevin Gillen and graphic reproduced by author.
The Balancing Act

In order to assess the 2016 developmental climate, this thesis compares average price per square foot construction costs of high rise development among competitor cities. The cities selected reflect a geographic relation to Philadelphia, and all contain a minimum population of at least 300,000 residents and are comprised of Pittsburgh, Baltimore, Washington D.C., New York City and Boston. In order to assess a consistent measure, the comparison was only among high-rise (greater than 5 stories) construction projects on a price per square foot basis. The study produced the following chart:

Table 4: New High-rise Construction Costs $/sqft

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99 Chart produced by author. All data was taken from BuildingJournal.com based on averages among each respective city.
The chart reveals that Philadelphia does, in fact, have higher construction costs than competing cities. Boston and New York have higher high-rise construction prices, yet each has a real estate and business market to support these costs. This does, however, reveal that Baltimore, Pittsburgh and Washington D.C. do provide cheaper development costs, making Philadelphia a riskier bet. Moreover, using the average capitalization rate for each respective city as an average measure on return for investment is more illustrative of the east coast developmental competition, as is displayed in table 5.100

<table>
<thead>
<tr>
<th>City</th>
<th>Capitalization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>3.90%</td>
</tr>
<tr>
<td>Boston</td>
<td>4.90%</td>
</tr>
<tr>
<td>Washington D.C.</td>
<td>5.00%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>5.80%</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>6.25%</td>
</tr>
<tr>
<td>Baltimore</td>
<td>6.30%</td>
</tr>
</tbody>
</table>

Table 5: Capitalization Rate of High-Rise Development; Q1 2016

The comparison reveals much more favorable climates among Philadelphia’s most direct competitors. A lower capitalization rate signifies a faster return on investment, and allows developers to leverage larger mortgages and build more developments. This impacts locational decisions for corporate entities, making those cities with lower capitalization rates attractive prospects. Philadelphia has a relatively high capitalization rate, making it a far riskier investment than comparable cities. Although Philadelphia’s

100 Chart produced by author. All data was taken from RCAnalytics based on averages among each respective city.
construction prices make it more competitive, the city has required a catalyst to stimulate urban growth, which has been a prime function of the abatement.

Philadelphia’s developmental trends leave the city in somewhat of a balancing act. While the abatement allows the city to remain competitive among east coast cities and sustain its growth, its impact on local public schools and communities cannot be ignored. On one hand, the time value of lost funding for Philadelphia’s public schools has been forcing them to make decisions to cut programs and over-leverage their finances, letting underserved communities suffer. On the other, the program serves as an equalizer for Philadelphia, and has the promise of substantial returns mounting annually. According to Gillen’s work, now that money will start flowing back in meaningfully, the school system and city stand to benefit. It is clear, however, that the program has tremendous power in shaping Philadelphia’s social and fiscal future, and would benefit from being amended and refined in order to appropriately consider both social and fiscal aspects to be improved in a manner that it does not rob a generation of Philadelphians of a quality education. While this web of factors has historically proven complicated for policy makers, there has been a recent movement to alter the abatement in order to achieve more equitable development throughout Philadelphia.
Section 5: Proposals for Amending Existing Property Tax Abatement Policy

City Councilman Domb and Other Requests for Change

Numerous policy makers and interest groups have advocated alteration to the abatement. Most recently, in March, 2016, newly-elected City Councilman Allan Domb proposed an addendum to the policy to expand its impacts to include rehabilitation projects on houses whose purchase price was less than $250,000. On these projects, the abatement would last for 20 years.\textsuperscript{101} According to Councilman Domb, the bill would sufficiently aid in the revitalization of outlying areas of the city through bringing increased incentive for their development. In particular, Domb anticipates the policy having substantial impact in West Philadelphia, Southwest Philadelphia and North Philadelphia.\textsuperscript{102} One of the prime considerations holding Domb and the bill’s supporters back is a Pennsylvania state law requiring municipalities to tax properties of all types in a uniform manner. Thus, Domb’s bill not only requires the support of the City Council, but also of the Pennsylvania General Assembly to be enacted.\textsuperscript{103} Not only is this issue highly controversial locally, but adding an additional layer of complexity at the state level will slow down and restrict the evolution of the policy for the time being.

Since the proposed bill has a hard cut off of $250,000, it ideally would be consistent with Philadelphia’s real estate market, and begin to remove blight in neighborhoods that would otherwise fail to see development. Domb and the City


\textsuperscript{102} Ibid.

\textsuperscript{103} Ibid.
Council have historically backed the abatement policies because they benefit the city and these communities, both financially through building an improved tax base, and socially, by removing blight, improving schools and increasing the city budget for community expenditures.  

Domb’s proposal has been fought vehemently by opponents. Critics argue that Domb’s proposal, while laudable in its aims, will actually provide a subsidy to banks and developers. They argue that the abatement on these houses do not truly make home ownership cheaper, and that it enables purchasers to get a larger mortgage, allowing developers to charge more for housing. Essentially, the abatement would not pass on to the rental sector. This type of thinking aligns with Gillen’s study in that the expansion of the abatement would be a seedling for neighborhood and community economic development in these outlying areas.

Other prominent Philadelphia politicians have proposed similar improvements to the abatement. Lynne Abraham, the former District Attorney of Philadelphia, has proposed that the abatement be expanded to underdeveloped neighborhoods outside of Center City to increase neighborhood development and revitalization. City Councilman Wilson Goode Jr. has considered numerous proposals to shorten the duration of the abatement so as to increase the city’s revenue stream at a faster rate. Goode has additionally introduced legislation (although never becoming law) giving the

104 Ibid.
School Reform Commission (SRC) license to decide if the abatement is applied to school taxes, which make up approximately 55 percent of taxes in Philadelphia.\textsuperscript{107} Doug Oliver, a former mayoral candidate, has also proposed shortening the abatement and using it as a local form of a Community Development Block Grant.\textsuperscript{108}

Most notably, Mayor Jim Kenney has publicly noted the necessity of changing the abatement to a more sustainable format. While Kenney acknowledges the positive economic impacts that the abatement has had on the city, he embraces and proposes a more targeted approach. Kenney believes that using the city’s AVI, the city can effectively target vacant properties, and increase actual land value to a more accurate value. This would ideally lead to a substantive increase in revenue produced by the abatement, as well as an increase in equitable and sustainable development in neighborhoods throughout the city.\textsuperscript{109} Kenney’s mayoral platform stated the following about the desired changes to the abatement:

\textit{After the institution of the Actual Value Initiative, however, it has become clear that a number of tax abated properties are receiving extravagant benefits. A 2014 study found that of the of the top twenty tax-abated properties, the land or unimproved value only amounted to 10\% of the total value, meaning that the building owner(s) were only paying taxes on a tiny percentage of the overall value of these newly constructed properties. These highest properties, valued at over $2.1 billion, are only paying cumulatively $2.9 million annually. Additionally, Philadelphia has far too much vacant and unimproved land that is being held by speculators who have been sitting on land without building on it for years and years. Recent reports have found Philadelphia home to over 31,000 privately owned vacant lots not being utilized. These landowners have been paying very little in taxes on these properties, and because of this have little incentive to invest and improve the properties. Jim Kenney}

\textsuperscript{107} Ibid.
\textsuperscript{108} Ibid.
\textsuperscript{109} “10 Questions for Philadelphia Mayoral Candidate Jim Kenney,” March 27, 2015, NBC Philadelphia.
understands that the City must do more to get speculators to improve this land, or at the very least pay a higher tax for doing nothing with it.\textsuperscript{110}

While the property tax abatement remains an integral segment of Philadelphia’s enabling development environment, numerous local politicians see the necessity to direct its impacts in a more concrete manner.

Other community stakeholders, such as the PACDC (Philadelphia Association of CDC’s), recognize the changing developmental climate and the necessity to revise the abatement to help further missions of equitable development as well as overall urban growth. PACDC engages in housing preservation as a community development initiative, and calls for the reevaluation of the program in order to support community-based initiatives.\textsuperscript{111}

Similarly, Philadeliquency’s Christopher Sawyer has publicly proposed a new model for the property tax abatements. Under his proposal, property tax levels would only be reassessed when a property changes ownership, which ultimately would lead to an abatement of sorts for all properties, yet would ideally stimulate the real estate market.\textsuperscript{112}

The nature of the property tax abatement is inherently controversial. Its powerful effects impact stakeholders throughout the city in a variety of ways. Whether through its impact on schools, revenue production, gentrification or urban development, lawmakers and the public will need to negotiate in order to see viable

\textsuperscript{110} Brey, Jared; “Abraham Wants to Double the Tax Abatement in Underdeveloped Neighborhoods,” April 2, 2016
\textsuperscript{111} Ibid.
change in the abatement as a developmental policy. While all parties agree that a more targeted approach, and overall review of the policy will improve the policy, there is yet minimal agreement on which type of approach will prove the most effective.
Section 6: Comparable Policies

*Tax Abatement in Other Cities*

Numerous other cities incorporate property tax abatements into their municipal code, doing so for a variety of reasons. Abatements in other cities have been designed, for example, to stimulate development, rehabilitation, historic preservation and stewardship, and enhance equitable development. While these practices differ in scale and method from that of Philadelphia, an examination of comparable policies in other cities can be informative for the direction of Philadelphia’s abatement and preservation policies. Comparable cities were chosen for their proximity to Philadelphia, their varying socio-economic climates, relative growth and employment patterns and their diversity of policy.

The cities of each respective abatement policy that are examined herein are compared and broken down statistically in the following chart:\(^{113}\):

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington D.C.</td>
<td>572,046</td>
<td>604,453</td>
<td>635,040</td>
<td>0.62%</td>
<td>7.50%</td>
<td>2.20%</td>
</tr>
<tr>
<td>Boston</td>
<td>590,433</td>
<td>620,451</td>
<td>645,966</td>
<td>0.53%</td>
<td>3.70%</td>
<td>1.45%</td>
</tr>
<tr>
<td>New York City</td>
<td>8,008,278</td>
<td>8,175,133</td>
<td>8,550,405</td>
<td>0.39%</td>
<td>6.10%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>1,547,297</td>
<td>1,526,006</td>
<td>1,567,442</td>
<td>0.08%</td>
<td>6.50%</td>
<td>2.19%</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>311,647</td>
<td>305,635</td>
<td>305,841</td>
<td>-0.11%</td>
<td>4.60%</td>
<td>0.70%</td>
</tr>
<tr>
<td>Baltimore</td>
<td>648,654</td>
<td>621,210</td>
<td>622,793</td>
<td>-0.24%</td>
<td>7.40%</td>
<td>1.60%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>431,369</td>
<td>396,009</td>
<td>396,815</td>
<td>-0.49%</td>
<td>7.20%</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

\(^{113}\) Chart produced by author.

*New York, NY*

New York City incorporates five types of property tax abatement into its municipal code, each accomplishing varying goals, while impacting varying segments of the population. The first program, known as the “J-51 Exemption and Abatement,” is...
designed for the renovation of residential buildings, and is granted on an application basis. The policy, created in 1955, was predominantly designed as an incentive for owners of rent-controlled apartment buildings to make updates and improvements. The program allows such owners to abate up to 75 percent of the cost of the improvements if they retain controlled rental rates.114 This incentive serves as a tool to keep these properties affordable while simultaneously keeping them in good repair.

Another of New York’s abatement policies is targeted to improve the amount of affordable housing for seniors. The program, known as Senior Citizen Rent Increase Exemption (SCRIE) is available to seniors in rent-controlled apartments whose annual income is $50,000 or less. Created in 1970, the program freezes rent levels for these individuals by providing a property tax abatement to the apartment owner equivalent to the amount that the tenant is exempted from paying. 115 This program is not mutually exclusive and may be used in conjunction with the J-51 program.

Similar to Philadelphia’s 10-year property tax abatement, New York City additionally offered a third abatement known as “421-A,” which offers an incentive for new residential building on vacant or nearly vacant land. Created in 1971, the program offers a 3-year total exemption on property tax for these new construction projects, which then turns into a graduated abatement for seven years, increasing by 20 percent every two years until the property tax rate is equal to its market rate. The program

115 Ibid.
commenced in 1971 as a means of keeping New York City residents from fleeing to the suburbs.\textsuperscript{116}

New York City’s fourth abatement, the Commercial Revitalization Program (CRP), encourages commercial building owners to invest in structural improvements\textsuperscript{117} by offering a property tax abatement for 3-5 years. Qualifying properties are located in predesignated zones, and the improvements must cost more than $35 per square foot. Abatements are equal to $2.50 per square foot, diminishing annually until the abatement term runs out in 3 or 5 years. One limitation on use of this particular abatement is that it is designed to encourage the renovation of non-residential and mixed use properties built before 1975.\textsuperscript{118} In this manner, the program effectively serves as a preservation tool for historic commercial buildings that may otherwise be endangered by the steep real estate pressures of New York City.

The last of New York City’s programs, the Cooperative and Condominium Tax Abatement Program, created in 1996, offers owners of cooperative units and condominiums a property tax abatement for the duration of their ownership. The abatements given are given on a sliding scale based on the assessed value of the apartment in question, and range from a 28 percent abatement to a 17.5 percent abatement.\textsuperscript{119} The program is designed to increase both affordability and homeownership rates.

\textsuperscript{116} http://www1.nyc.gov/site/hpd/developers/tax-incentives-421a.page.
\textsuperscript{117} Structural improvements consist of any renovation or rehabilitation of the product in question.
\textsuperscript{118} http://www1.nyc.gov/site/finance/benefits/benefits-commercial-revitalization-program-crp.page.
\textsuperscript{119} http://www1.nyc.gov/site/finance/benefits/landlords-coop-condo.page
New York City’s combination of programs provide a multifaceted approach to equitable development, and physical and financial stability. Their programs serve to keep housing affordable, provide the elderly with adequate incentives, promote development on vacant land, preserve and improve older structures, and increase homeownership rates. While New York City benefits from one of the premier metropolitan landscapes in the world, their incentives and targeted approaches produce responsive and broadly applicable incentives that any city should strive for. While Philadelphia’s current property tax abatement program keeps the city competitive among other east coast cities, it lacks the same type of targeted and varying approaches that New York does.

**Pittsburgh, PA**

Similar to Philadelphia, Pittsburgh’s property tax abatement program stems from Pennsylvania’s state enabling legislation of the Local Economic Revitalization Tax Assistance Act of 1974 (LERTA). Like Philadelphia, the city has been losing population steadily, currently resting at just over 300,000 full time residents, and has suffered similar fiscal impacts from decades of deindustrialization. In order to combat these changes in the local economy, in 2007 Pittsburgh enacted and enhanced a property tax abatement program targeting 28 neighborhoods in need of economic stimulation and development.\(^{120}\)

\(^{120}\) Chintalapalli, Kylash, Christopher Kiehl, and Michael Lee. "Pittsburgh Enhanced Residential LERTA and Act 42 Enhanced Tax abatement programs as community development incentives." 2013, 1-30
The program consisted of three parts, and was similar to Philadelphia’s program. The first abatement – Act 42 Enhanced Residential – provided a 100 percent, 10-year assessment reduction of up to $250,000 in new construction or renovation costs. The second program – Residential LERTA – offered a 10-year abatement at 100 percent of assessed value for two years, declining by 10 percent every two years until the abatement expires, to hotels and rental residential properties occupying formerly commercial or industrial properties in four specified neighborhoods. The third program – Residential Enhanced LERTA – offered a 100 percent 10-year abatement for the city (worth up to $2,700) and school districts (up to $3,480), for condominium developments within four designated zones.\(^{121}\)

An internal report studying the effectiveness of the program reported that it was initially believed the program would induce new spending and private sector infrastructure improvements, including $90 million from new residents, produce $55 million in new property value, and more importantly cause a “domino effect” in neighborhood vitality improvements.\(^{122}\) Ultimately, upon review of the programs, the city believes that the abatements underperformed as economic stimulus tools. The 28 neighborhoods targeted showed minimal improvement, and only seem to have improved in times of prosperity, and regressed in times of economic distress.\(^{123}\) While unsuccessful in the short term, it is unknown how these programs will perform in the future.

\(^{121}\) Ibid, 5.
\(^{122}\) Ibid, 3.
\(^{123}\) Ibid, 24.
long run in Pittsburgh’s real estate climate once the city has stabilized from the great recession of 2008.

**Cleveland, OH**

Other rust-belt cities suffering the impacts of deindustrialization have used abatement to mitigate the impacts of a shrinking economy. Cleveland offers several tax abatement programs aimed at stimulating development. The first is a 100 percent property tax abatement on the increase in assessed value from new construction, which lasts for 15 years. The second is a renovation property tax abatement split into two categories: small (1-2 family) and large (3+ family) structures. Small structure rehabilitations must cost at least $2,500 to qualify, and large structures $15,000 to qualify, for an abatement worth 100 percent of the increase in assessed value. The program has been considered successful, aiding to stimulate an otherwise stagnant real estate market.  

**Boston, MA**

Boston has experienced significant city-wide growth and the development of a substantial tax-base in the past several decades. The city incorporates several property tax abatement and leveraging incentives in order to spur economic development. Among these methods, Boston uses Tax Increment Financing districts, as well as its own variety of Business Improvement Districts. Distinct to Boston is a property and income tax leveraging policy known as Chapter 121A. The program, created in 1960, is a designation given to certain development projects in blighted and underserved...
neighborhoods in Boston that serve a public purpose or generate income.\textsuperscript{125} The program allows for a streamlined review process, as well as property tax abatements and income tax breaks. Each project is negotiated with a unique taxation breakdown with city officials. The program has been considered successful, yet is not as widely available or applicable to the abatement programs of comparable cities and is used with great discretion.

\textit{Washington D.C.}

Washington D.C has experienced growth in both its city population and in its real estate markets. While the city does not use property tax abatement to stimulate real estate development, it does use it to help lower income residents’ cost to purchase and maintain property, and to increase homeownership rates. The program, known as Lower Income Home Ownership Tax Abatement, is not targeted at particular areas within the city, rather it is applied based on an income threshold which begins at $58,980, and increases proportionally based on the number of persons there are in the household. Additionally, the property in question must be purchased for less than $439,160. Those eligible for the program receive a five-year tax abatement, and are exempt from paying transfer taxes.\textsuperscript{126}


Baltimore, MD

Baltimore’s tax abatement program is the final exampled examined herein; it is the one with the largest and most direct stake in historic preservation practices. The city incorporates numerous types of property tax incentives into its development arsenal, and while these incentives are not specifically aimed at large scale development, nor commercial improvement, they are targeted at vacant, blighted and certified historic properties.

The first of these programs – The Newly Constructed Dwelling Property Tax Credit – was designed to encourage the construction and purchase of new homes in Baltimore City. Created in 2016, the credit provides a five year abatement, worth 50 percent of the property tax assessment in the first year, declining by 10 percent annually thereafter.\(^{127}\) The second program – The Rehabilitated Vacant Dwelling Tax Credit – created in 1995, offers a five year tax abatement to certified blighted and vacant properties, worth 100 percent of the increased assessment value in its first year, diminishing by 20 percent annually until the abatement term ends.\(^{128}\) The third program – The Home Improvement Tax Credit – created in 1995 is for improvements to owner-occupied homes in Baltimore City, and follows the same structure as the Rehabilitated Vacant Dwelling Tax Credit.\(^{129}\) The above programs are limited to owner-occupied residential properties.


\(^{128}\) Ibid.

\(^{129}\) Ibid.
The final two programs are markedly different in their targeting and focus on the preservation of certified historic properties. Notably, the Historic Landmarks and District Tax Credit offsets any increase in property tax resulting from an increase in assessed value for municipally designated properties. Moreover, the tax credit provides a value which is subtracted from the owner’s property tax bill annually for 10 years.\textsuperscript{130} The final program – The Maryland Sustainable Communities Tax Credit Program – is available to individually listed properties on the local or National Register of Historic Places, or any contributing property in a local or national historic district. Capped at $50,000, the credit is worth up to 20 percent of the cost of the qualified rehabilitation expenditures (as identified by the standards determined by the municipal register), and is applied directly to the building’s property tax bill.\textsuperscript{131} This credit is not only available to homeowners, but also to designated commercial properties. This program follows a similar paradigm to the federal historic preservation tax credit in both structure and purpose, and is a strong aid in preserving historic fabric in the Baltimore community.

Discussion

The varying property tax abatement policies discussed here differ greatly in their type and the intended impact on their respective cities. As one would expect, those cities suffering the effects of a long-term downturn in the local economy, and loss of major industry (Pittsburgh, Cleveland, Baltimore and Philadelphia) all have significantly stronger policies attempting to leverage economic benefits from local property tax.

\textsuperscript{130} Ibid.
\textsuperscript{131} Ibid.
These policies provide larger financial incentives to more districts around their respective cities. Despite these significant incentives, all of these cities, with the exception of Philadelphia, engage in targeted approaches, and desire to reach either lower income populations, or specific developing neighborhoods. Of these cities, Baltimore’s programs are the most socially conscious – designed not only to increase property value, but also to stimulate redevelopment of historic structures, and improve communities through stimulating equitable development.

On the contrary, those cities with growing populations, and the most thriving real estate markets (New York, Boston and Washington D.C.) have smaller programs aimed at stimulating specific kinds of equitable development, homeownership and affordable housing. Of this group, New York City has the largest diversity of programs meant to spur homeownership, affordable housing, development on vacant land and rehabilitation of outdated commercial structures. Above all else, these programs are more targeted, with the expectation of achieving certain socially-minded results while simultaneously stimulating urban development.

While Philadelphia does not have a comparable development climate to New York, Boston or Washington, Philadelphia’s progress as a hub for millennials has certainly been closing the gap. Ideally, a hybrid approach that incentivizes smart development, historic preservation, and leverages property tax dollars to mitigate the gap between high construction costs and lower rental rates and purchase prices of Philadelphia would be appropriate. Moreover, other cities commonly engage in practices where the abatement amount diminishes over time, varies in length (5-25
years), or takes on a graduated approach. While there have been no studies done
comparing the impact of graduated abatements to full 10-year amounts, these methods
would seem to provide a developmental incentive while mitigating the impact of the
abatement on the municipal budget or local school districts.
Section 7: Abatement Usage

The Abatement’s Negative Impacts on Heritage

Philadelphia’s real estate market, aided by the abatement, has evolved in the past decade leading to an increase in new construction, especially in the residential sector. This trend has spread to outlying areas of the city, once considered blighted, but with strong concentrations of historic resources. In order to gain a deeper understanding of the areas most impacted by these trends, and the type and approaches of development that the abatement incentivizes, this thesis analyzes publicly available sources of data concerning new construction and demolition permits, and maps those that have led to demolitions of historic properties since 2007. For the mapping, the thesis’ list of historic properties consists of those that are: 1) “included in or eligible for inclusion in the National Register;”¹³² 2) properties listed on the municipal register; 3) properties that warrant nomination to the municipal register. To exemplify the range of these criteria, this thesis, with its mapping, supplements such official designation by including selected properties chosen from Hidden City’s Lost Buildings annual list dating back to 2012 (properties listed in Appendix 2). While Hidden City is a blog without any regulatory authority, its listings are a good indicator as well as properties overlooked in official designations, of current historic property trends in Philadelphia. The Hidden City properties do not comprise a comprehensive list of demolished heritage structures in Philadelphia, rather serve as a benchmark for the

specific type. The maps do not differentiate these groups, rather shows them as a compilation of an array of demolished heritage structures.

Figures 2A and 2B map these *Hidden City* properties over Philadelphia’s National Register districts, municipal register districts and National Register eligible districts.\(^{133}\) This map depicts that demolitions of heritage structures frequently occur in National Register and National Register Eligible districts, confirming that the levels of protection provided by National Register inclusion and eligibility is in itself insufficient to protect structures that have not been listed on the Philadelphia Register. Even local historic districts have seen numerous demolitions, signifying that local protections are indeed vulnerable to the developments of the free market, though to varying degrees.

As Gillen’s analysis suggests, and Figures 2A and 2B confirm, the largest concentration of demolished historic properties falls within greater Center City. Both historic and non-historic properties have been frequently demolished in this area to make way for new development. Figures 3A and 3B depict the areas of Philadelphia where significant development pressure has led to large amounts of demolition and new construction, as identified by correlating demolition and new construction permits.\(^{134}\) These neighborhoods include Center City, Fishtown, North Philadelphia, Greys Ferry, Graduate Hospital, West Philadelphia and Manayunk. Properties are being

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\(^{133}\) Data compiled from Philadelphia’s Office of Property Assessment, as well as Hidden City’s end of year Lost Buildings list. Maps created by author. List of Hidden City’s Buildings in Appendix 2. Map additionally available online for viewing at https://naimanhspvthesis2017.wordpress.com/

\(^{134}\) Data compiled from Philadelphia’s Office of Property Assessment, as well as Hidden City’s end of year Lost Buildings list. Maps created by author. Map additionally available for viewing at: https://naimanhspvthesis2017.wordpress.com/
replaced in these neighborhoods – some of which are established, others of which are “up and coming” – at a rate far outpacing implementation of any appropriate tools for change, management and protection. Figure 3B depicts a kernel density heat map of demolition and new construction properties and indeed reveals that historic neighborhoods without designation are those that fall within the path of the greatest development, particularly in residential sectors.

In order to assess the abatement’s specific impact on demolition, the map in Figures 4A and 4B correlates addresses of abated properties and demolition permits throughout Philadelphia dating back to 2007. The map illustrates that a total of approximately 400 such projects have occurred, of nearly 3000 full demolition permits issued, and nearly 16,000 abated properties.\textsuperscript{135} Merely a fraction of the abated projects over this time, 3 percent, have led to demolitions, and an even smaller sum have led to potentially historic demolitions. Indeed the abatements follow the same geographic trends highlighted by the correlation of new construction and demolition permits, yet with much fewer affected properties. Moreover, Figure 4B depicts that this program has been helpful in neighborhood redevelopment in areas formerly considered blighted. This raises a fundamental debate about whether the abatement catalyzed these real estate trends, or simply enhanced them, or both. As the prior discussed Jones Lang LaSalle report indicates, the abatement program has stimulated local development and,

\textsuperscript{135} Data compiled from Philadelphia’s Office of Property Assessment. Maps created by author. Map additionally available for viewing at: https://naimanhspvthesis2017.wordpress.com/
judging from these clearly defined paths of development, it appears that the tax
abatement program has been guided by a free-market path through the city.

These neighborhoods where the abatement has been successful have seen
enhanced property values, which has helped foster an influx of renovation to formerly
lower income areas. Table 7 represents the average indexed home sale price in varying
neighborhoods in Philadelphia throughout the past nine years.\textsuperscript{136}

\begin{table}[h]
\centering
\includegraphics[width=\textwidth]{table7.png}
\caption{Philadelphia Neighborhoods Average Indexed Home Sale Price}
\end{table}

\textsuperscript{136} Data compiled through Zillow.com real estate transactions. Chart produced by author. Neighborhoods were chosen to represent a variety of geographic sectors throughout Philadelphia which have experienced the trends resulting from the influx of construction and housing. These neighborhoods represent those most impacted with new construction based on areas showing much demolition and new construction as illustrated in Figure 3. The graph only incorporates data of residential properties, but serves as a broad indicator for the greater real estate market.
The graph reveals increasing home sale prices throughout Philadelphia and the rising real estate pressures in each of these areas: more new construction as well as renovations.

A closer examination of one of the significant neighborhoods of growth, Graduate Hospital, reveals widespread new development centered on the tax-abated Naval Square community (Figure 5). While to date there has been minimal direct demolition in the area, the historic fabric of the neighborhood is at great risk, existing in a heating real estate market with minimal protections.

Similar trends exist in neighborhoods such as Fishtown and Northern Liberties. In these once thriving industrial and residential neighborhoods, relatively recently considered blighted, populations have grown significantly. Table 8 below reveals Fishtown’s population changes:

<table>
<thead>
<tr>
<th>Housing Type &amp; Location</th>
<th>Fishtown</th>
<th>Philadelphia</th>
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<tbody>
<tr>
<td>Median Home Value</td>
<td>$109,000.00</td>
<td>$149,000.00</td>
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<tr>
<td>Median Value (vs. City)</td>
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<td>113.65%</td>
</tr>
<tr>
<td>Median HH Income</td>
<td>$28,769</td>
<td>$39,382.00</td>
</tr>
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</table>

Table 8: Example Comparison of Fishtown and Philadelphia Housing Markets 2000-2015

Fishtown’s housing market has surpassed Philadelphia’s average in recent years, and experienced extreme growth coming on the heels of projects such as Sugarhouse Casino and the Fillmore Theater. As Fishtown moves forward with future development, it faces...
the fine line between blight removal and destruction of historic fabric. Numerous properties in the region reveal this difficulty. 1130 Hewson Street, for example, a demolished row house whose history relates to the industrial history of Fishtown (Figure 6), and the 300 block of East Allen Street, which showcases a series of four historic row homes demolished for new apartments (figure 7). While Fishtown does not show evidence of regular demolition of historical structures, the vernacular fabric that comprises the historic landscape is most at risk from this new developmental pressure. In many cases, this type of development pressure is enabled and exacerbated by a mismatch between the as-of-right zoning envelope and the built environment. However, much of the new construction in Fishtown is often consistent with neighborhood massing and does not overshadow the greater neighborhood aesthetic thanks in large part to the predetermined zoning of Fishtown.

Other neighborhoods in Philadelphia have experienced similar real estate trends and demolitions of unprotected buildings. North Philadelphia, for example, has seen similar demolition of character-defining properties for abated new construction. This is exemplified by the demolition of an historic school house in favor of a fast food restaurant as part of a larger complex which received an abatement (Figure 8). Such demolitions are present throughout many neighborhoods of the city, and have been occurring at an increasing rate. Much of this demolition is of relatively unknown vernacular buildings; while it is not typically Philadelphia’s central historic attractions

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that are endangered by these real estate trends, it is those of the vernacular variety that appear to be most vulnerable and therefore experience the greatest pressures.

Table 9 below reveals a breakdown by project type of the top 150 largest tax abatement projects in annual abated sum from 2007-2016 (note that this does not necessarily equate to largest projects in terms of square footage, given the varied real estate market of different Philadelphia neighborhoods). These projects were chosen for closer examination because such large abated sums exemplify the largest new construction and rehabilitation projects throughout Philadelphia, and the positive and negative impacts that accompany such development:

![TOP 150 LARGEST ABATEMENTS BREAKDOWN BY ANNUAL ABATED SUM](chart)

Table 9: Breakdown of Top 150 (1%) Largest Abatement Projects in Annual Abated Sum

The chart reveals that among the largest 1% (150) of awarded abatements, only seven percent (11) were historic demolitions. Concurrently, 42 percent (63) are adaptive reuse and rehabilitation projects of major buildings, which are predominantly located in

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139 Data compiled from publicly available abatement data and confirmed by author. The largest one percent of given abatements were chosen to represent the most extreme positive and negative impacts of the abatement from a preservation standpoint.
Center City. This breakdown reveals a greater need for a better understanding of designation, and a more conscious and proactive abatement policy which inherently limits these types of demolitions, using built-in mechanisms minimizing the granting of abatements for new construction that necessitates the demolition of National Register, National Register eligible or Philadelphia Register, or eligible properties.

*The Abatement’s Positive Impacts on Heritage*

It is additionally important, however, to consider the beneficial impact that the abatement has on non-landmarked historic properties as well. Since all renovation projects throughout Philadelphia are eligible to receive tax abatement, those of an historic nature additionally benefit from this trend; table 9 indicates that among the largest abatements given since 2006, 42 percent have been for rehabilitation. For some renovation projects, the abatement is merely a drop in the bucket, as the primary driver derives from other means, especially preservation tax credits. For others, the abatement was a beneficial aid in the project’s feasibility. The map featured in Figures 9A and 9B

140 (a subset of the properties in table 9) displays the locations of the largest tax abated rehabilitation properties. These properties are heavily concentrated in Center City, though are scattered throughout all neighborhoods. This map represents the adaptive reuse and rehabilitation of a variety of properties—both listed and unlisted on the local and national registers, and determined National Register eligible.

As Figures 9A and 9B illustrate, the property tax abatement has been a successful driver of rehabilitation of these properties, and often has the largest impact on those buildings capable of producing a significant income, located within a market that supports redevelopment projects. In addition, the abatement has aided homeowners afford remodels, and has helped on smaller, residential property renovation as well. This thesis exemplifies positive preservation outcomes of historic abated buildings, chosen for their scale and various locations throughout Philadelphia.

Examples of renovated properties are presented with Center City apartment rehabilitations in figures 10 and 11. Figure 10, a 1926 apartment building rehabilitation located at 320 Walnut Street in Center City, was recently renovated by PMC Property Group, creating 77 units. The project cost more than $20 million, and received a significant abatement, as well as preservation tax credits aiding in its feasibility. Located in the Society Hill Local Historic District, and the Society Hill National Register District the apartment building is in a prime location for redevelopment and contributes to the historical character of the neighborhood.¹⁴¹

 Depicted in Figure 11 is an additional Center City historic rehabilitation of a locally listed property located at 1338 Chestnut Street. Built in the Beaux-Arts style in 1897, the rehabilitated apartment building represents much of the prominence of the early Chestnut Street commercial corridor in the city. Now rented as a high-end apartment building, the property’s rehabilitation was made possible through the

abatement as well as preservation tax credits, and illustrates much of the beneficial impact of the property tax abatement program, which can aid in such larger scale renovations.\footnote{142}{“Griffin Philadelphia,” The Griffin. Accessed February 10, 2017. http://griffinphilly.com/about/}

While these renovations are predominantly within Center City, properties in other neighborhoods without this stimulated real estate market nevertheless see historic property renovations supported by the abatement. For example, the West Philadelphia apartment rehabilitation in figure 12, and warehouse conversions in North Philadelphia and Fishtown in figures 13 and 14 respectively are demonstrative of the types of development and adaptive reuse projects in other neighborhoods. The West Philadelphia apartment building in Figure 12 known as Croyden Hall, has been transformed from a symbol of blight into a new, 127-unit upscale apartment building by Orens Brothers’ Real Estate. Built in the 1920’s during a building boom, the building was vacant and occupied by squatters for years.\footnote{143}{“The Croydon, a Conspicuous Vacant Building in West Philadelphia, Is Being Renovated into Apartments,” Philadelphiaheights, June 26, 2013. Accessed February 10, 2017. https://philadelphiaheights.wordpress.com/2013/06/26/the‐croydon‐a‐conspicuous‐vacant‐building‐in‐west‐philadelphia‐is‐being‐renovated‐into‐apartments/}
The property has received an exempt assessment of $8,777,500 under the property tax abatement, and has subsequently aided in community revitalization.

Similar trends can be seen in North Philadelphia, which is exemplified by the apartment conversion of a former trolley repair warehouse at 1221 Mount Vernon Street, seen in Figure 13.\footnote{144}{“The Residences at 1221,” Howproperties.com. Accessed on February 10, 2017. http://howproperties.com/apartment/1221-mount-vernon/} The property presents a unique adaptive reuse project and
an attractive way of living, and received an exempt taxable assessment of $3,225,000. Similarly, figure 14 highlights a similar type of conversion in Fishtown at 2424 East York Street, converting a warehouse formerly occupied by Alfred Box & Co. Builders into an office complex. The project houses a variety of businesses, and was designed to promote a collaborative office space. Receiving an exempt taxable assessment of $3,947,400, the abatement has aided in this project’s feasibility, and is illustrative of how the abatement has been transformative for neighborhoods outside of Center City. Additionally, neither of these projects incorporated use of preservation tax credits, and the abatement was the only governmental subsidy given for their completion. The abatement did not impose any strict standards in their design program, nor did it require that the buildings keep their historic shells. Rather, the abatement allowed for an edgier, more modern design that would not have been permitted by the tax credit.

**Case Studies: Jewelers’ Row, St. James & Religious Properties**

In order to understand and illustrate the negative impacts of the abatement, this thesis now examines three case studies where the abatement and preservation are uncoordinated, working at seeming cross purposes. All three case studies in particular exemplify the problems associated with “soft site” zoning, yet differ on the types of properties impacted, and the specific preservation outcomes. The first case study is Jewelers’ Row, which is representative of properties unrepresented on the municipal register located in a soft site. The second is the St. James, which shows the impacts of a property designated to the municipal register, and the negative preservation outcome which can still arise despite its nomination. The third is a broad overview of historic
religious properties throughout Philadelphia, and how the modern religious and
developmental climates impacts them. While the story of these properties is typically
similar to that of Jewelers’ Row, religious properties have a distinct and evolving
enabling environment by the nature of their role in a neighborhood, the cost of their
maintenance, and their structure of taxation.

Jewelers’ Row

Jewelers’ Row, occupying the 700 block of Sansom Street, is a Philadelphia icon
of architecture and craft. Construction of the row itself dates back to the early 19th
century as one of America’s first speculative real estate development of 22 federal era
row-houses. Over time, the predominant industry on the row changed concurrently with
the architectural styling. Through the mid-19th century, the row evolved from a housing
development to a business district housing metal-working, engraving, publishing and
jewelry businesses. Through the turn of the 20th century, the industries on the row
shifted primarily to the jewelry trade that has remained since. 145

In the fall of 2016, a Penn Historic Preservation Studio studied the political and
physical environments surrounding Jewelers Row, and found that the site today is
defined by its eclectic architectural styling, iconic signage, rhythm of streetscape, and
low and mid-scale heights. The studio concluded that these buildings, which house
multi-generational jewelry craft and retail businesses, and a complex ecosystem of
tradesman and apprenticeship, are significant in both tangible and intangible manners,

row-tower-floor-plans-toll-brothers

- 71 -
and contribute legacy value to Philadelphia in addition to their architectural significance.¹⁴⁶

The 700 block of Sansom street was included in the Society Hill National Register of Historic Places District in 1971, yet only a few properties on the block were added to the Philadelphia Register. Thus, while the majority of the block has received recognition for its historic character, it has yet to receive the adequate protections from demolition and development that local designation provides.¹⁴⁷

On August 13, 2016, it was announced that the developer Toll Brothers had purchased five lots on the row - 702-710 Sansom (figure 15) – and planned to demolish the standing buildings to enable construction of a 16 story residential tower. The location of the project proved attractive to Toll Bros for several reasons: the lots are located in a thriving real estate market where they can charge a premium for rents. Another reason is that the buildings are zoned CMX-5, the highest density designation in Philadelphia’s zoning code, allowing for a significant increase of density. For this reason, the property is considered a “soft site” – a site where the building’s as-of-right zoning envelope far exceeds the built fabric.¹⁴⁸

Toll Brothers’ 16-story tower was to be designed by the New York firm SLCE Architects; the group promised to protect the integrity of the block by maintaining the existing cornice line. In response to the proposed demolition and new construction, the non-profit Preservation Alliance of Greater Philadelphia submitted two nominations to

¹⁴⁷ Ibid.
¹⁴⁸ Ibid.
the Historical Commission for designation: 704 and 706-708 Sansom Street, which were accepted for review on September 9th. While designation may not have ultimately provided protection for the buildings, due to the fact that the demolition permits had already been issued, it may have had the possibility of limiting any future changes in the massing of the project’s development scheme. Over the course of September and October, the Jewelers’ Row story gained national attention, featuring in various major news outlets. As a response, Mayor Jim Kenney openly voiced his concerns about the development, stating that while the project was as-of-right, he urged Toll Brothers’ to explore the possibility of preserving the historic facades, and creating a design that was sensitive to the surrounding urban fabric.149

After Kenney’s statement, on October 21st 2016, the Historical Commission’s Designation Committee reviewed the nominations and recommended them for designation. The final necessary step for the buildings to be designated was to be voted on at an Historical Commission meeting. Despite overwhelming support for the designation via online petition, and historical evidence warranting designation, the Historical Commission tabled the designation for 90 days, fearing the legal fall-out and the possibility of a takings claim.150

On December 5th 2016, Toll Bros. announced plans to increase the condo’s height from 16 stories to 29 stories, revealing renderings for the complex on January 24,


150 Ibid.

The parable of Jewelers’ Row is informative to the preservation and development communities of Philadelphia. Despite the fact that the five buildings slated for demolition are of historic character and listed on the National Register, Toll Bros.’ condominium development was still eligible to receive a property tax abatement for construction on these lots. Although the project’s \textit{pro forma} projections are not a matter of public record, the Toll Bros. will undoubtedly receive great benefit from, if not rely on, the property tax abatement.

Fundamentally, where Jewelers’ Row is concerned, one of the most crucial flaws in Philadelphia’s preservation system is in the existence of “soft sites,” coupled with inadequate protections. Philadelphia operates without a city-wide survey, leaving preservationists, members of the Historical Commission and developers flying blind and relatively unknowing of vast amounts of historical fabric endangered in this manner.

Other examples of this type of demolition are becoming more frequent and are highlighted by the developments occurring on several other properties. The former Please Touch Museum (figure 17) located in the Logan square neighborhood, was additionally demolished by the Toll Bros. in order to construct a 5-story condominium
on the site in 2016. Similarly, the Society Hill Playhouse (figure 18) was also acquired by the Toll Bros. in 2015 in order to construct an additional five-story condominium. Upon failing to receive community approval, Toll dropped the project, only to have it picked up by a new developer who succeeded in the completion of the project. In West Philadelphia, the historic mid-19th century row houses located at 4046-48 Chestnut street (figure 19) were demolished with a pending (and several times tabled) local designation in 2016 with forthcoming student accommodation replacements by University City Realty. Each instance demonstrates a similar, crucial flaw in the enabling environment of the abatement which policy revision must address.

The aforementioned demolitions exemplify the fact that Philadelphia’s property tax abatement offers a strong incentive to build larger buildings (to make the most of the limited property tax), and does so with an indiscriminate and untargeted approach. While other cities, such as New York and Baltimore, offer new construction abatements, their policies are targeted at spurring specific types of development. While no single factor is solely responsible for the Jewelers’ Row story, the property tax abatement is the most malleable that may be altered in order to not only lessen the likelihood of future Jewelers’ Row scenarios, but to promote equitable development in Philadelphia through a more thoughtful approach which incentivizes a higher standard of

development. A strong real estate market does not equate with sustainable planning efforts, and the enabling pieces of that market must now be retrofitted to fit the development climate. As these examples dictate, and as one important fix, the abatement should not be available to new construction which necessitates demolition of historic properties on or eligible for the National and/or the Local Registers.

*The St. James*

Similar to Jewelers’ Row, one of the most significant flaws seen elsewhere in Philadelphia is the frequent disconnect between zoning and the preexisting built environment. Through its CMX-5 zoning designation, Jewelers’ Row has presumably yielded an extremely profitable *pro forma* as a high rise, rather than as a series of row houses. Similar problematic preservation scenarios, such as the construction of the Washington Square apartment, the St. James (figure 20) have occurred under similar circumstances. Constructed in 2004, the St. James is the 12th tallest building in Philadelphia, and sits on the site of the York Row houses – a group of federal style homes constructed in 1807, and the former PSFS – a 19th century Italianate Structure with an 1896 addition by Frank Furness – which are both protected by the Philadelphia Register.154 The project was a joint venture by numerous development groups: P&A Associates, Clark Realty Capital, The Metropolitan Housing Corporation of New York, and Lend Lease Real Estate Investments of Atlanta. The facades of the houses were preserved to make way for the tower, and much of the Furness section of the former

PSFS building demolished to create a courtyard for residents. Before the construction of the St. James, the York row houses were reportedly blighted with “no possibility of restoring them,” according to Peter Shaw, a partner at P&A Associates.¹⁵⁵

The plan was approved by the Historical Commission, which pushed, at a minimum, to preserve the facades. Preservationists have continually critiqued the preservation method of “facadectomy” utilized here, believing that such methods of preservation are inauthentic, and give way to a character unrepresentative of the true architectural or neighborhood value.¹⁵⁶ Immediately adjacent to historic buildings of similar massing and density, the St. James towers above the surrounding historic fabric and undermines the structures’ integrity. The neighborhood is located close to Philadelphia’s highest density core, and had a zoning designation of CMX-5 to reflect its location rather than its preexisting built environment despite the local designation. This type of development received the property tax abatement, with a market value of $120 million, $117 million of that sum was abated for 10 years after its construction.

The story of the St. James varies from that of Jewelers’ Row in that it is not a problem of lack of designation, nor inaction by the Historical Commission. This project did result in a significant amount of partial demolition of historic fabric. The protective measures in place protected the facades (although many view this as a failure for preservation), and there was a back and forth between the developer and the Historical Commission. The most significant, enabling flaw in the St. James episode is the fact

¹⁵⁵ Ibid.
¹⁵⁶ Ibid.
there was such a drastic misalignment between the existing historic structures, the allowable zoning envelope, and that this type of development was rewarded with a substantial property tax abatement with no regulatory valve of protection. The resulting mismatch in massing of the surrounding fabric and the newly constructed St. James has proven a problematic preservation outcome. It was ultimately the combination of the allowed abatement and the “soft site” which created this enabling environment.

This scenario demonstrates the necessity to alter the abatement to create more favorable preservation scenarios. While historic demolition is frequently considered the most significant negative externality of development policy for preservation, it is additionally the notion of incompatible zoning and unregulated massing which may cause harm to historic fabric and the authenticity of historic neighborhoods and sites. To mitigate such harm to otherwise intact historic properties and historic sites, the abatement should be offered in a manner to give incentive for preserving the massing and integrity of historic sites, not just for promoting new construction and development, and should not be available if it would incentivize demolition of historical structures on or eligible for the National Register or the Philadelphia Register.

Religious Properties and the Abatement Case Study

Religious institutions are a fundamental piece of Philadelphia’s cultural heritage. Philadelphia’s extraordinary array of churches, synagogues and mosques often comprise the most significant architectural emblems of their neighborhoods, and are crucial in the creation of a sense of place. Patterns of dwindling congregational membership as well as enhanced real estate and development pressures increasingly threaten the existence
of these institutions.\textsuperscript{157} Even though some of these properties are protected through Philadelphia’s historic preservation ordinance, they can fall victim to financial hardship claims and be demolished in favor of new construction. These structures are expensive to maintain due to their grand scale and elaborate decorative schemes.\textsuperscript{158} Moreover, historic churches, synagogues and mosques are notably difficult adaptive reuse tax-credit projects due to the difficulty to maintain original flow patterns, and of conversion. Accordingly, Philadelphia’s tax abatement has rewarded the new construction that has replaced these institutions, thus creating an unfavorable enabling environment for Philadelphia’s historic religious infrastructure.

In an article for Hidden City, Rachel Hildebrandt of the non-profit group Partners for Sacred Places, offers some key insights as to how religious properties have fared in the current development climate. Hildebrandt argues that religious structures that no longer house their original occupant are at the greatest risk of being sold for development purposes.\textsuperscript{159} Between 2009 and 2016, 28 religious buildings were demolished in Philadelphia, with 22 of those buildings receiving a demolition permit under development pressure for properties receiving an abatement.\textsuperscript{160} A notable example is the Fortieth Street ME Church, shown in figure 21. Built in 1872 to designs by

\begin{thebibliography}{99}
  \bibitem{159} Ibid.
  \bibitem{160} Ibid.
\end{thebibliography}
Sloan & Hutton, the structure was demolished in 2011 to make way for a box retailer.\textsuperscript{161} The building had been sold in 2007 to P&A associates for $2 million after being vacant for many years, formerly playing home to the congregation of the St. Joseph Baptist Church. The church was a victim of a changing local demographic and real estate market, while simultaneously suffering from decades of neglect and vacancy.\textsuperscript{162}

The map in figure 22 highlights these churches identified by Hildebrandt (list of churches in Appendix 4).\textsuperscript{163} The religious institutions are spread throughout Philadelphia, though as one may expect, mostly lay in the path of development. A profound example of this type of development (church demolition with residential replacement) is commonly found in the rapidly changing neighborhood of Graduate Hospital. Recently, four neighborhood churches have been demolished for residential replacement: the Metropolitan AME Church located at 20\textsuperscript{th} and Fitzwater Streets, the Varick AME Church at 19\textsuperscript{th} and Catherine Streets, the Mount Olive AME Church at 19\textsuperscript{th} and Fitzwater Streets and the former home to the Christian Faith Evangelistic Alliance located at 605 S. 16\textsuperscript{th} Street (Figure 23).\textsuperscript{164} A small vernacular gem, the church is being demolished to make way for a new four story residential tower. This church and neighborhood represent one of the greatest difficulties of balancing preservation and


\textsuperscript{162} Ibid.

\textsuperscript{163} Data compiled from Rachel Hildebrandt’s article “Church Demolition by the Numbers: More Questions than Answers.” Maps created by author. Map additionally available for viewing at: https://naimanhspvthesis2017.wordpress.com/

development in the changing developmental climate. In a neighborhood saturated with religious buildings, how should preservationists and planners help guide decisions about which churches remain, and which should be replaced to make way for the progress that has been shaping Philadelphia?

The story of these churches typify those around Philadelphia, and represents a parable of the growing problem of not only the negative impacts of the abatement, but also how to repurpose religious infrastructure that once wove the fabric of Philadelphia’s religious and civic identity. While this thesis does not advocate complete and total preservation of every church, nor old building in the city, it does advocate an approach that requires an informed decision on these fronts. If left to the free market, Philadelphia could lose many of these gems which have proven a profound character-defining element in their neighborhoods, if not in the city at large. Instead, one method of protection is to install a control on the property tax abatement that would force the Historical Commission and developers alike to engage in a dialogue about the merits of preservation of these buildings, and may withhold abatement dollars if the buildings are deemed historically significant.
General Conclusions

The 10-year property tax abatement has been a transformative presence in Philadelphia, aiding to foster new construction and rehabilitation throughout the city. The impacts have been felt in various scales: in the construction of projects in Center City, such as the Comcast Center, and in vernacular and residential development in developing neighborhoods. At the time of the abatement’s modern adoption, Philadelphia was a palpably different city than it is now. After decades of a shrinking population and economy, the abatement offered significant stimulation of the local real estate market. The abatement offered a method of providing a development stimulus without the city government directly providing equity to private development, and ultimately helped to draw new businesses and jobs to the city, reversing long term trends of population decline.

One of the fundamental arguments made in favor of the abatement is that it helps to keep Philadelphia competitive among competitor cities. Ideally, the abatement should help influence corporate locational decisions, which according to Walter Farr, is the primary reason to utilize property tax as a developmental tool. Philadelphia has historically had a disproportionate ratio of average construction cost to rate of return, and needs a municipal benefit such as the abatement to level the playing field. Farr additionally argues that abatements help stimulate development in tax delinquent neighborhoods by providing additional incentives to rehabilitate and invest in neighborhood improvement. Additionally, Leslie Carbert’s ideology regarding property tax incentives dictates that there must be clearly delineated social and economic
purposes when using property tax as a developmental incentive. When the abatement entered Philadelphia’s municipal legislation, these purposes were clear and well-defined: help stimulate the local economy and offer an abatement for rehabilitation to help improve outlying corridors of the city. As the socioeconomic landscape of Philadelphia has changed, however, these missions have become less clear, and the abatement should take on a targeted approach to address specific problems within the city rather than its current umbrella approach. The abatement is a powerful development tool that can improve blighted neighborhoods, build a tax base and preserve affordability if the policy is leveraged properly.

Nevertheless, the abatement has proven highly controversial, and groups have called for its abolition. Most notably, the Philadelphia Coalition for Public Schools has openly voiced its concerns regarding the continuity of the abatement and its grave impact on public schools. Though the Philadelphia School System’s financial woes have lasted for decades, the great recession of 2008’s requisite municipal and state budget cuts have caused public schools to suffer even further. PCAPS calls for an immediate end to the abatement, wishing to bridge the gap between high and low income neighborhoods. Additionally, the time value of the longstanding educational gap stemming from the lost funding for public schools has left students out to dry, as waiting for the municipal finances to hit an equilibrium is more costly over time.

On the other hand, however, other literature studying the abatement’s financial impacts advocates for the opposite. For example, a 2014 Jones Lang LaSalle report credits the abatement with producing 65 percent of Philadelphia’s recent new
construction development, and stimulating residential construction and Kevin Gillen’s report on the abatement suggests that after the initial period of producing minimal returns, the abatement’s financial impacts are starting to pay off and bolster the city’s general fund, especially as an increasing number of property valuations are altered in accordance with AVI.

The mapping undertaken for this thesis has revealed that while there are several examples of the abatement acting as a key factor in the demolition of historic structures in favor of new construction, this is not an epidemic. These are not the failure of the abatement *per se*, but rather of prior planning moves that made the abatement attractive – bad zoning and inadequate designation. Although few nationally or locally designated structures have been demolished for a new abated building, those that have reveal much-needed refinements to the abatement. The saga unfolding on Jewelers’ Row, the partial demolition and massing of the St. James and the Please Touch Museum all represent instances where developers have been incentivized to tear down older, smaller buildings with lower rents in favor of larger properties capable of producing greater income. The symptoms misaligned zoning creates the financial opportunity which the absence of designation fails to restrain, thus yielding to the will of the free market.

But, the abatement has proven an ally for preservation on many projects, providing an incentive to rehabilitate older often non-designated structures, frequently working in conjunction with historic preservation tax credits, or as a general development incentive. The abatement should be amended not only to preclude
projects that require demolitions of historic structures from receiving the incentive, but also to enhance incentives to preserve, and promote preservation throughout Philadelphia just as other cities have done. Cities like New York and Baltimore have seen success in promoting specific goals with their abatement policies – each city’s abatement’s have been tailored to the creation of affordable housing, historic renovation and targeted at specific neighborhoods.

For these reasons, this thesis does not recommend the abolition of the abatement. It does, however, call for a series of more targeted approaches with an ideology similar to City Councilman Domb’s approach, and a variation like those abatement policies of New York and Baltimore. The abatement should stimulate certain kinds of growth and development – vacant lot infill, blight removal, influencing locational decisions of businesses, preserving historic structures, and preserving affordability for certain groups, among others. Additionally, the abatement should take on a more graduated financial approach so as to give additional support to the city’s school system sooner rather than later. These proposed alterations to the existing abatement policy are reflected in the recommendations below.

Recommendation 1: Create a Targeted Approach; Vary Length of Abatement for Certain Types of Projects in Accordance with Equitable Development Scheme

Certain sectors of Philadelphia are gaining substantial advantage from the abatement, while others remain relatively untouched. For example, the majority of substantial apartment rehabilitations are located in Center City, with several scattered elsewhere in the city. Moreover, certain areas with an increasing real estate market are receiving a disproportionate number of abatements. While areas all over the city are
eligible and do receive it, one of the primary recommendations is to create a means of stimulating development and rehabilitation in outlying areas.

Pittsburgh attempted such a targeted approach, only allowing abatement usage in certain predetermined areas. The program had moderate success, though it did not fully stimulate the type of development that was intended. Pittsburgh’s policy additionally has not been as successful of creating jobs, attracting new businesses and influencing corporate locational decisions as has Philadelphia’s model. This thesis recognizes the necessity of maintaining an abatement of some variety throughout the city to continue incentivizing urban development. For these reasons, embracing a model of targeted development – making the abatement stronger for certain properties in underserved neighborhoods, and weaker in areas of less need – aligns with Philadelphia’s goals.

For businesses, building and relocating in Philadelphia is more expensive than building in the suburbs, and perspective businesses need enhanced incentive to keep Philadelphia’s urban environs attractive. Thus, the abatement need not be completely eliminated – solely amended to promote specific goals. This approach advocates for methods similar to Councilman Domb’s to ensure that its merits impact various populations – expand the length of the abatement for properties that sell for less than $250,000, and on acquired residential tax delinquent properties throughout the city. There are currently nearly 100,000 tax delinquent properties throughout Philadelphia, which has become a major epidemic and problem. As of 2015, these properties owed the city School District $523 million. This recommendation is designed to combat
accruing blight, and to stimulate neighborhood development to prevent further tax delinquency.

As an additional measure to promote affordability, this thesis additionally recommends following a model similar to that of New York City in extending the abatement for affordable housing projects to 15 years. The construction of safe, comfortable, affordable housing aligns with Philadelphia’s Phila2035 plan and the number one holder of pending abatements in Philadelphia is the Philadelphia Housing Authority. The abatement should continue to aid and further this mission on new construction as well as rehabilitation of existing affordable housing structures.

For these recommendations to occur, Philadelphia would need to amend its method of property taxation through the Pennsylvania General Assembly. Current legislation requires all properties to be taxed at a uniform rate, and such changes would contradict this uniformity. While these changes would not make an immediate impact on the taxes owed to the school system, they would stimulate neighborhood development, give purpose to some of these houses, improve local real estate values, and, in the long run, contribute heavily to Philadelphia’s general fund and help fund its school portion.

A further recommendation is to change the current model of the abatement to a graduated approach similar to that of New York City’s 421-A program. Under this model, properties in question are given a 5-year property tax abatement worth 100 percent of the change in the value of improvements, with the abatement amount diminishing by 20 percent annually until the abatement expires (i.e. in year 6 the abatement is worth
80 percent, year 7 the abatement is worth 60 percent, etc...). This recommendation serves as a compromise between sustaining some of the abatement’s positive developmental impacts and mitigating its flaws. Under this revised model, properties would continue to receive the needed boost to continue progress and development throughout Philadelphia, while minimizing the loss to the city’s general fund.

**Recommendation 2: Determination of Eligibility for the Abatement Regarding Demolished Properties On or Eligible for the National and Local Registers**

As this thesis has shown, neither National Register listing nor eligibility has offered historic assets sufficient protection from demolition. While Philadelphia’s municipal register designation does offer a significantly increased level of protection, Philadelphia continues to suffer from insufficient amounts of designation, leaving a vast array of historic structures susceptible to demolition. Continuing to offer an abatement on these sites has proved an enabling factor in the demolition of numerous historic assets. Accordingly, the abatement should be changed to accommodate these realities to ensure not only protection of these assets, but also to promote equitable development. Towards this end, this thesis proposes the creation of a determination of eligibility for the abatement similar to that of the NHPA’s Section 106 determination.

Just as the NHPA’s Section 106, this policy change would require the developer in question to determine whether the specific undertaking impacts historic properties listed on or eligible for the national or municipal registers, and give the Historical Commission sufficient time to review findings. In order to assess any adverse effects, the developer must submit all information regarding the project at hand to the Historical Commission who then reviews all plans. If there have been prior Section 106
determinations of eligibility on the site, the original determination may be used again. If it is found that there is no adverse effect, or that the property does not meet criteria for either of the registers, the developer’s obligation to protect the property has ceased and construction may continue with a property tax abatement. If an adverse impact is determined, the developer in question will not be awarded a property tax abatement, yet may continue with the project otherwise unimpeded.

It is beyond the scope of the property tax abatement to completely prevent demolition of as of right projects. It can, however, promote guided development by only being used in appropriate settings. This policy revision is not designed to slow or impede new construction across Philadelphia, but rather to encourage a targeted approach and an additional layer of protection for historic fabric.

There are numerous advantages and disadvantages to this type of policy. The change in abatement eligibility would help to direct new development to areas in greater need, potentially delay or stop certain historic demolitions, create a dialogue between developers and city officials to promote smarter development, and increase awareness and importance of preservation to the free market. Disadvantages are primarily regulatory and administrative and would pose a challenge for the policy’s implementation. Currently, while it would be beneficial to have the Historical Commission review determinations of eligibility, the staff is already extremely overworked and could not handle that type of volume. Perhaps, however, some of the funds from terminating abatements be made available to support an additional staff member to review city property and its eligibility for the National Register.
Recommendation 3: Extend Abatement to Preserve Historic Massing as a Method of Downzoning

As was the case on both the St. James, Jewelers’ Row and other projects in Philadelphia, a gross disconnect in the zoning envelope and the built environment was the primary factor in the unfortunate preservation outcomes that occurred in each respective case. Though not always immediately evident to those outside of the preservation and planning communities, massing, flow and rhythm of historic assets and historic districts is frequently a character-defining element which additionally needs proper legislation and restriction to be effectively managed. Zoning can either be a powerful basic protection to historic sites, or can be the spark in an undesirable demolition or infill project. In order to properly address such disparities, this thesis recommends the implementation of a new abatement only for historic properties and districts: an air rights abatement.

Philadelphia has previously incorporated several policies allowing properties to either sell, or put an easement on air rights. Most notably (and notably absent from Philadelphia’s current preservation toolkit) is a Transferrable Development Rights (TDR) program. At a basic level, TDR’s allow the owner of a property located within a certain predesignated zone to sell unused air rights (the amount of square feet between the height of a building and the extent of its zoning envelope) to a developer building within a separate predesignated zone to increase the total square footage allowance of their new building. Philadelphia incorporated TDR’s from 1991 until the city’s zoning code
The policy was removed from the city’s repertoire due to the fact that it had been completely unused over that time.

The second, and more commonly used method of preserving massing on historic properties, is the façade easement. The National Park Service defines the easement as “a voluntary legal agreement, typically in the form of a deed, which permanently protects a significant historic property. Since it is a perpetual easement, an owner is assured that the property’s historic character will be preserved. In addition, an owner who donates an historic preservation easement may be eligible for one or more forms of tax benefits.” The common tradeoff of an easement is that while the easement donor receives a tax deduction, the easement lowers the sale value of the property in question.

Based on these preexisting models, this thesis suggests the incorporation of a new type of property tax abatement for the protection of massing in historic neighborhoods. In this model, the project in question that is seeking an abatement would limit its building envelope to the height of its preexisting building in exchange for the city freezing the property’s property tax at a certain level in perpetuity, or for a defined period of time. This policy should be available to any property on or eligible for either the National and Municipal Registers. This policy is designed to serve as a reward for strong preservation practices rather than as a disincentive for counterproductive

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166 National Park Service; Easements to Protect Historic Properties: A Useful Historic preservation Tool with Potential Tax Benefits
ones. If this policy were commonly used, it may have prevented the negative preservation outcome on the St. James, and the imminent one on Jewelers’ Row.

While this recommendation would provide a strong municipal preservation incentive, it does have various advantages and disadvantages which would challenge its implementation. The policy is inherently advantageous in that it provides a protection to historical properties, and is attractive to smaller scale property owners. While the traditional facade easement’s financial benefit comes in the form of deduction from income tax, this recommended policy would provide financial relief from property tax and could become commonplace as a preservation tactic across historic districts. The disadvantages, however, are markedly similar to those of preservation easements. Primarily, the monitoring and administration of such a policy would need to be conducted by a municipal agency, which, under current circumstances, seems unlikely.

**Recommendation 4: Extend Abatement for Historic Property Renovations to 15 Years**

The final set of recommendations concern a change in the structure of the abatement that will encourage preservation of historic structures: an extension of the abatement to 15 years for properties on or eligible for the national or local register. Just like all properties receiving an abatement, the historic properties should engage in a graduated approach.

Philadelphia currently has no economic incentives for preservation besides the abatement which incidentally includes historic properties under its purview, and which does not necessarily subject them to historic review. Preservation tax credits, typically heralded as the most substantial federal incentive, are an effective tool at the
preservation of large-scale buildings completed to a high preservation standard, yet fall short on less substantial projects, and on non-income-producing renovations. The city has a need for incentives that support preservation of not only the most substantial buildings in Philadelphia, but also those in the middle-tier as well. Additionally, the way the abatement is currently structured, the reward for new construction far exceeds that for renovation due to the fact that the abatement amount is based on the cost of improvements, not the scale of the project. Accordingly, Philadelphia needs to retool its repertoire to make the prospect of rehabilitation not only more feasible, but also more attractive to prospective developers. It is important to note, just as the other recommendations do, that the administration of this policy, would be extremely difficult to implement in Philadelphia’s current developmental and political climate. The regulatory process and determination of what constitutes an “historical property” or National or local register eligible, is extremely abstract and difficult to consistently administer. There is no current agency with the staff or capacity to handle this mission. While the Historical Commission would be an ideal candidate, its staff is overworked and could not handle increased responsibility without expansion.

As has been observed, throughout Philadelphia the abatement has been applied on many large-scale rehabilitation projects on buildings of an historical nature. As the abatement was originally intended to spur rehabilitation on historic properties, this mission should not only continue, but be promulgated throughout the city. These policy recommendations do not represent a comprehensive list of what Philadelphia’s fabric needs, nor do they encompass every necessary component of a sustainable
preservation system. They are, however, designed to be a key component as part of a total package of protections and incentives to help preserve Philadelphia’s historic fabric for decades to come.
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Figure 1: Map of Keystone Opportunity Zone Properties. Black dots represent individual properties receiving KOZ designation. KOZ designation is spread throughout many areas of Philadelphia to help bolster redevelopment. The designation is frequently well-warranted by the neighborhood conditions, yet may also go to undeserving areas. Map produced by author.
Figure 2A: Lost Heritage Buildings and Historic Districting. Though Philadelphia has many National Register and National Register eligible districts throughout the city, demolitions of heritage structures occur in these areas. Representing the Hidden City end of year lost buildings, the colored stars represent demolitions of heritage structures which often fall in these areas. May produced by author.
https://naimanhspvthesis2017.wordpress.com/
Figure 2B: Lost Heritage Buildings and Historic Districting – Center City. Though Center City is home to several National and local register districts, more heritage structures are demolished there than anywhere else. This is due to their larger concentration, as well as the greater real estate pressures from new development. Map produced by author. 
https://naimanhspvthesis2017.wordpress.com/
Figure 3A: Neighborhoods with significant demolition and new construction. Not only has Center City seen increased real estate pressures, but so have other neighborhoods in Philadelphia. West Philadelphia, Point Breeze, Graduate Hospital, Northern Liberties/Fishtown, North Philadelphia and Manayunk have all seen large amounts of demolition and new construction permits. While this may bolster economic redevelopment, it also may endanger unprotected historic properties. Map produced by author. https://naimanhspvthesis2017.wordpress.com/
Figure 3B: Heat map of neighborhoods with new construction and demolition permits.

The above map shows where demolition and new construction permits have their highest concentration and the most significant impact on neighborhood real estate markets. While Center City has received a significant amount of alteration, the neighborhoods to the north and south have seen the most demolition and rebuilding in the past decade. It is important to note that these neighborhoods have fewer historic districts despite having a significant amount of historic fabric.\textsuperscript{167}

\textsuperscript{167} Map produced using kernel density with 32 quintile classifications.
Figure 4A: Map of demolition permits correlated with abatements. Many of the areas experiencing a change in the built fabric owe these changes to the property tax abatement. While the abatement may be responsible for a large amount of demolition around Philadelphia, the majority of it is blight removal. This has nevertheless in several instances resulted in negative externalities including the demolition of designatable historic assets. Maps produced by author. 
https://naimanhspvthesis2017.wordpress.com/
Figure 4B: Close up of Center City neighborhoods receiving demolition and tax abatements. Similar to the trends seen in map 3B, abated properties receiving demolition are clustered in neighborhoods directly outside of Center City. While there are far fewer demolitions caused by this trend, the abatement has put significant real estate pressures on these neighborhoods. Map produced by author.
https://naimanhspvthesis2017.wordpress.com/
Figure 5: Naval Square Development in Grays Ferry. Places like Naval Square have spurred local development and presumably received a significant boost from the abatement.
Figure 6: Before demolition images of 1130 Hewson Street in Fishtown. One of the largest problems with the current administration of the abatement is that smaller, undesignated historic properties considered “soft sites” are often demolished for larger income-producing structures as was the case here.
Figure 7: Development on the 300 block of East Allen Street in Fishtown. These properties exemplify “soft site” demolition and are illustrative of the abatement’s negative impacts on preservation.
Figure 8: Demolition of a school at 701 Lehigh Avenue in North Philadelphia. As is a common occurrence, historic structures are commonly replaced as part of a larger complex. The site in question received an abatement.
Figure 9A: Major tax abated rehabilitation projects. The abatement has proven a strong ally to rehabilitation projects on many historic buildings. While this map does not represent all tax-abated rehabilitations throughout the city, it represents the largest of these properties to receive the abatement. The properties depicted in the above map are rehabilitation projects from Chart 9. Map produced by author. 
https://naimanhspvthesis2017.wordpress.com/
Figure 9B: Major tax abated rehabilitation projects – Center City close up. Center City has seen the most significant concentration of major rehabilitation projects in Philadelphia. This is likely due to a variety of factors including eligibility for historic preservation tax credits and increasing demand in the Center City real estate market. The properties depicted in the above map are rehabilitation projects from Chart 9. Map produced by author. [https://naimanhspvthesis2017.wordpress.com/](https://naimanhspvthesis2017.wordpress.com/)
Figure 10: Tax-abated rehabilitation at 320 Walnut Street. This building received a substantial abatement and preservation tax credit for its renovation, and exemplifies how historic properties may receive significant benefit from the abatement.
Figure 11: Tax-abated rehabilitation at 1338 Chestnut Street. Another example of a large-scale Center City building receiving significant boost from the tax-abatement for rehabilitation. This type of adaptive reuse is a more sustainable type of development than the demolition and new construction model.
Figure 12: Tax-abated rehabilitation at 241 South 49th Street. While Center City has received the majority of large-scale tax-abated renovation projects, developers have made use of the incentive in West Philadelphia as well. This property sat vacant for decades until developers rehabilitated the property into market rate apartments.
Figure 13: Tax-abated rehabilitation at 1221 Mount Vernon. As Philadelphia has many historic resources commonly considered “white elephants,” the tax abatement has helped creative adaptive reuse projects as it has here on a former warehouse space.
Figure 14: Tax-abated rehabilitation at 2424 East York Street. It is not solely large scale residential projects that receive significant boost from the abatement, it is additionally office spaces for local community organizations as is pictured here in this warehouse-to-office and artist space conversion in Fishtown.
Figure 15: 702-710 Sansom Street on Philadelphia’s Jewelers’ Row. (Photo courtesy of New York Times). Though included in a National Register District, Jewelers’ Row is a “soft site” for its large zoning envelope in comparison with its built fabric. Now under threat of demolition, community advocates have stood up opposing new development plans that aim to demolish Jewelers’ Row for a 29-story tower.
Figure 16: Toll Bros. proposed designs for Jewelers’ Row tower. (Images courtesy of Philly Curbed). The new proposed construction has a negative impact on Philadelphia preservation in at least two ways: it’s height and massing negatively impact the character defining features and it also promises to demolish key structures on one of Philadelphia’s most storied blocks.
Figure 17: The former Please Touch Museum (photo courtesy of nakedphilly). The former Please Touch Museum is similar to the story on Jewelers Row in that it represents a “soft site” demolition in favor of a higher income-producing building. Preservationists had a false sense of security with the building as it was never officially listed on Philadelphia’s register. The replacement building will receive a tax abatement upon its completion, despite the fact that it demolished a heritage structure.
Figure 18: The Society Hill Playhouse demolition. Yet another undesignated “soft site,” The Society Hill Playhouse has been demolished to install new luxury apartments. The building replacements will be tax abated. Just as other buildings, The Society Hill Playhouse represents the problem of the lack of historic designation in Philadelphia, and the overly-powerful development policy that is the abatement.
Figure 19: The demolition of 4046-48 Chestnut Street. The row houses had a pending Philadelphia register nomination, which was issued after the building’s demolition permits. As a result, the Historical Commission twice tabled the nominations fearing their acceptance may draw a takings claim and legal recourse from the developer.
Figure 20: The St. James and the York Rowhouses (images courtesy of Hidden City). The St. James represents a key example of a “soft site,” where zoning was misaligned with the built historic fabric, allowing for an extremely problematic preservation outcome.
Figure 21: Fortieth Street ME Church and its Replacement (top image courtesy of Hidden City). Trends of diminishing congregational membership and an aging infrastructure of historic places of worship has left many of these structures vacant and endangered. These buildings represent opportunity to receiving a substantial tax abatement on a new development.
Figure 22: Map of recently demolished religious structures in Philadelphia. As real estate pressures rise, vernacular gems such as neighborhood churches and religious community centers have been seeing replacement with residential projects. While this is not all entirely a blight upon preservation, there needs to be a method of ensuring that the churches which are demolished are done so thoughtfully. A program withholding the abatement for certain compliant historic structures would provide an effective policy. Map produced by author with data by Rachel Hildebrandt. https://naimanhspvthesis2017.wordpress.com/
Figure 23: Church at 605 S. 16th Street and site for apartment development. Located in the Graduate Hospital Neighborhood, the church is to be replaced by a residential building which will presumably receive a tax abatement. While the church is not a main attraction in Philadelphia, it does raise questions about which vernacular churches warrant preservation, and how to accomplish this goal.
Appendix 2
Recommendations for Further Research

History

The abatement has evolved numerous times over the course of its existence, changing from a policy designed at stimulating rehabilitation, to one heavily favoring new construction. While the basic provisions of the abatement can trace their lineage back to the Pennsylvania state enabling legislation of LERTA, the history of the individual changes represent important moments in Philadelphia’s developmental history. This thesis proposes deeper investigation of these changes and the contemporary enabling and legislative environments in Philadelphia that lead to their implementation.

Economics

One of the most impactful considerations that this thesis discusses is the implementation of a graduated approach for future abatements. As the economic impacts of the current structure of the abatement have been abundantly studied and discussed with regards to job creation, and impacts on decisions to build and relocate businesses, the graduated approach should receive the same study. This would permit policy makers to make informed decisions regarding the impact of the abatement as Philadelphia continues to grow and evolve into the 21st century.

Impacts

One specific type of historic building adversely affected by Philadelphia’s enabling environment as well as the abatement, is religious structures. While this thesis acknowledges that this is a specific type of problem, it has not undertaken a
comprehensive study nor survey of these structures throughout Philadelphia. Religious institutions not only are exempted from paying property taxes, but they also have various reasons and methods for deconsecrating their structures, which can create a regulatory environment differing from that of the rest of Philadelphia.
Appendix 3

**Hidden City Lost Buildings of 2012-2016**

**2012**
- Bunting House, 5901 Ridge Ave.
- Frankford Arsenal, 5301 Tacony St.
- Wakefield Presbyterian/Goodwill Baptist Church, 4711 Germantown Ave.
- Frankford Central United Methodist, 1515 Orthodox St
- Van Straaten & Havey, 133 W. Berkley St
- Union Traction Company Substation #2, 123 E. Chelten Ave

**2013**
- Salvation Army thrift store, 22nd and Market Streets
- Book Bin II, 2132 Market St.
- Episcopal Cathedral parish house, 38th and Chestnut Streets
- Third Regiment Armory, Broad and Wharton Streets
- Ortlieb’s Brewery, Poplar and American Streets
- St. John the Evangelist church and parish house, 3rd and Reed Streets
- 40th Street Methodist Episcopal Church, 40th and Sansom Streets
- 1510 N. Broad Street
- Freihofer’s Bakery, 20th and Indiana Street
- Second Baptist Church, 924-928 New Market St.
- 7-Up Bottling Plant, 819 Carpenter Street
- The “Fake House”, 3862 Lancaster Avenue

**2014**
- John F. Kennedy Vocational Center, 730 Schuylkill Avenue
- Stokes House, Holme Circle (Northeast Philadelphia)
- Queen Lane Apartments, 32nd & Queen Lane
- Coward Shoe Store, 1118-20 Chestnut Street
- West Philadelphia Jewish Community Center, 11 Cobbs Creek Parkway
- Greenwich Street Church, 240 Greenwich Street
- Francis McIlvain House, 1924 Arch Street
- Jewish Iconography at B’Nai Reuben, 615-621 South 6th Street
- Best Western (formerly Franklin Motor Inn), 22nd & Benjamin Franklin Parkway

**2015**
- Pilgrim Congregational Church; 1407 Marlborough Street
- Levy-Leas Mansion; 400 South 40th Street
• Girard Square; 1100 Market Street
• Philadelphia International Records; 301-311 South Broad Street
• New Hope Temple Baptist Church; 711 South 12th Street
• Tourison’s Hall; 6656 Germantown Avenue
• Medical School Building, Temple University; 3400 North Broad Street
• Barton Hall, Temple University, Temple University; 1941 Liacouras Walk
• University City High School; 3601 Filbert Street, University City
• Boyd Theater Auditorium; 1908 Chestnut Street

2016
• Mt. Sinai Hospital; 1400 South 5th Street
• Wallace Storage & Carpet Cleaning/Please Touch Museum; 206-210 North 21st Street
• William Penn High School; 1333 North Broad Street
• Penn Tower; 1 Convention Avenue
• Whitman’s Chocolate; 401 Race Street
• Norman Blumberg Towers; 2311 West Jefferson Street
• Society Hill Playhouse; 507 South 8th Street
• Terrace Hall; 3818 Terrace Street
• The National; 111 North 2nd Street
• Wynne Theatre; 2001 North 54th Street
• 235 South 24th Street
• Dyotville Homes; 1122 & 1130 Hewson Street
• Stop & Go Parking, Coco-Cola; 2126 Market Street
Appendix 4

List of Religious Site Demolitions Since 2009\textsuperscript{168}

- 19th Street Methodist Episcopal Church
- 34th Street Baptist Church
- 40th Street Methodist Episcopal Church
- Bethesda Methodist Episcopal Church
- Central Methodist Episcopal Church
- Church of the Good Shepherd, Episcopal
- Church of the Messiah, Episcopal
- Church of the Nativity, Episcopal
- Church of the Transfiguration, Catholic
- Fourth Reformed Unitarian Church
- Fourth United Presbyterian Church
- Gethsemane Baptist Church
- Greenwich Street Church, Presbyterian
- Hancock Methodist Episcopal Church
- Highway Christian Church of Christ
- Nazarene Baptist Church
- Nazareth Church
- Pilgrim Congregational Church
- Redeemer Lutheran Church
- S. W. Presbyterian Church
- Second Baptist Church
- St. Bonaventure Catholic Church
- St. Boniface Catholic Church
- St. John the Evangelist Episcopal Church
- St. Lucy's Catholic Church
- Union Baptist Church
- Wakefield Presbyterian Church
- West Philadelphia Jewish Community Center

Index

4

4046-48 Chestnut street
4046-48 ................................................. - 75 -
4046-48 Chestnut Street ..................... - 2 -, - 23 -
421-A .................................................. - 50 -, - 87 -

A

Act 42 Enhanced Residential ................... - 53 -

B

Baltimore, MD ......................................... - 56 -
Boston, MA ................................................ - 54 -

C

Center City District - 13 -, - 16 -, - 17 -, - 98 -, - 99 -
Chapter 121A ......................................... - 54 -
Cigna building ........................................ - 14 -
City Councilman Domb ......................... - 44 -
City Hall Annex ...................................... - 14 -
Cleveland, OH ........................................ - 54 -
CMX-5 .................................................. - 72 -, - 76 -, - 77 -
Comcast Center ..................................... - 17 -, - 82 -
Commercial Revitalization Program (CRP) .... - 51 -
Cooperative and Condominium Tax Abatement Program ...................................... - 51 -
Councilman Wilson Goode Jr .................. - 45 -

D

Doug Oliver ............................................. - 46 -

E

Edmund Bacon ....................................... - 12 -

F

façade easement ...................................... - 91 -
Fishtown - 22 -, - 61 -, - 70 -, - 110 -
Fortieth Street ME Church ................... - 79 -, - 125 -

G

general budget ........................................ - 10 -
Governor Corbett ...................................... - 36 -
Graduate Hospital ................................... - 64 -
Grey’s Ferry ............................................ - 61 -

H

Hidden City ..... - 21 -, - 61 -, - 65 -, - 79 -, - 124 -, - 125 -, - 130 -
Hidden City’s “Lost Buildings” .................. - 60 -

J

J-51 Exemption and Abatement ................. - 49 -
Joseph Clark ........................................... - 12 -

K

Keystone Opportunity Zone ..................... - 25 -

L

LERTA ................................................... - 5 -
Lower Income Home Ownership Tax Abatement ......................................................... - 55 -
Lynne Abraham ....................................... - 45 -

M

Manayunk ............................................ - 61 -
Maryland Sustainable Communities Tax Credit Program ............................................. - 57 -
Mayor Jim Kenney ................................. - 46 -
Michael Sklaroff Sklaroff ......................... - 15 -

N

National Historic Preservation Act of 1966 - 60 -, - 100 -
National Register of Historic Places .. - 3 -, - 57 -, - 72 -
Naval Square .......................................... - 64 -
Navy Yard ............................................. - 26 -
New York, NY ......................................... - 49 -