

**DEPARTMENT OF COMMERCE  
FISCAL YEAR 2015 BUDGET TESTIMONY  
APRIL 2, 2014**

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**EXECUTIVE SUMMARY**

DEPARTMENT MISSION AND FUNCTION

The role of the Department of Commerce is to coordinate economic development activity on behalf of the City of Philadelphia and to establish Philadelphia as a city of choice for businesses and residents alike. Within the Department there are a number of specialized units which focus on particular priorities and functions – Office of Economic Opportunity, Office of Neighborhood Economic Development, Office of Business Services, Business Attraction and Retention, Developer Services Unit, and the newly-created Office of Manufacturing and Industry. In addition we work with a range of partners to help attract business and promote Philadelphia including the Philadelphia Industrial Development Corporation, Select Greater Philadelphia, the Commonwealth of Pennsylvania, and Philadelphia City Council.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The Department of Commerce is submitting a Fiscal Year 2015 operating budget request of \$100,144,714. This represents an increase of \$1,672,719 from Fiscal Year 2014.

The total funding request is apportioned as follows: \$19,004,637 to the General Fund; \$59,137,700 to the Hotel Tax; \$12,574,316 to Grants Revenue; and \$9,428,761 to Community Development.

Of the \$19,004,637 General Fund request, \$1,850,054 to Class 100; \$16,627,929 to Class 200, which includes \$15,000,000 to the Pennsylvania Convention Center; \$26,654 to Class 300; and \$500,000 to Class 500 for the Delaware River Waterfront Corporation. This represents no change from the FY14 Current Estimate.

**COMMERCE DEPARTMENT  
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

**Financial Summary by Class - General Fund**

	Fiscal 2013 Actual Obligations	Fiscal 2014 Original Appropriations	Fiscal 2014 Estimated Obligations	Fiscal 2015 Proposed Appropriations	Difference FY14 - FY15
Class 100 - Employee Compensation	\$1,685,843	\$1,850,054	\$1,850,054	\$1,850,054	\$0
Class 200 - Purchase of Services	\$16,627,929	\$16,627,929	\$16,627,929	\$16,627,929	\$0
Class 300 - Materials and Supplies	\$24,926	\$26,654	\$26,654	\$26,654	\$0
Class 400 - Equipment	\$0	\$0	\$0	\$0	\$0
Class 500 - Contributions	\$500,000	\$500,000	\$500,000	\$500,000	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$18,838,698</b>	<b>\$19,004,637</b>	<b>\$19,004,637</b>	<b>\$19,004,637</b>	<b>\$0</b>

**Staff Demographics Summary\***

	Total	Minority	White	Female
Full-Time Staff	40	60%	40%	60%
Executive Staff	4	0%	100%	25%
Average Salary - Executive Staff	\$126,440	\$0	\$126,440	\$115,000
Median Salary - Executive Staff	\$123,379	\$0	\$123,379	\$115,000

**Employment Levels\***

	Budgeted	Approved	Filled
Full-Time Positions	40	40	40
Part-Time Positions	0	0	0
Executive Positions	4	4	4

**Contracts Summary\***

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$0	\$30,000	\$75,000	\$75,000	\$75,000	\$75,000
Total amount to M/W/DBE	\$0	\$0	\$32,000	\$31,875	\$34,000	\$31,875
Participation Rate	0%	0%	43%	43%	45%	43%

\*As of December 2013

**DEPARTMENT OF COMMERCE  
PERFORMANCE, CHALLENGES AND INITIATIVES**

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DEPARTMENT PERFORMANCE (OPERATIONS)

Overview

The Philadelphia economy continues to recover from the recession and we are seeing increased economic development activity across the city as businesses expand, move into, and develop in Philadelphia. Each District Council member has recently received a 'Highlights Report' detailing Department of Commerce activity in their District. In addition we are working to produce a fuller report of recent economic development activity across Philadelphia which should be available in the summer.

Key accomplishments

- The unemployment rate in Philadelphia for January 2014 (the most recent data available) was 8.9% compared with 11.8% for January 2013 - the lowest January unemployment rate since 2009.
- According to the Bureau of Labor Statistics there were more jobs in Philadelphia in 2013 (666,100 average per month) than any year since 2003.
- The Department of Commerce has attracted or retained almost 30 companies in Fiscal Year 2014 to date, creating or retaining almost 12,000 jobs. In terms of real estate development, \$7.5 billion in construction projects have been completed since January 2013, are currently under construction, or are planned in the near future.
- The Office of Economic Opportunity continues to increase minority participation in City contracts and as a result will increase the goal for minority, women and disabled owned business participation in City contracts to 30% in Fiscal Year 2015 from its current level of 25%.
- The Office of Neighborhood Economic Development (ONED) continues to support commercial corridors and neighborhood businesses throughout Philadelphia and in Fiscal Year 2015 will add an additional five corridors to the Targeted Corridor Management Program (Central Germantown, Woodland Avenue, Germantown & Lehigh, 52<sup>nd</sup> Street, and Torresdale Avenue). In addition the Department of Commerce will make available \$379,000 for approximately 25 Commercial Corridor Enhancement Grants over the next two years.
- In Fiscal Year 2014 ONED launched the new InStore Grant Program to complement the existing Storefront Improvement Program by assisting neighborhood businesses with fit-out and equipment costs. To date ten forgivable loans have been approved totaling \$446,000, leveraging an additional \$800,000 investment in neighborhood businesses.
- In addition, ONED has implemented the Commerce SafeCam Program, launched in April 2013, which provides reimbursements for up to 50% of the total cost of eligible equipment and installation, for a maximum of \$3,000 for a single commercial property. Award requires cameras meet minimum specifications and be registered with the Police Dept's SafeCam Program to assist the Police in responding to crime quickly. Since April 2013, 92 applications have been received, with 64 awarded and 26 completed and paid.
- Working in close partnership with Councilman Bobby Henon the Department of Commerce convened a range of internal and external partners through the Manufacturing Task Force to develop a Manufacturing Growth Strategy for Philadelphia. One of the recommendations of the report - the creation of an Office of Manufacturing and Industry within city government - was recently announced by Mayor Nutter during his budget address.
- Through the Goldman Sachs *10,000 Small Businesses* program we have provided business education training to 50 Philadelphia businesses, with another 29 currently participating in the program at the Community College of Philadelphia. In addition the Philadelphia Industrial Development Corporation has approved 7 loans totaling just over \$2.3 million through the small business lending side of the program.
- In an effort to attract increased foreign investment, the Department of Commerce has appointed Shinjoo Cho as the Director of International Business Investment. In this position Ms. Cho coordinated a delegation of 23 Philadelphia-area businesses, led by Mayor Nutter, to the United Kingdom and Israel in November 2013. Many of these companies are now pursuing new business opportunities in these countries and four

companies from the United Kingdom that we met with have already visited our city on return trips to explore establishing a U.S. operation in Philadelphia.

- The Department of Commerce continues to provide strong support to the startup community in Philadelphia and through the new Startup PHL Call for Ideas program recently approved an additional five grants for organizations that support and train entrepreneurs.
- The Office of Business Services continues to receive customer satisfaction ratings of greater than 90%, with a customer satisfaction rate of 97% in the first half of Fiscal Year 2014.

### DEPARTMENT CHALLENGES

The slow national economic recovery continues to provide a challenge to the Department of Commerce as we work to attract new businesses to Philadelphia and to assist existing businesses to grow in our city. That being said we are moving in the right direction and unemployment, while still too high, is significantly lower than it has been in previous recent years.

### STAFFING LEVELS

- Current level of staffing by Unit<sup>1</sup>:
  - Deputy Mayor Unit: 4
  - Office of Economic Opportunity (OEO): 14
  - Office of Business Services (OBS): 11 (which includes 2 VISTAs)
  - Office of Neighborhood Economic Development (ONED): 18 (which includes 1 VISTA, 1 fellow)
  - Finance & Administration: 7
  - Development Initiatives: 12
- Number of staff by language:
  - Creole – 1
  - Ewe – 1
  - French – 4
  - Ga – 1
  - Hindi – 1
  - Igbo – 1
  - Japanese – 1
  - Korean – 1
  - Mandarin - 2
  - Russian - 3
  - Sign language - 1
  - Spanish - 7
  - Taiwanese - 1
  - Twi – 1
  - Ukrainian - 1

### PAST INITIATIVES

- Project Management Database for Business Attraction & Retention, Development Initiatives and Office of Business Services - Web-based platform allows all pertinent staff to enter detailed project information, ensuring better record keeping on jobs created/retained and real time project task management. Costs include staff time from one Policy Analyst to modify for our needs and monthly cost of \$10 per user/subscriber.
- Development of the Business Services Center - A one-stop online resource for those who want to plan, start or run a business in Philadelphia. Currently looking to upgrade site build language to remain compatible with technology platform for phila.gov.
- Incorporating small business lending function into PIDC.
- Incorporating Office of Economic Opportunity into Department of Commerce.
- Incorporating Office of Labor Standards into Department of Commerce.

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<sup>1</sup> Including 27 General Fund positions for Department of Commerce in FY15, plus additional personnel funded through PIDC and Community Development Block Grant funding.

## CURRENT INITIATIVES

- Business Technical Assistance Program – In FY14 the Department of Commerce contracted with six organizations to provide a range of services to entrepreneurs and microenterprises. Assistance is targeted to businesses on neighborhood commercial corridors, business owners with limited English proficiency, businesses in emerging industries, and other under-served entrepreneurs.
- Storefront Improvement Program (SIP) – Reimbursed for 75 completed projects on 34 corridors around the City. Awards totaled \$539,776 of a total project investment of \$1.5 million.
- InStore – Launched in FY14, this is an attraction/expansion tool that assists businesses with fitout/equipment costs to improve store mix and increase foot traffic on neighborhood commercial corridors. To date: 10 have been approved, totaling \$446,000 in forgivable loans, leveraging \$800,000, on the following corridors: 52nd St, 48th Street, and Baltimore Avenue in West Philadelphia, Passyunk Avenue and Grays Ferry Avenue in South Philadelphia, 1 on West Girard Avenue and 2 in Central Germantown.
- Commerce SafeCam Program - Provides reimbursements for up to 50% of the total cost of eligible equipment and installation, for a maximum of \$3,000 for single commercial property. Award requires cameras meet minimum specifications and be registered with the Police Dept's SafeCam Program to assist the Police in responding to crime quickly. Since April 2013: 92 applications have been received, 64 have been awarded and 26 have been completed and paid.
- Goldman Sachs *10,000 Small Businesses Initiative* – 50 businesses have graduated from the business education program at Community College of Philadelphia, with a further 29 currently enrolled in the education program. PIDC has approved loans to 7 small businesses totaling approximately \$2.3 million.
- StartUp PHL – The initial \$6 million in funding for this program is managed by First Round Capital (\$3 million invested by both First Round Capital and PIDC) for early stage companies. So far, one local investments has been made. The Call For Ideas program is managed out of Commerce of which \$500,000 is dedicated to funding the best ideas to foster the local Startup community. Two rounds of Call for Ideas grants awarded to date with 10 organizations approved for support.
- CDC Tax Credit Program – As of 2013, 40 CDCs across the City are now participating. 5 slots opened up for 2014 and applications have been accepted by Revenue. Commerce's role is to review applications to approve the new CDCs as eligible providers of economic development services and then to review renewal applications each year to monitor the CDCs economic development achievement.

## NEW INITIATIVES

- Corridor enhancement grants - \$179,000 from DCED for planning grants and \$200,000 from remaining Philadelphia Commercial Development Corporation funds for implementation projects. Will make approximately 25 grants over 2 years for corridor projects around the City. No income/geography restrictions, other than being located outside of Center City.
- In FY15 Commerce will increase the micro-lending capacity of BTAP providers by developing a Micro-Loan Fund which will make three to four one-time grants totaling approximately \$500,000 from remaining Philadelphia Commercial Development Corporation (PCDC) assets.
- Targeted Corridor Management Program (TCMP) - In FY15, \$1.2 million to fund 14 organizations to provide Corridor Mgmt Services on 19 neighborhood corridors, each with 100+ businesses. Five corridors added this year: Central Germantown, Woodland Avenue, Germantown & Lehigh, 52nd Street, and Torresdale Avenue.
- Corridor Cleaning – In FY15, \$650,000 to fund approximately 17 organizations to hire staff to clean sidewalks on neighborhood corridors.
- Office of Manufacturing and Industry to be formed within the Department of Commerce using existing/reprogrammed City funding.
- Office of Economic Opportunity has received approval from the Economic Opportunity Cabinet to pursue an aspirational goal of 30% participation on city contracts in fiscal year 2015 based on the consistent participation results over the past three years and in anticipation of the FY13 Disparity Study findings.
- The Department of Commerce has partnered with KIVA- an international non-profit that specializes in micro-lending, in order to provide micro-businesses with access to 0% interest loans. Through this partnership, the City aims to support 300 small businesses in gaining access to 0% interest KIVA loans over three years.

## **OTHER BUDGETARY IMPACTS**

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### FEDERAL AND STATE (WHERE APPLICABLE)

#### **Federal:**

After consecutive years of significant cuts, last year's CDBG funding for economic development programs was held level. We are planning for the same this year and have budgeted for our neighborhood and small business programs accordingly.

#### **State:**

Commerce expects to receive \$275,000 from DCED's Keystone Communities Program to be used for CDCs and small business support. This funding is the same as the last 2 years, but less than the \$500,000 in previous years when DCED provided Main Street funds. Note: the Keystone Communities Program funding cannot be used by CDCs for operational/staff costs, which means we can only provide it to organizations that already have staff funding in place.

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
Econsult	Disparity Study	\$75,000	3 amend11/1/2010	8/1/13	MBE: 40-45 WBE: 40-45 DSBE:	43%	31875	31875 43% #VALUE!	y/n y/n y/n
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DEPARTMENT EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

	Male	Female	Male	Female
Total	16	24	3	1
% of Total	40%	60%	75%	25%
	African-American	African-American	African-American	African-American
Total	4	16	0	0
% of Total	10%	40%	0%	0%
	White	White	White	White
Total	12	4	3	1
% of Total	30%	10%	75%	25%
	Hispanic	Hispanic	Hispanic	Hispanic
Total	0	3	0	0
% of Total	0%	8%	0%	0%
	Asian	Asian	Asian	Asian
Total	0	1	0	0
% of Total	0%	3%	0%	0%
	Other	Other	Other	Other
Total	0	0	0	0
% of Total	0%	0%	0%	0%
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
Total	0	7	0	0
% of Total	0%	12%	0%	0%

