



# GOOD ECONOMY CHALLENGE

Small Business  
Procure Local  
Green City, Clean Waters  
Solar Homes  
Social Enterprise



## SUSTAINABLE BUSINESS NETWORK OF GREATER PHILADELPHIA'S GOOD ECONOMY CHALLENGE

### Background:

Once every four years, the voters of Philadelphia have the opportunity to choose candidates for Mayor and City Council in a May primary. Philadelphia's overwhelming preference for the Democratic Party means that the winners of the Democratic primary for Mayor and City Council invariably win the general election. In other words, the key decision point for voter impact is the May primary election.

The Mayoral and Council elections occur at a pivotal time in Philadelphia's development. For the past eight years, sustainability has been a focal point and key goal, greatly benefitting the prospects for the city's growing sustainable economy. On the eve of a new administration, it will be important to engage with the incoming candidates in the early stages of the election, to highlight the importance of a continued focus on the sustainable economy, with small business as a centerpiece. SBN's issue campaign, the **Good Economy Challenge**, was developed with this goal in mind.

### Purpose of SBN's Good Economy Challenge:

- To persuade candidates for Mayor and City Council to embrace our challenge aimed at a more sustainable local economy.
- To spread the message, build support, and energize members and allies.
- To demonstrate SBN's power by activating and engaging Philadelphia's sustainable business owners, employees and customers.

### Focus of the campaign:

- To convene a Mayoral candidate's forum in March or April of 2015, featuring candidates competing in the Democratic and Republican May primary.
- To organize delegations of SBN member businesses and allies to meet with candidates for City Council and Mayor.
- To promote SBN's issue campaign through creative and engaging use of social, earned and paid media.

### Issues and Recommendations:

The starting point for the Good Economy Challenge is SBN's 5 policy priorities, as follows:



## IMPROVE THE SMALL BUSINESS CLIMATE IN PHILADELPHIA

**Why is this needed?** Philadelphia's small businesses form the backbone of our local economy. 98% of Philadelphia businesses are small businesses (defined as fewer than 50 employees), and 54% of jobs are created by small businesses. Yet, Philadelphia experiences little business growth because a similar number of businesses open and close each year. As a result, Philadelphia has fewer jobs to offer residents and its business growth falls well below the national average. Thriving local businesses are critical to healthy neighborhoods. They create jobs and meet the needs of residents for products and services often within walking distance. And, so, it is crucial that our next Mayor do as much as possible to create an environment where these businesses can thrive.

### What are the specific recommendations?

- **Recognize rights, set expectations.** Adopt a list of conduct requirements for small business inspections similar to [New York City's Business Owner's Bill of Rights](#). This should include a detailed description of a fair and timely appeals process for citations.
- **Improve the service portal.** Improve the business services portal so that it can serve as an information gateway, allowing small business to purchase licenses and permits online, and complete routine tasks efficiently. Work towards allowing businesses to check their files and view the status of every permit, license or violation.
- **Create a concierge-like experience.** Help businesses navigate the City's approval process by increasing the number of Business Service Representatives to give them recourse when an agency is uncooperative. Market the availability of these representatives to small businesses.
- **Simplify the tax process.** Streamline tax calculations and forms to allow the average business owner to complete tax forms without having to hire an accountant or tax preparer.
- **Eliminate the unnecessary.** Launch a comprehensive review of city ordinances with the aim of phasing out any provisions which create a cost on small businesses that is disproportionate to the benefit to public health and safety. Towards this end, SBN calls on the Mayor and City Council to convene a task force composed of small business community leaders, regulators and elected officials to undertake a comprehensive review process and produce a report detailing concrete recommendations for legislative revisions to eliminate provisions that harm small businesses.
- **Connect the support system.** Bring all funders and nonprofits supporting small businesses together to understand current areas of focus and gaps in service. Collaboration will allow for an online directory of nonprofits with detailed descriptions of the services they provide, city-wide training for different segments of the business population with proven results, a single citywide calendar of events, and a comprehensive set of informational materials available in hard copy and on the City's website.



## PRIORITIZE LOCAL AND SUSTAINABLE BUSINESS PROCUREMENT BY CITY GOVERNMENT, UNIVERSITIES, AND OTHER INSTITUTIONS

**Why is it needed?** Each year, the City of Philadelphia and local institutions buy several billion dollars worth of products and services from private-sector contractors. The procurement process is complex and discourages local small businesses from bidding. However, it has been proven that when dollars are spent at a locally-owned business, money circulates through the local community 3 more times than if the money is spent elsewhere. The City's procurement policy should be shaped to support the benefits of buying local. The City should also incentivize local anchor institutions (such as "eds and meds") to procure locally.

Additionally, the City and local institutions should buy environmentally preferable products whenever possible to reduce health and safety risks to workers, customers, and the environment.

These recommended actions would make it easier for local businesses to contract with the City, minimize the potential environmental and health impacts on workers and the public, encourage the production and sale of affordable, environmentally-friendly and human health conscious products, and grow our local sustainable economy.

### What are the specific recommendations?

- **Make procurement easier.** There are a number of actions that the City of Philadelphia can take to make procurement easier for locally-owned, small businesses. These include:
  - Creating and posting a clear, user-friendly explanation of how the procurement system works for small businesses.
  - Allowing businesses to register for email notices about relevant contracting opportunities in their field.
  - Allowing businesses to submit bids and RFP responses online on a single searchable website.
  - Making payments according to contract terms.
  - Partnering with PIDC to offer small businesses gap financing to pay upfront costs to fulfill a contract with the City for between \$25,000 and \$75,000.
  - Increasing transparency by posting all winning bids and vendors online.
- **Go green.** Like the State of Pennsylvania, adopt a Green Procurement Policy that states that analysis is required on each material and service during the bid process to determine what Green options are available. When a comparable Environmentally Preferable Product (EPP) is available, statement of work or specifications should be restricted to the EPP option. The City of Philadelphia should also include specifications about the required use of environmentally-friendly products in all contractor agreements.
- **Encourage Philadelphia's institutions to procure locally.** Leverage the purchasing power of the City's colleges and hospitals to spur a "buy local" movement. Philadelphia's 18 universities and colleges and 16 hospitals spend \$5.3 billion a year on goods and services. These "anchor institutions," tied to the City by large campuses and building complexes, currently spend \$2.7 billion of that with local businesses. If these anchors increased their local spending by 25 percent, it would create 4,400 jobs.

- **Focus on local.** Currently, locally-owned businesses receive a 10% bidding preferences on contracts of \$1 million or less and a 5% bidding preferences on RFPs of a million or higher. Because of the significant benefit that is generated by spending local, we recommend that the bidding preference for locally-owned businesses is raised to 10% for all contracts.



### ADVANCE THE CITY OF PHILADELPHIA'S GREEN CITY, CLEAN WATERS PLAN

**Why is it needed?** *Green City, Clean Waters* is the City of Philadelphia's innovative plan to meet EPA Clean Water Act regulations with decentralized green stormwater infrastructure instead of the traditional – and far more expensive - centralized gray approach of larger pipes. *Green City, Clean Waters* brings many economic, environmental, and social benefits to the city, and has positioned Philadelphia as a national leader in urban stormwater management.

Philadelphia is well-positioned to leverage Green City, Clean Waters to further elevate itself as a national leader by becoming the hub for the green stormwater infrastructure industry and innovation. Our next Mayor/Council Members should drive the plan forward in a unified way so that our city sees the maximum benefits that Green City, Clean Waters can bring to Philadelphia's competitiveness, local and regional economy, environment, community vitality, and quality of life.

#### What are the specific recommendations?

- **Pledge commitment.** *Green City, Clean Waters* is the City of Philadelphia's plan for meeting EPA Clean Water Act regulations, and as such, needs full commitment of support from City leadership.

The next Mayor and City Council should

- Make a firm and public statement in support of *Green City, Clean Waters*, affirming that it's a City plan, is driven by federal regulations, saves the City and ratepayers \$8 billion, and provides significant benefits to our city's economy, environment, and quality of life, as well as to our city's position as a national leader.
- Make a firm and public statement pledging his/her commitment to strong departmental leadership, policy, code, procedures, and other conditions that would move the plan forward most successfully.

- **Improve Coordination.** As a City plan, every City department has a degree of responsibility to support its success. Stakeholders including developers, property owners, engineers, and landscape architects agree that better coordination across City departments would facilitate better development and the implementation of green stormwater infrastructure, which would lower costs for each.

The next Mayor and City Council must

- Align policy, code, and regulations across relevant City Departments to ensure they work together and not at odds (i.e. zoning, plumbing, Streets, L+I, PWD, etc.),

- especially as they relate to facilitating low impact development, landscape considerations, and green stormwater infrastructure projects.
- Commit the City to lead by example.
    - a. Commit to prioritizing the use of vegetated stormwater practices for publicly funded projects wherever possible
      - i. For all publicly funded projects that trigger the regulations, require consultation with PWD early in the planning phase to facilitate the use of green stormwater infrastructure.
      - ii. For all publicly funded projects that will not trigger the regulations, including public roads, require engagement with PWD early in the planning phase to explore opportunities with PWD for the implementation of green stormwater infrastructure.
      - iii. Continue to leverage capital investments in green stormwater infrastructure to improve public property and expand the number of City departments involved.
    - Engage the Mayor's Office of Sustainability (MOS).
      - a. Task MOS with integrating the goals of *Green City, Clean Waters* into the City's updated sustainability plan and supporting the success of those goals.
  - **Green Infrastructure Industry and Innovation Hub.** Philadelphia is well-positioned in the national and international spotlight with regards to our approach to urban stormwater management. The next Mayor/City Council should better capitalize on the recognition *Green City, Clean Waters* has already brought to the city, the significant public and private investment it is catalyzing, and the robust community of engaged, passionate, and committed professionals, academics, and voters to make Philadelphia the hub for the green infrastructure industry and innovation. Doing so will further elevate Philadelphia as a national leader, retain and recruit talent, drive the local economy, and support the city's current trajectory of population growth and smart development.

The next Mayor and City Council should

- Commit to creating new and expanding current incentives for the private sector to invest in low impact development and green stormwater infrastructure.
  - a. Recommendations include:
    - i. Improving the existing green roof tax credit
    - ii. Create new tax credits for stormwater "best management practices"
    - iii. Create an "over-performance" tax credit
- Commit to advancing efforts by PWD to promote the development and implementation of green stormwater infrastructure by coordinating research, sharing data and information, encouraging innovation, and fostering the local industry.
- Challenge the City and local industry professionals to make the City of Philadelphia the hub of green stormwater infrastructure innovation.



## ENSURE PHILADELPHIA REACHES 20,000 SOLAR HOMES BY 2025

**Why is it needed?** Philadelphia currently only generates 0.11% of its electricity within its own borders. Electricity use in homes, businesses, and schools from non-renewable sources is a large contributor to Philadelphia's carbon footprint and limits solar jobs for working class families.

Solar on our city's roofs would be a cost effective way to support local jobs and the environment. Rooftop solar can be implemented at costs competitive with non-renewable electricity sources while insulating consumers from rising rates since costs for solar has fallen 99% over the last 30 years. This would assist the city's residents with energy costs, improve our city's carbon footprint, and spur the development of a new clean energy economy for Philadelphia.

### What are the specific recommendations?

- **Abate sustainably.** Amend Philadelphia's 10-year tax-abatement for new real estate development to incentivize energy efficiency and solar panel installations. This would include the following:
  - Reduce the base number of years provided for new construction and rehabilitation project abatements from 10 to 7. Applicants should then be allowed to qualify for up to 3 additional years of abatements through the implementation of energy efficient improvements such as solar panel installations. The intent is to encourage more investment in energy efficiencies by allowing the cost to be offset through the tax exemption.
  - In the case of a qualified low income building, the property tax abatement percentage should be increased to 120 percent for each additional year acquired through energy efficient improvements. A qualified low-income building by the following low-income occupancy threshold: at least 20 percent of the housing units that require less than 50 percent of the HUD-determined area median income.
  - Property related to renewable energy systems (for the sole use of electricity generation) should be exempt from property value assessment for the purposes of calculating tax obligations. The intent of this provision is to reduce the cost associated with acquiring and installing renewable energy systems. Similar approaches have been used to incentivize installation of renewable energy systems in Maryland.
- **Spread the word.** Support a broad-based marketing and education campaign designed to convert more Philadelphia residents and businesses to solar. Solar outreach campaigns increase the adoption of small-scale solar electricity systems through grassroots educational campaigns, driven mainly by local volunteers and a tiered pricing structure that increases the savings for everyone as more home and business owners in the community sign up. Participants in these programs also benefit from installations that cost an average 20% less than if they didn't participate in the group purchase program. Cost effective policies like this have been implemented in cities such as Austin, Portland, Boston, and Washington D.C. As a result these cities have seen faster adoption of solar than Philadelphia according to a 2014 report from Environment America Research & Policy Center.

- **Buy local.** The City currently purchases renewable energy certificates from wind farms outside the region. The City should use those funds to support purchasing and building more renewable energy within Philadelphia and the surrounding counties.
- **Go residential.** The City of Philadelphia has taken the important step of requiring the reporting of energy usage for commercial buildings. The open data/transparency movement should be extended to the residential sector. Residential energy rating and disclosure is a promising low cost policy option that can help increase consumer transparency about energy cost in the homes. Cities such as Chicago require a disclosure of home's energy usage at the time of sale or renting a unit. Local real estate MLS databases can include energy-use data and information on the energy efficiency characteristics of listed homes so that data is more likely to be seen by potential buyers at the earliest point in the sale process.
- **Put the youth to work.** Given the high unemployment rate for minority youth, it's important that the transition to a sustainable economy includes youth workforce development programs. The fossil fuel energy industry has historically underrepresented minorities; a switch to renewable energy can change the demographic makeup of the energy sector if we put effective training programs in place. The next Mayor and City Council should ensure that the City remains committed to the success of impactful programs like PowerCorpsPHL, an initiative that is equipping Philadelphia's youth to enter the green jobs market in fields such as stormwater management and park management, to guarantee that Philadelphia has the skilled workforce necessary to move towards a more sustainable economy that includes an increasing demand for solar energy.



### STRENGTHEN THE PARTNERSHIP BETWEEN THE CITY AND B-LAB CERTIFIED BUSINESSES

**Why is it needed?** The City of Philadelphia recently introduced a new Sustainable Business Tax Credit to assist B-certified businesses and to incentivize more businesses to complete The B Corp Certification. The current \$4,000 tax credit was granted as an acknowledgement of the significant benefit that these businesses bring to our City, including:

- Nine out of 10 Certified B Corps B-certified businesses are locally owned, and they are three times more likely to be owned by minorities or women.
- Seventy-four percent are affiliated with local charities, and they are 30 times more likely to donate at least 10 percent of their profits to charity.
- Forty-four percent offer some form of employee ownership.
- Certified B Corp businesses are twice as likely to offer health insurance and retirement plans.

While the Sustainable Business Tax Credit is a greatly appreciated acknowledgment of the SBN community's contributions to the City, the structure of the tax credit program is problematic. In 2012, the first year the credit was available to businesses; only fifteen businesses received the credit. During the most recent year, only twenty-four of the twenty-five available credits were

distributed. Based on extensive conversations with stakeholders and dozens of interviews with eligible businesses, the following problems were reported:

- **The total credit is too small to make a meaningful impact on a company's financial bottom line.** In order to receive the full \$4,000 tax credit benefit, a business must have at least \$2.8 million in total sales. Few eligible businesses actually obtain that level of sales in their business.
- **The credit does little to help promote the creation of new sustainable businesses at the startup stage when the credit would be most effective.** Under the new emerging businesses exemption, a startup business is exempted from paying any taxes under the BIRT during their first two years of existence. By putting traditional start-up businesses and sustainable businesses on the same footing at creation, the City loses the value of incentivizing new businesses to adopt sustainable practices through the tax credit program.
- **After accounting for the B Corp certification fees, the actual take home amount by the businesses makes it even smaller.**

### What are the specific recommendations?

- **Apply it to profits.** Extend the tax credit from only the gross receipts portion of the BIRT to also include a credit against the much higher tax rate charged against the business's net profits. This simple change would produce significant tax savings to many small businesses whose gross receipts are not high enough to benefit from the current tax credit formula.
- **Double the number of eligible businesses.** By capping the number of credits currently available at 25, nearly 30 percent of Certified B Corps in the city do not have access to this credit. Doubling the number of credits available would not only ensure equal distribution of the credit, but it would also incentivize more businesses to complete the certification process and maximize the city's return on investment.
- **Double the tax credit to \$8,000.** At \$4,000, the current maximum tax credit for sustainable businesses is by far the lowest tax credit program offered by the City of Philadelphia. Doubling the credit to \$8,000 will provide a greater incentive for businesses to certify as a B Corps, have negligible impacts on the City's budget, and further Philadelphia's reputation as the national hub of sustainable businesses.
- **Extend Jump Start Philly tax breaks to sustainable businesses.** To incentivize more established businesses to become Certified B Corps, extend the eligibility for Jump Start Philly's two year complete BIRT tax exemption to any newly Certified B Corp that meets the job creation standards of the program.

### Conclusion

Over the past several years, Philadelphia has been experiencing a quiet renaissance. Newer and younger populations are finding the City a desirable place to live. Quality public spaces and local businesses abound, and, with sustainability as a key focus, the City is breaking into the modern day economy. However, our work is not done. The policy actions described above, including a focus on small, local, and sustainable businesses, the continued advancement of the City's *Green City, Clean Waters* plan, and a move towards local solar will position Philadelphia for continued and dramatic advancement in the areas of both economic development and sustainability. The Sustainable Business Network and its members will use our campaign to inform the public and rally



the business community, and we urge the Mayoral candidates and City Council to take the **Good Economy Challenge**.